

The Yamanashi Chuo Bank, Ltd.

The 36th Analyst Meeting

- FY18 Business Results
- Forecasts for the Current Term (FY19)
- Medium-Term Management Plan
“Value+ 2022”

June 5, 2019 (Wed)

Profile

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Profile (as of March 31 , 2019)

- Predecessor founded: April 1877
- Established: December 1941
- Head office: 20-8, Marunouchi 1-Chome, Kofu, Yamanashi
- Common stock: ¥15.4 billion
- Employees: 1,726
- Branches (including sub-branches):
92 (75* in Yamanashi Pref., 16 in Tokyo, 1 in Kanagawa Pref.)
Corporate Sales Office: 1 (Nerima)
Representative Office: 1 (Hong Kong)
(*) Includes 1 Internet branch



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 FY18 Business Results and Forecasts for the Current Term (FY19)

FY18 Business Results (Summary)

Interest on loans increased for the first time in 11 fiscal years. A decline in interest on securities was absorbed by reducing expenses. Net income rose 0.6% YoY to ¥4.4 billion.

(¥ billion, %)	FY17	FY18	YoY change (%)
Operating income	49.3	47.5	(1.7) ((3.5))
Gross banking profit	34.7	38.9	4.1 (12.0)
Interest income	30.1	29.8	(0.3) ((1.2))
Fees and commissions	4.7	4.6	(0.0) ((1.2))
Other operating income	(0.9)	(0.4)	0.4 (44.9)
Gross banking profit on core operations	34.0	33.9	(0.0) ((0.0))
JGBs and other bond transactions	0.6	4.9	4.2 (609.9)
Expenses	26.9	26.5	(0.3) ((1.4))
General provision to loan loss reserve	-	1.0	1.0 (-)
Net business profit	7.8	11.3	3.5 (45.5)
Net business profit on core operations	7.1	7.4	0.3 (5.1)
Non-operating losses	(1.1)	(4.8)	(3.6) ((319.0))
Gains on reversal of provision to loan loss reserve	0.6	-	(0.6) ((100.0))
Reversal of loan loss reserve	0.0	(0.6)	(0.6) ((8,814.2))
Equity share and similar transactions	6.4	0.0	(6.3) ((98.9))
Loss on dissolution of investment trusts	7.5	5.2	(2.3) ((31.0))
Ordinary profits	6.6	6.5	(0.1) ((1.9))
Extraordinary income (losses)	(0.6)	(0.2)	0.3 (62.3)
Income before income taxes	6.0	6.2	0.2 (4.0)
Income taxes - basic	1.0	0.5	(0.5) ((49.2))
Income taxes - deferred	0.5	1.2	0.7 (145.4)
Net income	4.4	4.4	0.0 (0.6)

Interest Income (analysis of difference factors)

(¥ billion, %)	FY18	YoY change (%)	Balance	Yield
Fund operations	30.6	(1.2) ((4.0))	(1.7)	0.4
Interest on loans	15.8	0.0 (0.4)	1.0	(1.0)
Interest on securities	14.5	(1.3) ((8.2))	0.5	(1.9)
Call loan, etc.	0.2	(0.0) ((16.0))	(0.2)	0.1
Fund procurement	0.8	(0.9) ((51.9))	0.0	(0.9)
Interest on deposits, etc.	0.3	(0.0) ((10.2))	0.0	(0.0)
Call money, etc.	0.4	(0.8) ((65.8))	0.7	(1.6)
Interest income	29.8	(0.3) ((1.2))	-	-

Fees and Commissions

(¥ billion)	FY18	YoY change
Revenues	7.3	(0.0)
Investment trusts	0.7	(0.1)
JGBs held by individuals	0.0	0.0
Life insurance	1.1	(0.0)
Others	5.5	0.1
Cost	2.7	0.0
Fees and commissions	4.6	(0.0)

Expenses

(¥ billion)	FY18	YoY change
Personnel	15.2	(0.3)
Premises and equipment	9.9	(0.0)
Taxes	1.3	(0.0)
Expenses	26.5	(0.3)

Earnings Forecasts for the Current Term (FY19) 山梨中央銀行

Interest of securities is expected to decline amid continuing low interest rates. Ordinary profits and net income are expected to decrease.

	(¥ billion, %)	FY18	FY19 (forecast)	YoY change (%)
Gross banking profit		38.9	30.7	(8.1) ((20.8))
Interest income		29.8	25.8	(3.9) ((13.1))
Fees and commissions		4.6	5.1	0.4 ((10.0))
Other operating income		(0.4)	(0.7)	(0.2) ((52.6))
Gross banking profit on core operations		33.9	30.2	(3.7) ((10.9))
JGBs and other bond transactions		4.9	0.5	(4.4) ((89.8))
Expenses		26.5	26.8	0.3 ((1.4))
General provision to loan loss reserve		1.0	0.0	(1.0) ((96.6))
Net business profit		11.3	3.9	(7.4) ((65.6))
Net business profit on core operations		7.4	3.4	(4.0) ((54.5))
Non-operating losses		(4.8)	0.8	5.6 ((116.5))
Reversal of loan loss reserve		(0.6)	0.5	1.1 ((193.2))
Equity share and similar transactions		0.0	1.7	1.6 ((2,551.5))
Loss on dissolution of investment trusts		5.2	-	(5.2) ((100.0))
Ordinary profits		6.5	4.7	(1.8) ((27.9))
Net income		4.4	3.2	(1.2) ((28.7))

Interest Income
(analysis of difference factors)

	(¥ billion, %)	FY19 (forecast)	YoY change (%)	Balance	Yield
Fund operations		26.6	(3.9) ((12.9))	(0.4)	(3.5)
Interest on loans		16.3	0.4 ((2.9))	0.5	(0.1)
Interest on securities		10.1	(4.4) ((30.3))	(1.0)	(3.3)
Call loan, etc.		0.2	(0.0) ((9.9))	(0.0)	0.0
Fund procurement		0.7	(0.0) ((5.7))	0.0	(0.0)
Interest on deposits, etc.		0.3	(0.0) ((1.0))	0.0	(0.0)
Call money, etc.		0.4	(0.0) ((9.7))	0.1	(0.1)
Interest income		25.8	(3.9) ((13.1))	-	-

Fees and Commissions

	(¥ billion)	FY19 (forecast)	YoY change
Revenues		7.9	0.5
Investment trusts		0.8	0.1
JGBs held by individuals		0.0	0.0
Life insurance		1.4	0.3
Others		5.6	0.1
Cost		2.7	0.0
Fees and commissions		5.1	0.4

Expenses

	(¥ billion)	FY19 (forecast)	YoY change
Personnel		15.1	(0.0)
Premises and equipment		10.3	0.4
Taxes		1.3	0.0
Expenses		26.8	0.3

Dividends		FY17	FY18	FY19 (plan)
	Dividend per share (annual)	¥7.00	¥35.00	¥35.00

Reflecting consolidation of shares (5 shares → 1 share) for October 1, 2018

	End of Mar. 2019	End of Mar. 2020 (estimate)
Nikkei Stock Average	¥21,205	¥21,205

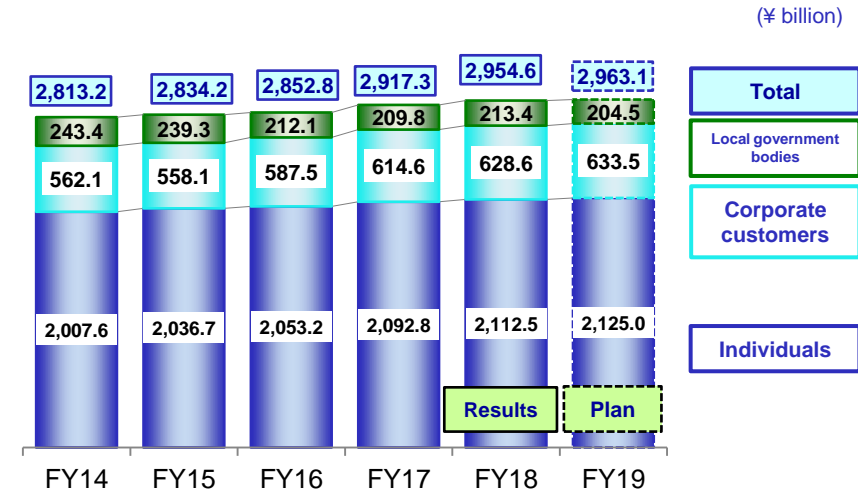
Deposits

Total deposits for FY18 increased by 1.2% YoY. A negative interest-rate policy curbed increases in deposits from large corporations and government funds.

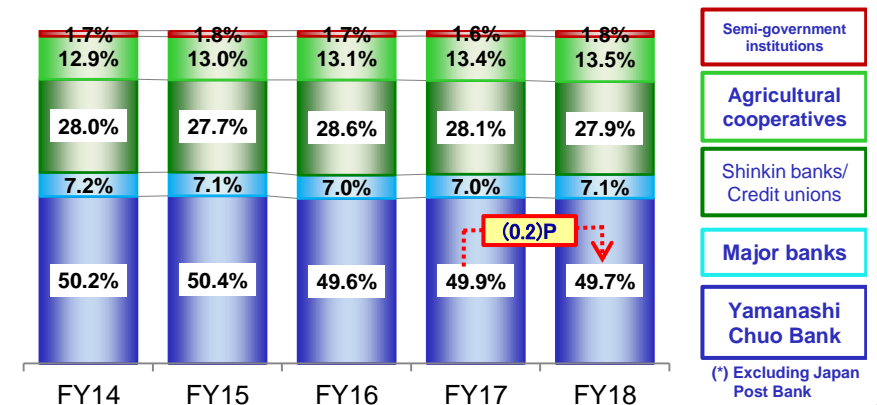
Balance of Deposits (average)



Balance by Customer Segment (average)



Deposit Shares in Yamanashi Prefecture (term-end)

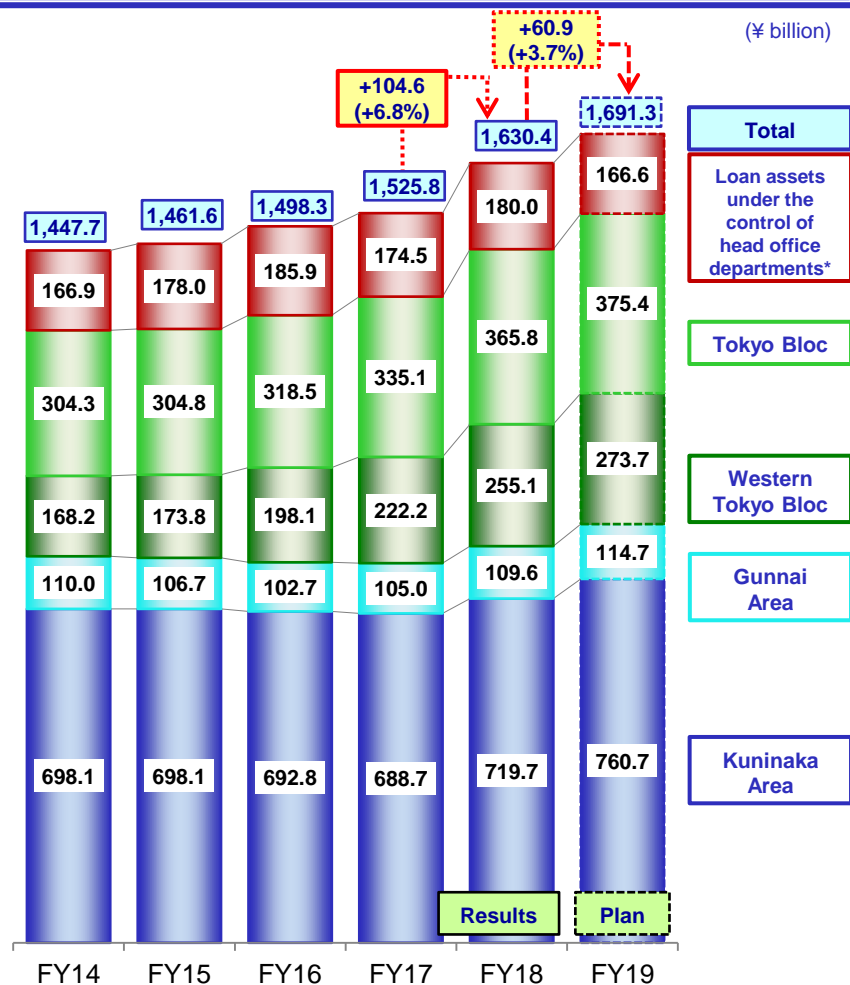


(*) Excluding Japan Post Bank

Loans (1)

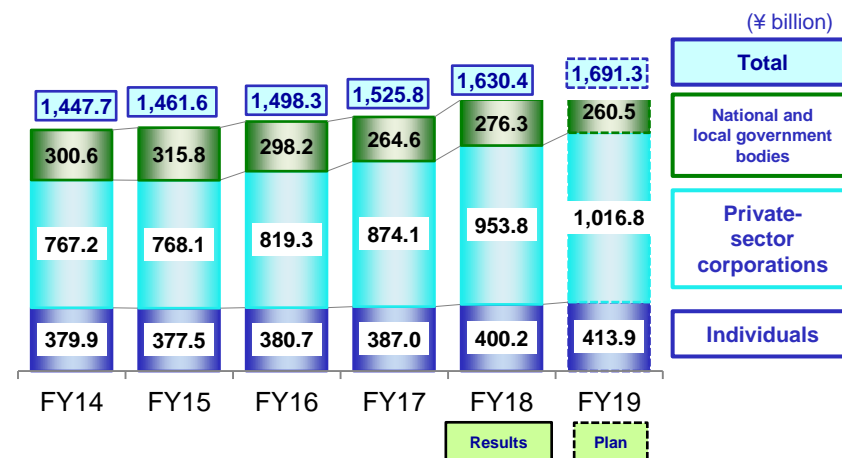
Total loans for FY18 increased by 6.8% YoY, mainly business loans. Significant increases were recorded both in and outside Yamanashi Prefecture.

Balance of Loans (average)

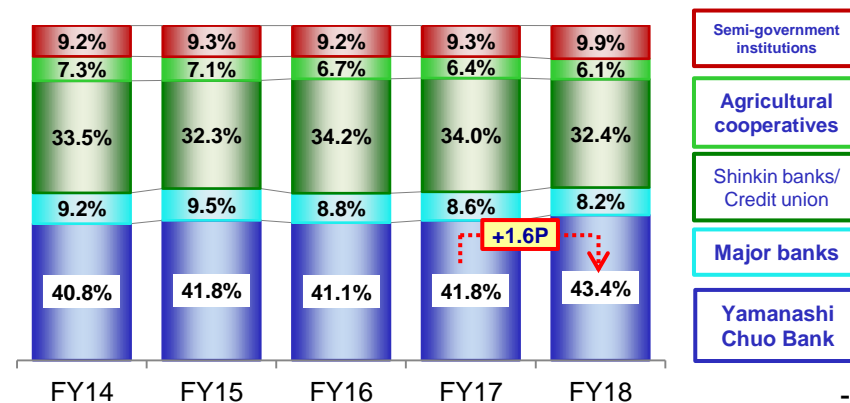


(*) Loans assets under the control of head office departments refers to loans to the Ministry of Finance, loans made under loan participation agreements and financial receivables transferred from other industries.

Balance by Customer Segment (average)



Loan Shares in Yamanashi Prefecture (term-end)

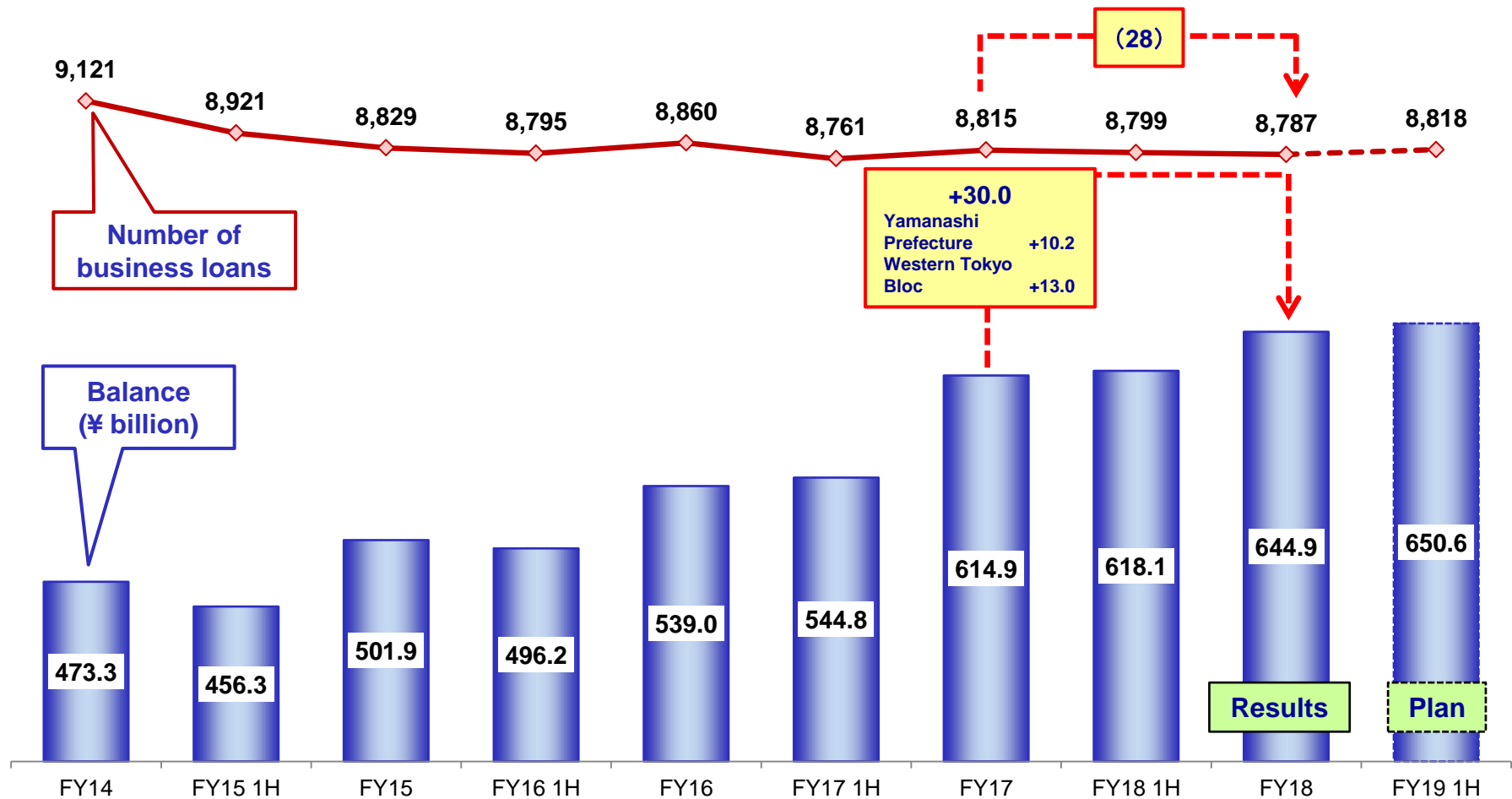


Loans (2)

Proactive efforts to increase loans based on business feasibility studies were successful, with loans to SMEs increasing by ¥30.0 billion YoY.

The number of business loans declined by 28 YoY. However, support for start-ups and business succession was further strengthened to compensate for the decrease in business branches inside Yamanashi Prefecture.

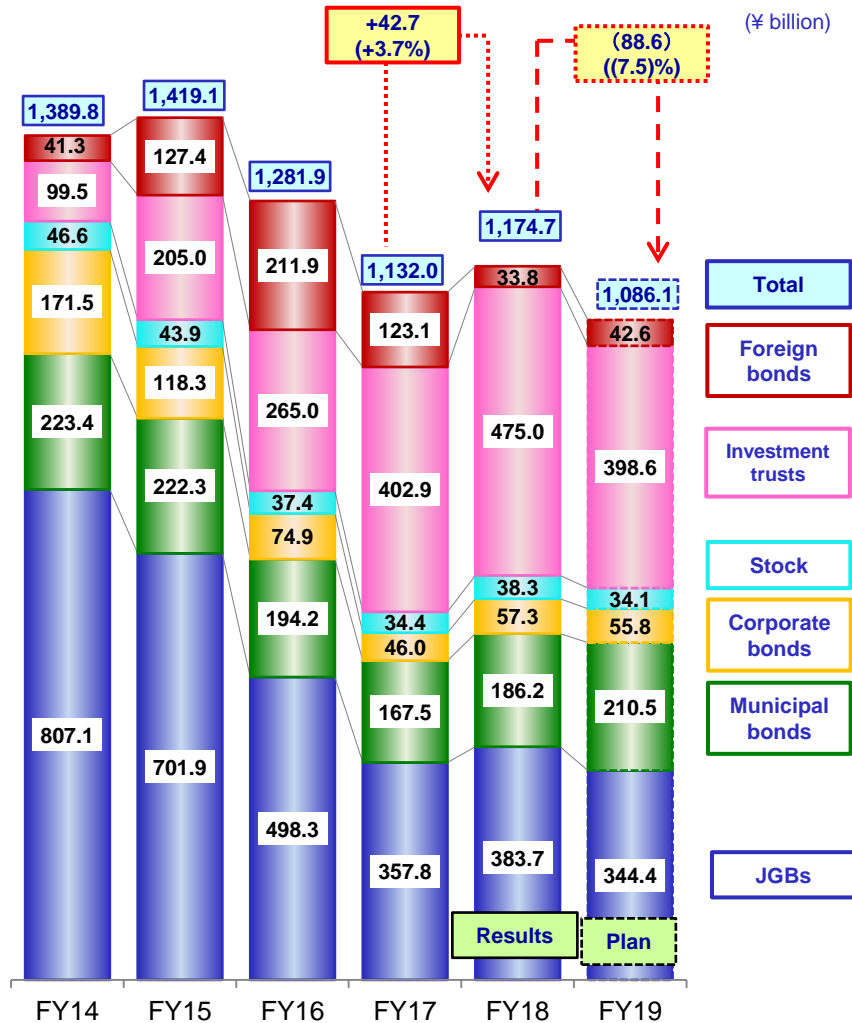
Balance of Loans to SMEs (term-end) and Number of Business Loans



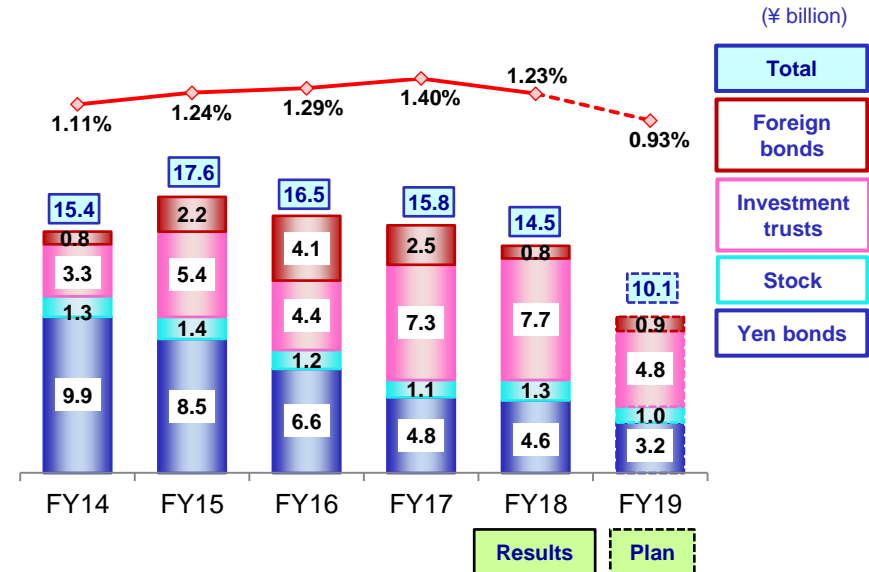
Securities (1)

Investment in investment trusts and yen-denominated bonds increased the average balance of securities by 3.7% YoY.

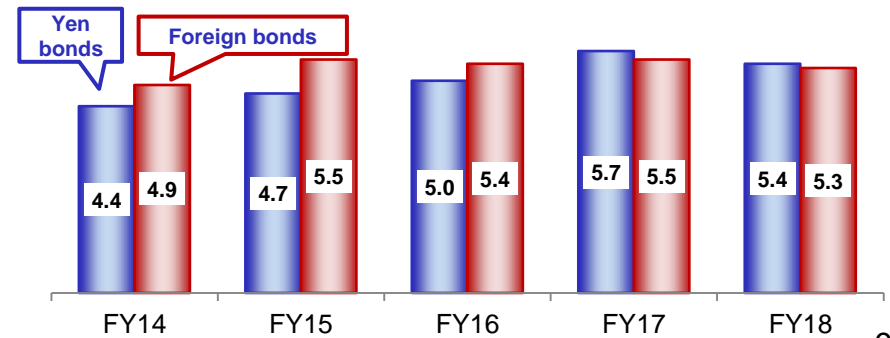
Balance of Securities (average)



Changes in Interest Dividends and Securities Yield



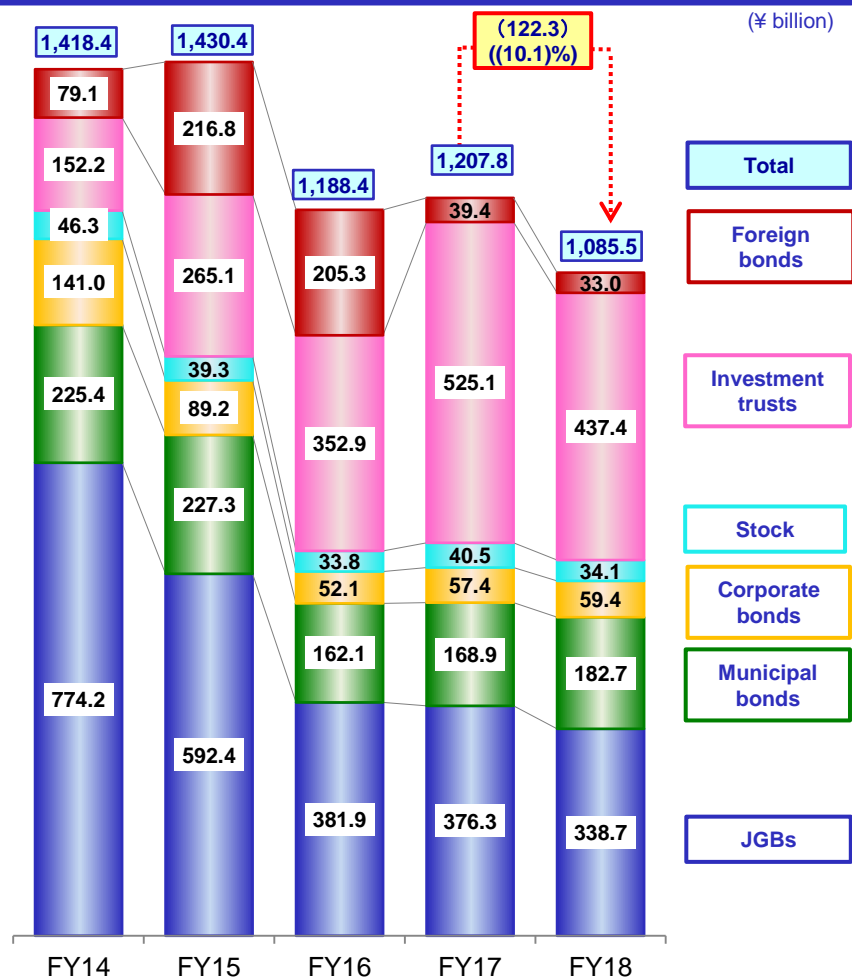
Changes in Bond Modified Duration



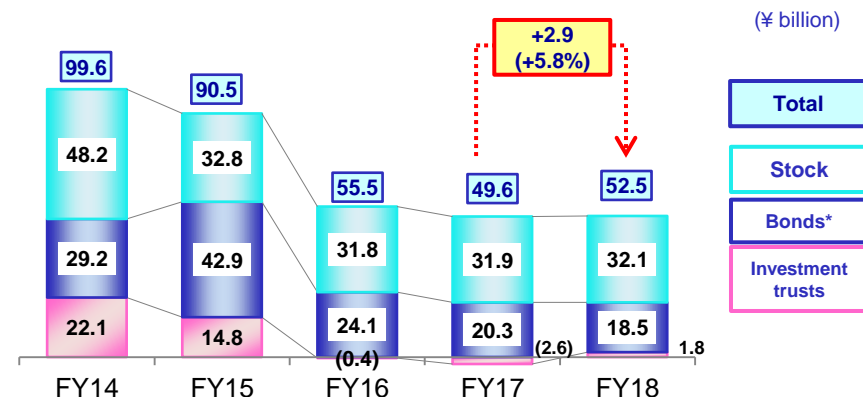
Securities (2)

Appraisal gains on investments increased by 5.8% YoY due to a decrease in interest rates in Europe and the U.S.

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

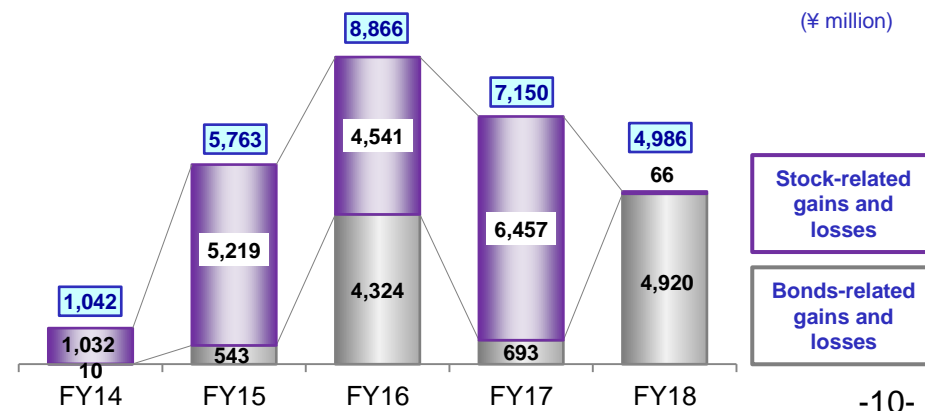


Changes in Appraisal Gains (Losses)



* The breakdown for bond appraisal gains (losses) are listed on Page 14 of the appendix.

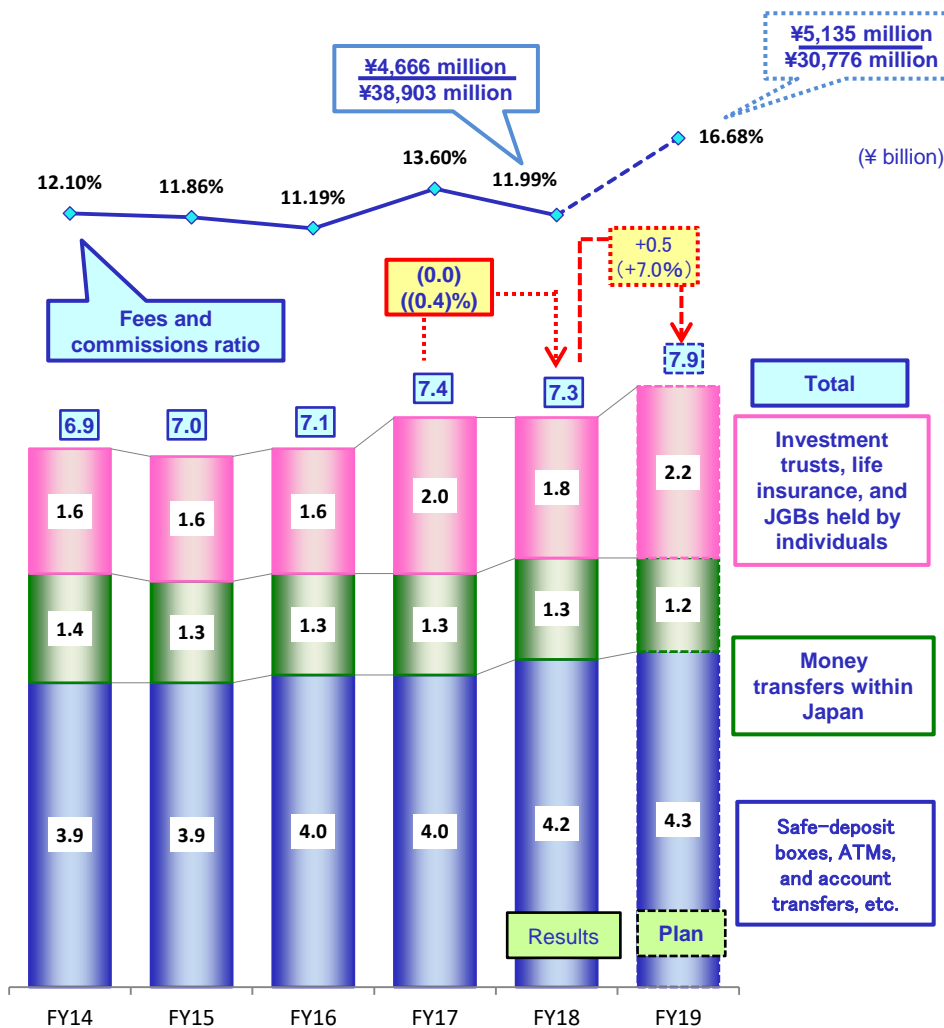
Changes in Securities Gains and Losses



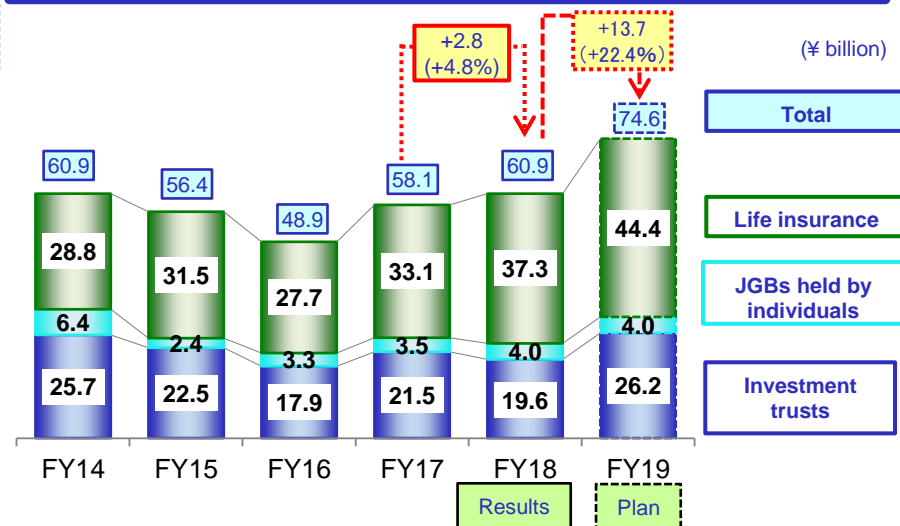
Fees and Commissions

Commissions related to financial instruments decreased. However, fees and commissions remained mainly level YoY. For FY19, commissions are expected to increase by around ¥0.5 billion YoY.

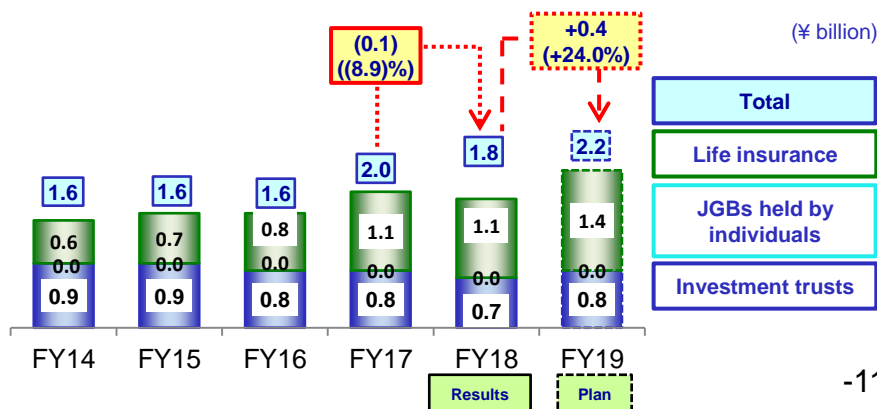
Fees and Commissions/Fees and Commissions Ratio



Sales of Investment Trusts, Life Insurance and JGBs Held by Individuals



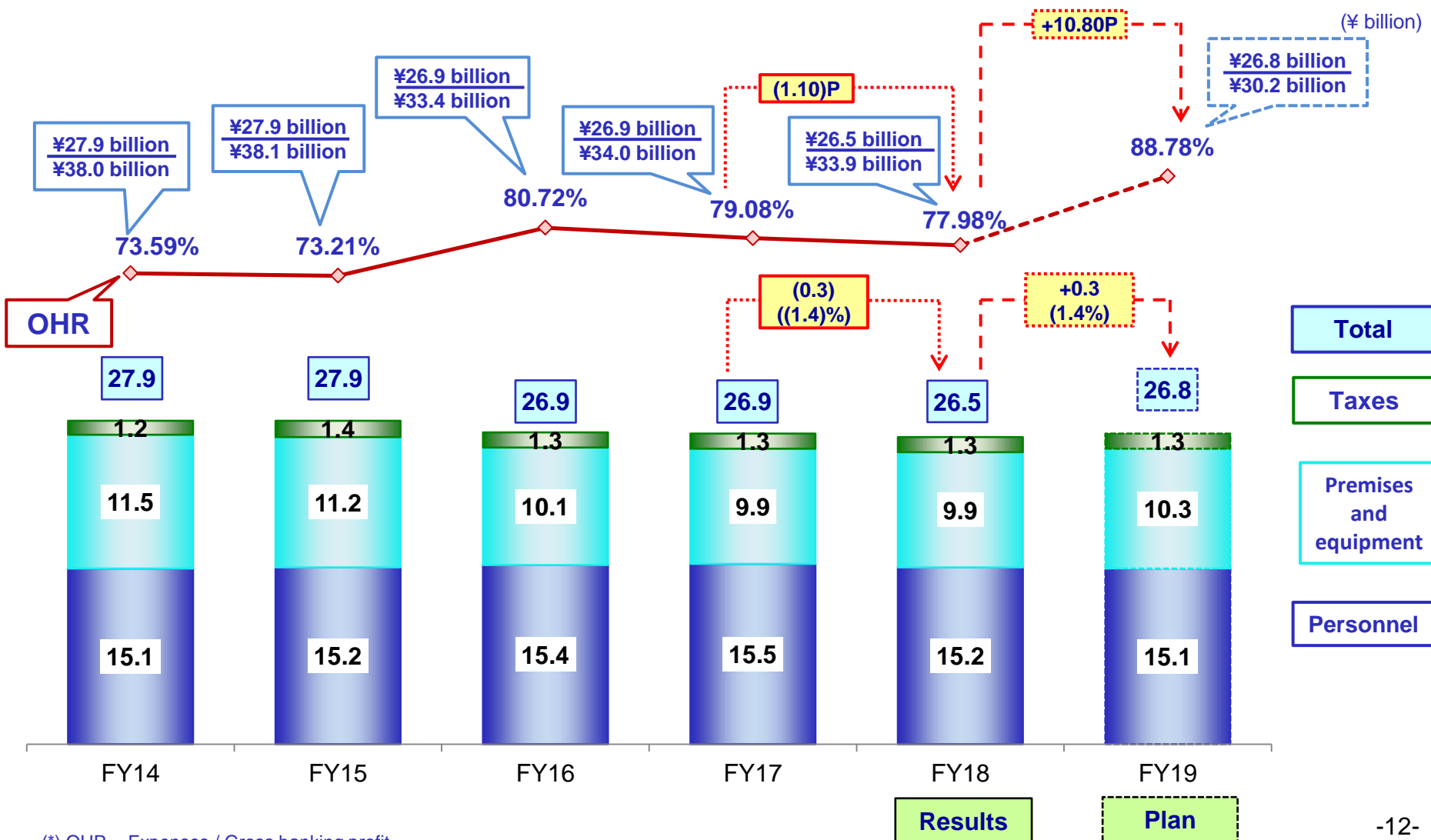
Commissions for Sales of Investment Trusts, Life Insurance and JGBs Held by Individuals



(*) Fees and commissions ratio = Fees and commissions / Gross banking profit

Expenses and OHR

OHR for FY19 is expected to increase, mainly due to a decrease in interest income reflecting a decrease in interest on securities.



(*) OHR = Expenses / Gross banking profit

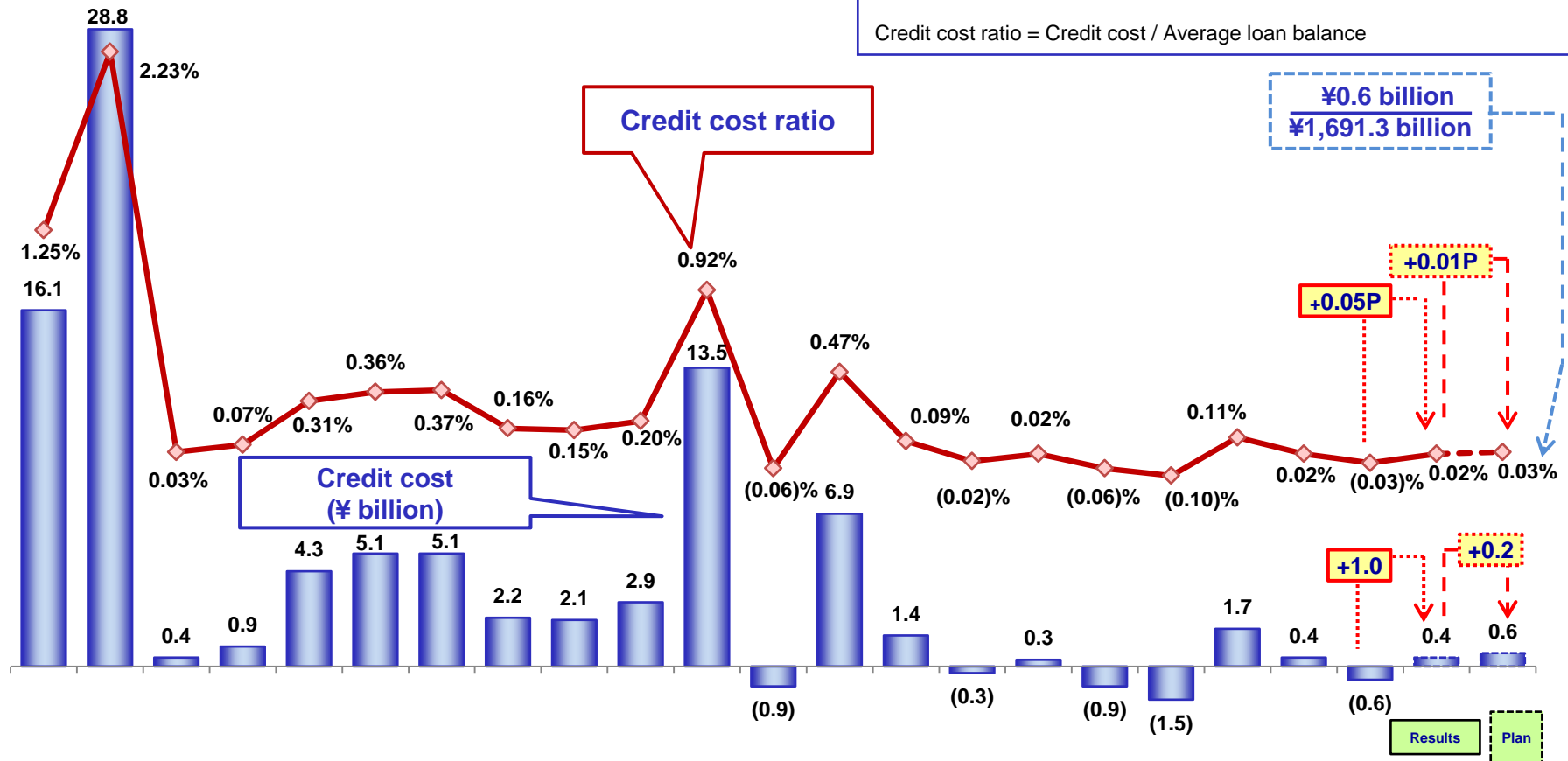
Credit Cost

While specific loan loss reserves were reversed, general provision to loan loss reserve increased and the credit cost for FY18 came to ¥0.4 billion.

Credit Cost/Credit Cost Ratio

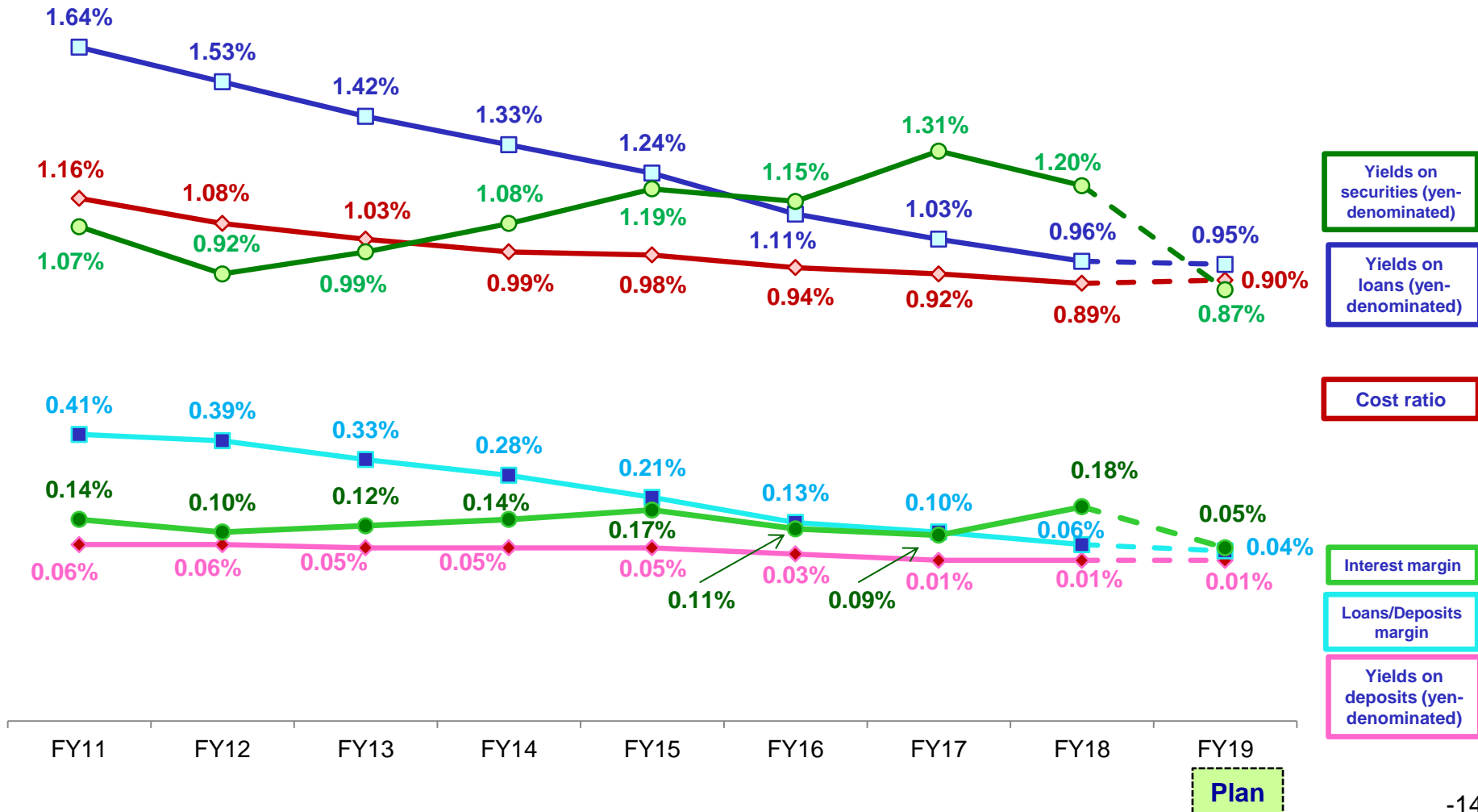
Credit cost = General provision to loan loss reserve + Provisions to specific loan loss reserve + Loans written-off + Loss on sale of claims + Others

Credit cost ratio = Credit cost / Average loan balance



Yields and Interest Margins

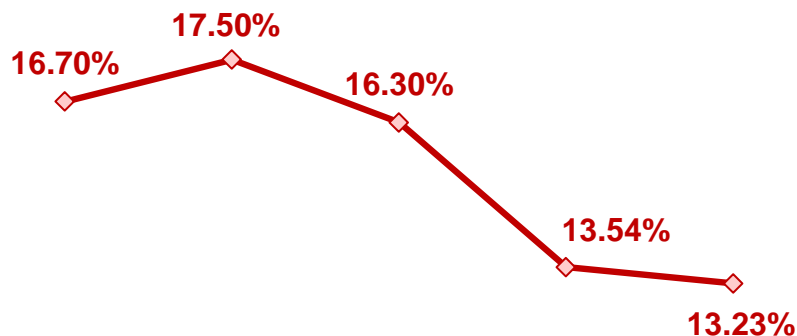
The decrease in yields on (yen denominated) loans is expected to slow dramatically.



Capital Ratio (Non-Consolidated Basis)

The capital ratio decreased by 0.31 ppt YoY, mainly due to an increase in risk assets, etc. reflecting an increase in the balance of loans.

Changes in Capital Ratio



The capital ratio of 13.23% ranks second among 54 domestic banks to which the standard is applied.

(Source: Internal research)

Breakdown of Regulatory Capital

(¥ billion)

	FY14	FY15	FY16	FY17	FY18
Regulatory capital	164.8	172.2	175.6	172.9	177.5
Risk-weighted assets, etc.	986.9	984.0	1,076.8	1,276.6	1,341.5

Risk-weighted assets, etc. methods employed

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

(Reference)

Interest rate risk of bank account (end of Mar. 2019)

Interest rate risk amount	¥21.5 billion
Regulatory capital	¥177.5 billion
Outlier ratio	12.1%

(*) We use internal model to calculate core deposits.

FY14 FY15 FY16 FY17 FY18

Return to Shareholders

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.

⇒ To enhance returns to profit distribution for shareholders, we provide a stable annual dividend of ¥35 per share based on performance-linked dividends introduced in FY15. The shareholder return ratio which combines dividends and acquisition of Company shares, is set at a standard of 20-30% annually.

Trends in Dividend Payment

Reflecting consolidation of shares (5 shares → 1 share)
for October 1, 2018

	FY13	FY14	FY15	FY16	FY17	FY18	FY19 (forecast)
Dividend per share (annual)	¥6.50	¥7.00	¥10.00	¥9.00	¥7.00	→ ¥35.00	¥35.00
Term-end share price	¥466	¥526	¥413	¥498	¥438	¥1,371	-
Dividend yield	1.39%	1.33%	2.42%	1.80%	1.59%	2.55%	-

Return to Shareholders

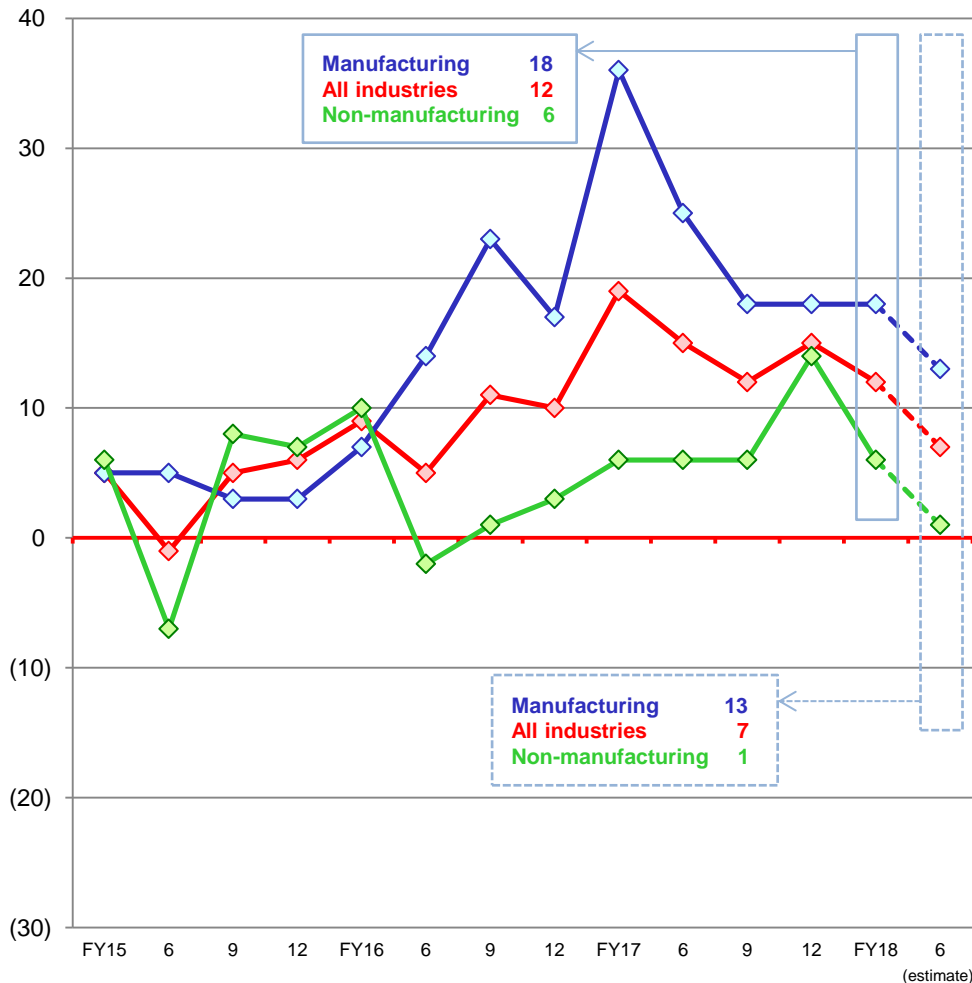
Acquired 3,800 thousand shares
between Feb. 2019 and Mar. 2019

(¥ million)	FY13	FY14	FY15	FY16	FY17	FY18	FY19 (forecast)
Annual dividend (1)	1,134	1,211	1,712	1,521	1,172	1,162	1,155
Treasury stock acquired (2)	835	834	899	1,235	487	→ 522	-
Return to shareholders (3) = (1) + (2)	1,970	2,045	2,611	2,757	1,659	1,684	1,155
Net income (non-consolidated basis) (4)	7,898	8,200	8,737	6,710	4,464	4,494	3,200
Dividend payout ratio	14.42%	14.83%	19.70%	22.73%	26.34%	25.97%	36.11%
Shareholder return ratio (3) / (4) × 100	24.94%	24.94%	29.88%	41.08%	37.17%	37.48%	36.11%

Ⅱ Economic Trends in Yamanashi Prefecture

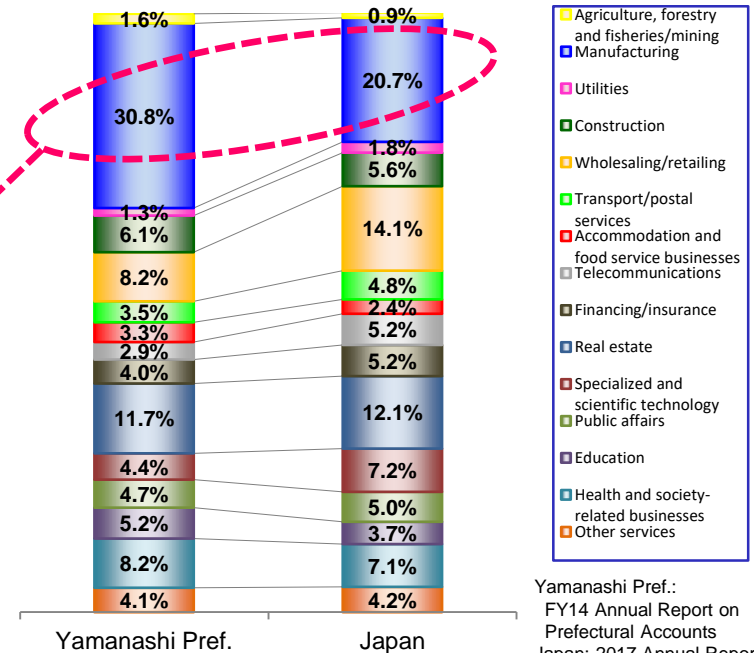
Business Trends

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



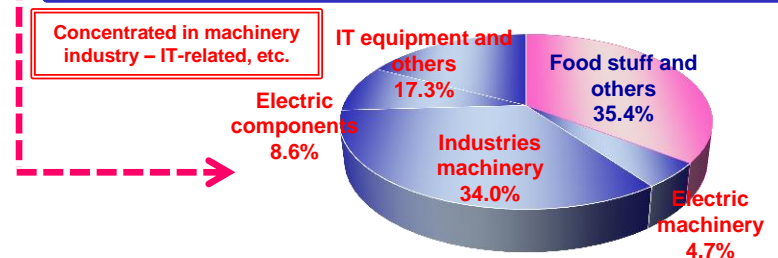
(Bank of Japan, Kofu Branch)

Gross Production by Economic Activity



Yamanashi Pref.:
FY14 Annual Report on
Prefectural Accounts
Japan: 2017 Annual Report on
National Accounts

Percentage of Shipments of Products Manufactured in Yamanashi Prefecture



2017 Census of Manufacturers

Local Industries in Yamanashi Prefecture

Wine



- 23.4% share of shipment amount ranks second in Japan.
- "Yamanashi" wine designated as an indication (National Tax Agency).

Sake



Mineral Water



- 32.7% share of shipment amount ranks first in Japan.

Fruits



- Harvest of grapes, peaches and Japanese plums ranks first in Japan.

Jewelry



- Shipment amount of jewelry ranks second in Japan

Silk Fabric



- Shipment amount of ties ranks third in Japan.
- Shipment amount of down quilts ranks third in Japan.

Knit Products



Inden leather



Traditional Japanese Paper



- Shipment amount of Shoji paper and Calligraphy paper ranks second in Japan.

(*) Source: 2017 Census of Manufacturer (2016 Results and Confirmed Data), 2018 Census of Crops

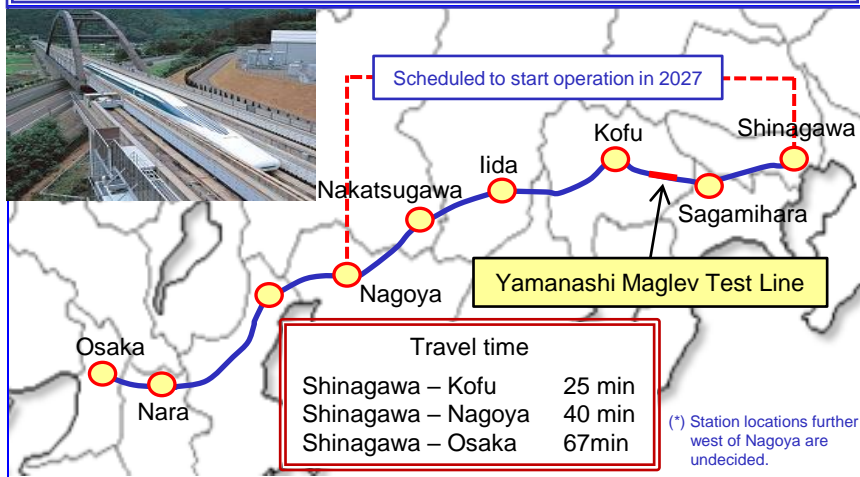
Expected Effects

Increase in tourists from Kansai and Tokai regions, increase in opportunities for receiving orders, expansion of logistic facilities, and increase in residents due to expanded commuting radius to Greater Tokyo, etc.

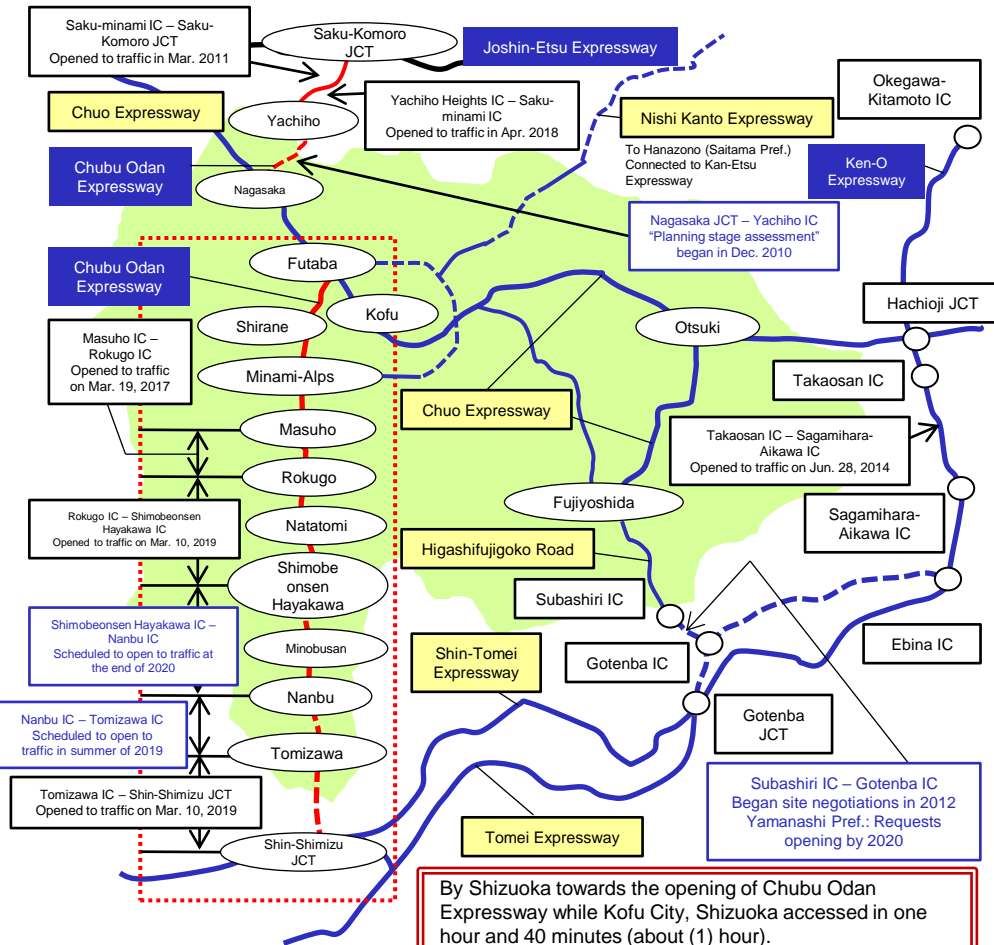
Shinkansen Maglev Train

- Oct. 2014: Minister of Land, Infrastructure, Transport and Tourism approved the start of construction, with opening planned for 2027.
⇒ Request for certain segments to enter service by the start of the 2020 Tokyo Olympic Games.
- Dec. 2015: Construction began on the Yamanashi side section of the Southern Alps Tunnel (communication route).
- Jan. 2016: Shinagawa Station construction
- Nov. 2016: Nagano section started construction of the Southern Alps tunnel.
- Mar. 2017: Yamanashi Prefecture creates “Linear Environmental Future City Improvement Policy”.
- Apr. 2018: Construction began on the Yamanashi section of the Southern Alps Tunnel (mail line).

Map of Shinkansen Maglev Train Route



Chubu Odan Expressway



Ⅲ Medium-Term Management Plan “Value+ 2022”

Overwhelming share within Yamanashi Prefecture

Leeway to take risks due to high soundness

Western Tokyo as a base continuing on from Yamanashi Prefecture and adjoining areas

Advantages Opportunities

History and traditions from Japan's Tenth National Bank

Greater expansion of inbound demand

Upcoming Shinkansen Maglev Train/Chubu Odan Expressway

Topics related to external and internal environments

Respond to declining population

Improve aging population, declining workforce, hiring difficulties, productivity

Respond to digitalization

Develop new financial services that use IT

Expand threat level

Competition with other financial institutions/new players

Importance of drastic profit structure reforms

Decline in gross banking profit while personnel, premises and equipment remain high

Strengthen governance

Strengthen response to CG code/approach to business administration

Environment Awareness and Views on Reform

Topics reflecting on "S.T.E.P. up 2019"

Strengthen consulting functions
Support regional growth

Create new channels/touchpoints
Diversify opportunities for profit

Reform operations/cost structure

Cultivate personnel/reform work culture

Enhance profit/risk management frameworks

Difference from target for last FY for "S.T.E.P. up 2019"

(¥ billion)

Net business profit

Target	9.5
Results	11.3
Difference	+1.8

Net income

Target	6.0
Results	4.4
Difference	(1.6)

Balance of deposits (term-end)
(deposits + investment trusts + public bonds)

Target	3,260.0
Results	3,117.3
Difference	(142.7)

Balance of loans (term-end)

Target	1,590.0
Results	1,710.8
Difference	+120.8

Position on Long-Term Vision

Utilize our strengths and aim to establish a customer-oriented, sustainable next-generation business model that adapts to changes in the environment

Our Mission

**Region-based operations
and sound management**

Long-Term Vision

Value Creation Bank

As we approach our 150th founding anniversary, we aim to be a financial group that all stakeholders can rely upon to realize an enriched regional community, delighted customers, fulfilled employees, and satisfied shareholders.

Medium-Term Management Plan 「Value⁺ 2022」

— A stage for creating new value and implementing bold structural reforms that anticipate the changes of the times —
(First stage for achieving the long-term vision)

Basic Strategy

Enhance customer touchpoints

-Aiming to be a bank that connects with all customers-

Create common values

-Aiming to be a bank that adapts to new environments-

Improve personnel vitality

-Aiming to be a bank where diverse personnel shine-

Increase the Sophistication of Management and Administration Approach

Strengthen CSR Based on the SDGs and ESG Principles

Three Basic Strategies and Two Foundation Items

Basic Strategy

Enhance customer touchpoints

-Aiming to be a bank that connects with all customers-

Implement reconstruction of various channels such as stores, sales liaisons,, and the internet, and prepare for a posture that responds to customer needs “whenever, wherever, and whichever.”

Individual Strategy

- Optimize OTC channel
- Strengthen and expand the non-OTC channel

Create common values

-Aiming to be a bank that adapts to new environments-

As we solve diverse issues by deepening and expanding our consulting fields, we will create shared value with customers. In order to steadily execute these initiatives, we will increase the Bank’s productivity through BPI*.

Individual Strategy

- Deepen and expand consulting field
- Increase productivity through BPI

* Business Process Innovation (BPI): Operational reform that rapidly improves the Bank’s overall productivity by using the latest digital technology and drastic revisions to the business process.

Improve personnel vitality

-Aiming to be a bank where diverse personnel shine-

Develop new career paths in which each employee can utilize specialized skillsets and foster job satisfaction while developing more diverse and sophisticated professional human resources in the consulting field.

Individual Strategy

- Personnel management to promote vitality in individual employees
- Develop specialist human resources (professionals)

Foundation Item

Increase the Sophistication of Management and Administration Approach

- Strengthen earnings and risk management approach using RAF*
- Enhance approach to capital markets investment

Strengthen CSR Based on the SDGs and ESG Principles

- Strengthen CSR initiatives through new views (SDGs/ESG)
- Contribute to promote regional economic revitalization

Positioning and Quantitative Targets

Quantitative Targets and Results	(¥ billion)		Medium-term plan target (FY21)
	Item	FY18	
	Interest on loans	15.8	
	Non-interest revenue	7.3	
	Net income	4.4	
	OHR (Operating expenses/Core Gross Business Profit)	77.98%	
			17.5 or more
			9.0 or more
			3.5 or more
			Under 80%

Become a financial group that continues to create new value

Realize growth through value creation together with the community

Realize an environment for creating new value

Period of bold structural reforms for creating new value and future growth

《 Structural reform stage 》

Period of continued new value creation and achieving a growth trajectory

《 Growth trajectory stage 》

Period of achieving the long-term vision “Value Creation Bank”

《 Continued growth stage 》

1st Stage
Value+ 2022
(2019.4~2022.3)

2nd Stage
(2022.4~2025.3)

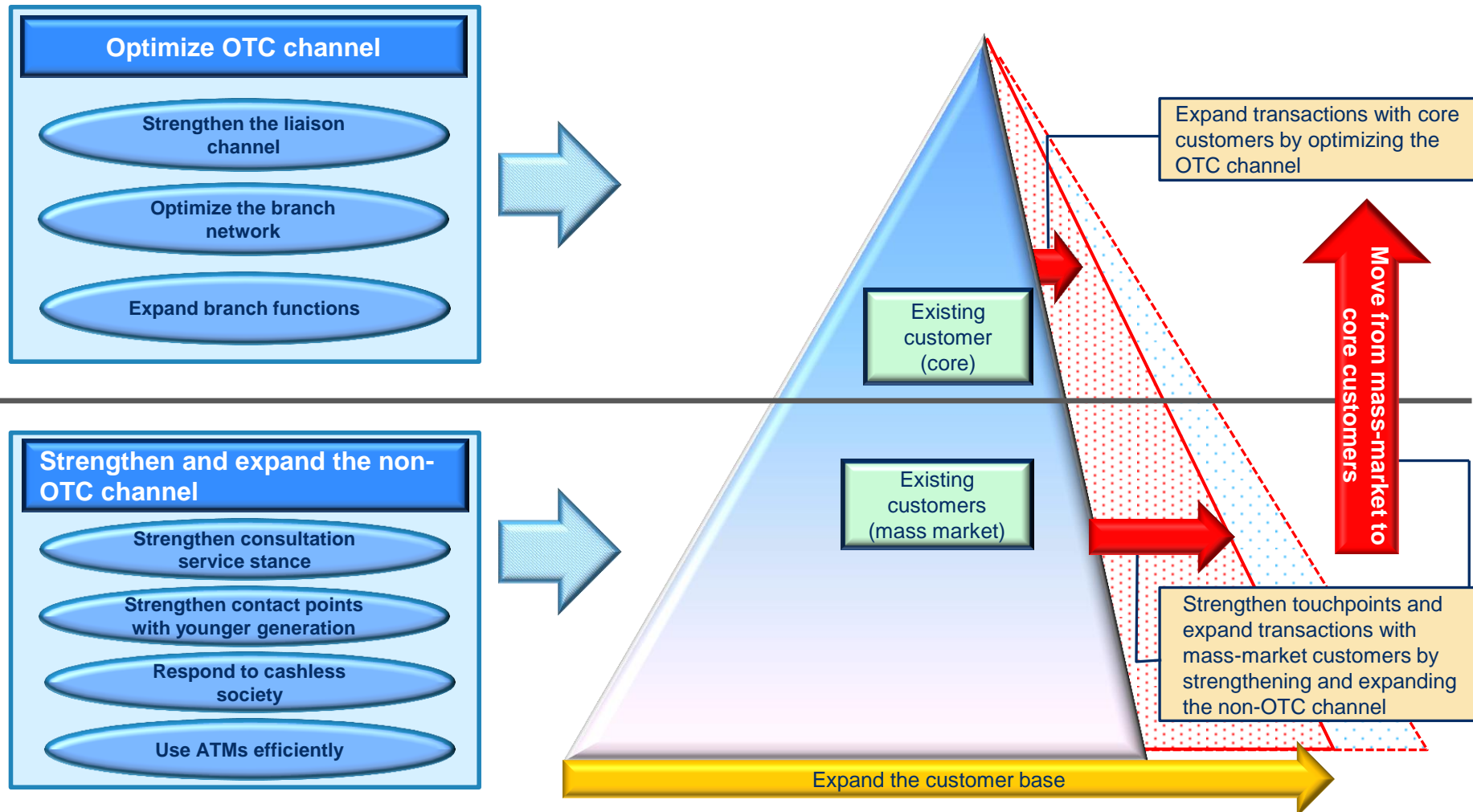
3rd Stage
(2025.4~2028.3)

*150th founding anniversary (2027)

Basic Strategy 1 Enhance Customer Touchpoints

Overall Vision

Expand the transaction base with core customers by “optimizing the OTC channel” and with mass market customers by “strengthening and expanding the non-OTC channel,” aiming to move up from the mass market to the core market.



Basic Strategy 1 Enhance Customer Touchpoints

Individual Strategy (1) Optimize OTC Channel



Optimize branches and liaisons, etc. as channels that can respond to customers' needs
“whenever, wherever, and whichever”

Strengthen the
liaison channel

Increase quantity and quality of
the liaison channel

Increase the volume of the liaison channel through human resource optimization and increase quality through training
⇒ **Number of effective consultations with customers (*1) up 30% (compared with 2018)**

Optimize the
branch
network

Concentrate deployment of human resources in Western Tokyo area after they are freed up by optimization of branch network in Yamanashi Prefecture

Bolster staff and strengthen support systems (establish Western Tokyo Consultation Sales Division) to increase volume and quality

Full banking
branch

Specialized
function
branch



Full banking
branch

Specialized
function
branch

- Reform functions of full banking branches in Yamanashi Prefecture
⇒ **Change to specialized function branches by Approx. 20% (Approx. 10 branches) (Compared with 2018)**
- Expand branches that have achieved efficiency gains through branches in branches
⇒ **Approx. 15% of branches in Yamanashi Prefecture (Approx. 10 branches) (Compared with 2018)**
- Realize branches with smaller staff and premises by relocating them within other types of facility

Expand
branch
functions

Next-generation branches

Spread and expand branches open
on holidays and at night

Make effective use of branch space

Shift to “next-generation-ready branches” with reduced business processing and branch space (define next-generation branches and build model branch)

Spread and expand Life Square
⇒ **Number of consultations increased by 10% (Compared with 2018)**

Systems for drawing in people through use of branch space aimed at creating contact points with new customers

* KPIs for each item are the KPIs for the last FY for “Value+ 2022”

*1 Average number of effective consultations per month

Optimization of Branch Network in Prefecture and Initiatives to Develop Next-Generation Branches

Optimize branches and branch functions, and nurture sales staff

Phase 1
(FY19)

Branches in branches 4
Branch function change 5
(Area integration 1,
Grouping 2)

Phase 2
(FY20)

Branches in branches 3
Branch function change 3
(Area grouping 2)

Phase 3
(FY21)

Branches in branches 3
Branch function change 2
(Area integration 1)

Branches in branches
10 branches

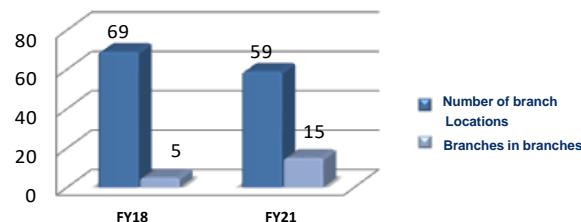
Branch function
changes 10 branches

Nurture and
redeploy
sales
personnel

Reduce the number of branch locations in Yamanashi Prefecture and revise functions

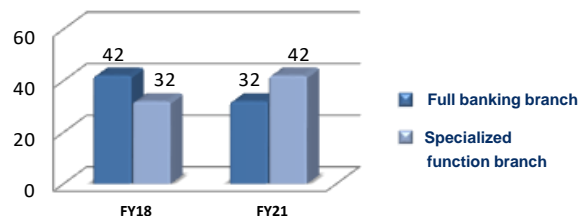
《Reduce number of branch locations》

Reduction of number of branch locations through branch in branch method



《Revise branch functions》

Change full banking branches to specialized function branches



Strengthen marketing capabilities

Streamline and
rationalize
operations to
specialize in sales

Initiatives for developing next-generation branches

Enhance face-to-face communication at branches and pursue thorough streamlining and rationalization of operations

Reception

Use tablets



Enhance reception operations through use of tablets

Streamline teller operations

Introduce self-service terminals



Realize quick, efficient operations by eliminating cash handling by staff

Prioritize emphasis on consultation operations

Enhance consultation area



Expand consultation booths to create an environment for thorough, relaxed consultation

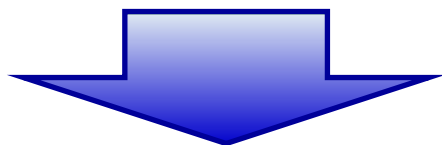
Minimize branch area (reduce cost)

Concentrate operations in middle office and downsize personnel and branch area by eliminating safes

Basic Strategy 1 Enhance Customer Touchpoints

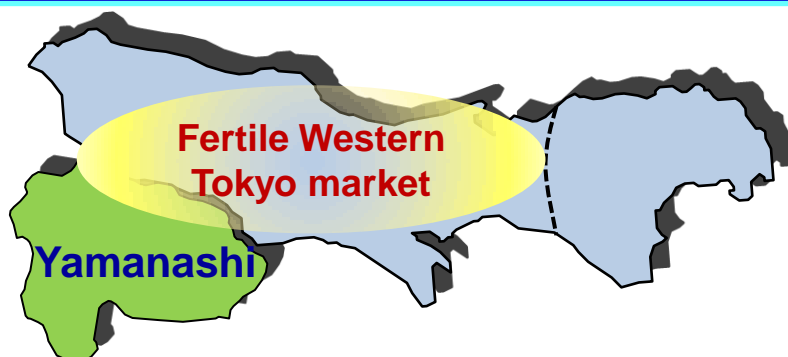
Focus Resources on Western Tokyo Area

Optimize branches in Yamanashi Prefecture conduct Head Office BPI, etc. to free up human resources for concentration in the Western Tokyo area, which is a growth market



- Shift concentration of personnel into sales
- Establish Western Tokyo Consulting Sales Department

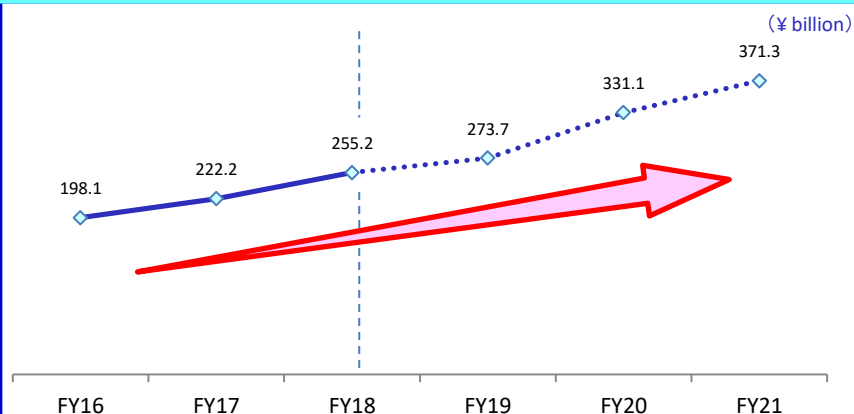
Western Tokyo Area Market Size



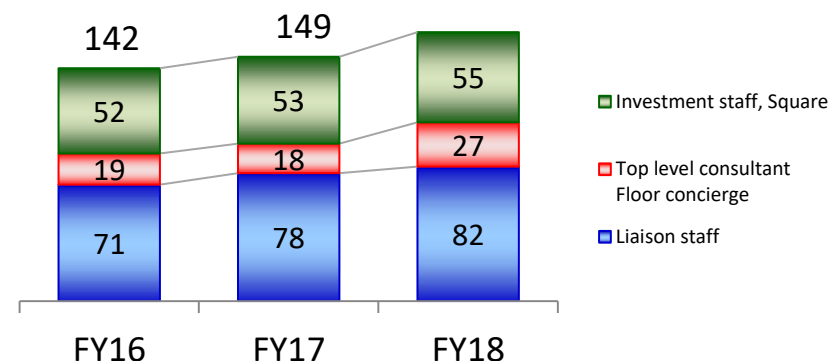
- Number of private business offices: 170,000 (Approx. 3.9 times Yamanashi Prefecture)
- Population: 5,560,000 (Approx. 6.8 times Yamanashi Prefecture)
- Number of households: 2,600,000 (Approx. 7.7 times Yamanashi Prefecture)

* Western Tokyo area includes the city areas of Tokyo Metropolis, Nishitama District, Suginami-ku, and Sagami-hara City in Kanagawa Prefecture.
Source: 2016 “Economic Census” and April 2019 “Population Estimates”

Changes in Western Tokyo Area Average Loan Balance



Changes in Sales Personnel in Western Tokyo



Basic Strategy 1 Enhance Customer Touchpoints

Individual Strategy (2) Strengthen and Expand the Non-OTC Channel



Strengthen and enhance the non-OTC channel as a channel able to respond to customers' needs "whenever, wherever, and whichever," and achieve connections with all customers

Strengthen consultation service stance

Strengthen connections with various customers at any time by strengthening the non-OTC channel

- Build online completion system
(Establishing unsecured loans, home loans, investment accounts)
- Build online consultation scheme
- Rebuild call-center based sales system
(Outbound corporate sales, use of digital technologies such as AI)



Respond to cashless society

Meet various customers' needs through cashless services

- Introduce QR code settlements
- Introduce brand debit cards
Enhance credit cards



Strengthen contact points with younger generation

Strengthen links with the younger generation with whom the Bank has few contact points

- Introduce "Wallet +" (Strengthen contact points with younger generation)
⇒ **Service release planned for autumn 2019**
- Roll-out bookless accounts at all branches



Use ATMs efficiently

Optimize customer contact points by ATM

- Strengthen ATM partnerships
(Joint installation with other financial institutions)
- Utilize the ATM network efficiently and effectively
- Optimize ATM functions, services, etc.



Mobile first
[focus on UI/UX]

Strengthen non-OTC channel
through effective use of ICT

Contact points with all customers,
including individuals and corporations

Basic Strategy 1 Enhance Customer Touchpoints

Strengthen Contact with Younger Customers through Introduction of “Wallet +”



Use smartphone app “Wallet +” to strengthen connections with younger customers with whom the bank has few contact points

Strengthen connections by developing digital marketing that compiles and utilizes non-financial data for individuals life events, primarily targeting younger customers and the mass market

Target deposits

Individual life events (marriage, childbirth, home purchase, travel, vehicle purchase, etc.)

Wallet+

Information content

Advertising

Coupon points

Financial services

D i g i t a l m a r k e t i n g

Incorporate financial services into individual life events and consumer behavior

Communicate and provide products and services tailored to individual needs

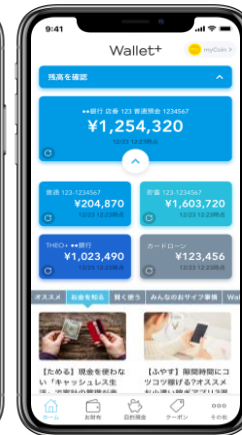
Local companies

Smartphone app “Wallet +”

App top page

Balance check

Target deposits



▪ Service release planned for autumn 2019

▪ No. of active users in 3 years' time
⇒ 58,000 persons

Basic Strategy 2 Create Common Values

Individual Strategy (1) Deepen and Expand Consulting Field 山梨中央銀行

Shift to consulting sales based on deep conversation with customers to realize “comprehensive financial services” and create shared value with customers by solving diverse issues

Realize comprehensive financial services

⇒ Non-interest revenue related to consulting services: ¥3.8 billion

*KPI for the last FY for “Value+ 2022”

Deepen the consulting field

Consulting support in step with life stage

(Proposing solutions, etc. according to growth stage and business characteristics)

Develop business for wealthy segment including corporates and individuals

(Strengthen solutions, etc. for inheritance, business succession, M&A)

Strengthen links with the Bank's group companies

(Leasing and investment services, etc.)

Diversification of asset management proposals

(Securities broking, etc.)

+

Expand the consulting field

Enter new fields

(Human resource placement services, etc.)

Provide new consulting options

(IT and human resource labor-management support, etc.)

Diversify financing methods

(Structured finance, derivatives, etc.)

Introduce new individual asset management support

(Investment trusts, guardian support deposits, etc.)

Expand contact points using service platform

Build a platform for corporations using CEO club

Build a service platform to meet the needs of an aging society

Basic Strategy 2 Create Common Values

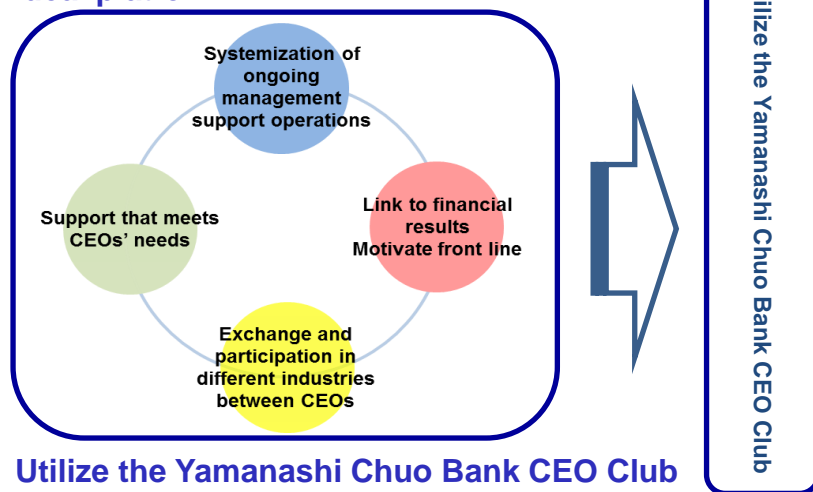
Deepen and Expand Consulting Field

Expand contact points using service platform

Build a platform for corporations using CEO club

We will build systems for consulting functions that can adapt to increasingly sophisticated and diverse customer needs.

◆ Ideal platform



◆ Utilize the Yamanashi Chuo Bank CEO Club

【Enhance services】

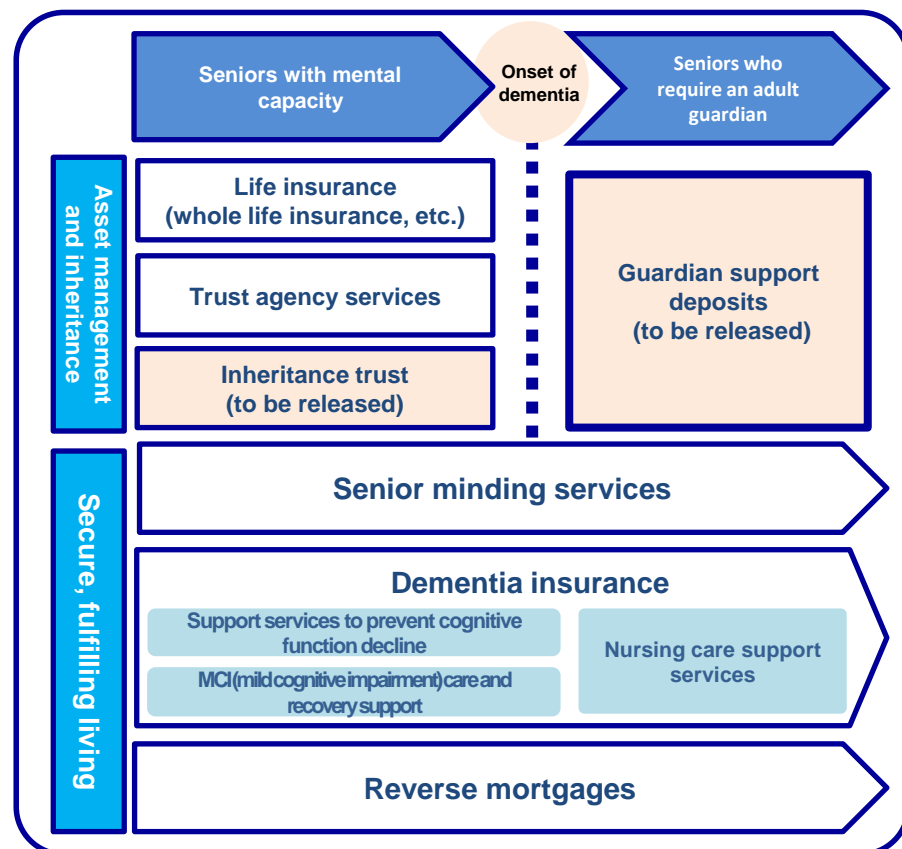
- Enhance online services Change main service partners
- Enhance real-world services Hold seminars and courses, etc.

【Strengthen consulting functions】

- Centralize seminars run individually by each division for more efficient operation
- Grasp CEO issues using questionnaires, cultivate deeper transactions and create openings for advancement

Build a service platform to meet the needs of an aging society

We will expand products and services that can provide secure, comfortable living for senior customers and their families through transactions with the Bank, and build this into a service platform.



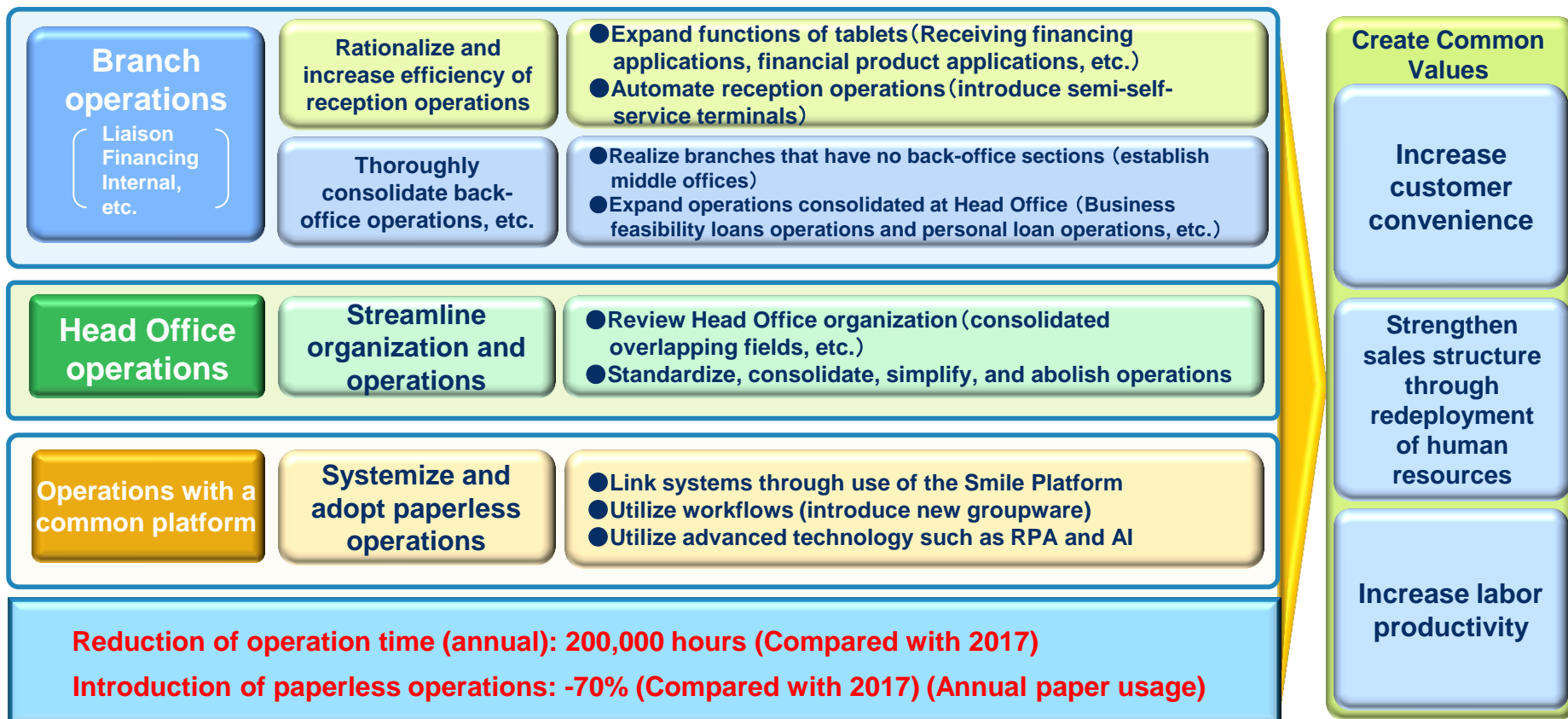
Basic Strategy 2 Create Common Values

Individual Strategy (2) Increase Productivity through BPI



Building a foundation for a next-generation business model in response to environmental changes by dramatically improving the productivity of general banking operations through operation reforms, etc.

- Introduce electronic procedures and semi-self service ⇒ Increase customer convenience by making procedures simpler and quicker
- Introduce smart operation management ⇒ Strengthen sales structure through redeployment of human resources
- Introduce electronic and consolidated operations ⇒ Increase labor productivity by shortening operation execution times



* KPIs for each item are the KPIs for the last FY for "Value+ 2022"

* Aim to reduce operation time equivalent to over 100 personnel

* Paper usage is counted in terms of the number of sheets used in printing and copying

Basic Strategy 3 Improve Personnel Vitality

Individual Strategy (1) Personnel Management to Promote Vitality in individual Employees



Aim to create a highly motivated organization where individual employees experience fulfillment and pride by fully utilizing their strengths and where everyone can play a role

Cultivate motivation and fulfillment in individual employees by reforming the personnel system (work style reforms)

Use personnel management to draw out the strengths and capabilities of every employee

Develop diverse career paths

Develop diverse career paths in response to increasingly specialized operations (consulting, etc.) in line with diversification of customers' needs

Build a new evaluation system

Build a more acceptable evaluation system that recognizes positive efforts

Promote young and female employees

Actively promote young and female employees, giving them assignments suited to their ambition and ability

Increase opportunities for seniors

Create an environment where the experience and strengths of senior employees can be fully used

Increase productivity by creating a comfortable working environment for all

Promote flexible working styles

Create diverse working conditions and promote flexible working styles that emphasize work-life balance, such as teleworking

Support employees balancing work and home-life

Actively support employees in balancing work and home-life, including by creating an environment that is easy for both men and women to engage in childrearing and promoting use of childrearing leave

Promote communication

Practice communication with an awareness of each employee's strengths and create a fulfilling working environment

Conduct health promotion measures

Build systems for maintaining and promoting health of individual employees with the main premise of an organization where anyone can participate

Basic Strategy 3 Improve Personnel Vitality

Individual Strategy (2) Develop Specialist Human Resources (Professionals)

Create internal human resource development systems in which each employee achieves a real sense of growth and develop more diverse and sophisticated specialist (professional) human resources in the consulting field

Create an OJT system and develop professional human resources

Create an OJT system that enables individuals to achieve a real sense of growth

- Introduce systems to promote OJT
- Introduce the “New Recruit and Young Employee Training Support Program”
- Strengthen OJT through Head Office staff guidance

Develop professional human resources for providing new value to customers

- Actively promote young employees to specialist divisions
- Increase total financial service proposal capabilities of managers (Consulting such as asset management and leasing operations)
- Actively dispatch staff to external educational institutions and companies

Foster self-improvement awareness to strengthen fundamental business skills

- Create a career advancement system related to self-improvement
- Enhance tools for supporting self-improvement
- Promote acquisition of challenging high-level qualifications in specialist fields

Foundation Item 1 Increase the Sophistication of Management and Administration Approach

(1) Strengthen Earnings and Risk Management Approach Using RAF

Encourage appropriate risk-taking and increase the risk-return ratio by engaging in building a risk appetite framework (RAF) to realize risk appetite

Our Mission
Region-based operations and sound management

Management Vision and Business Model

Risk appetite framework (RAF)

**Risk appetite
(Risk appetite policy)**

Quantitative
items

Qualitative
items

Link organically

Medium-term
Management Plan
Total budget

Stress testing

Capital allocation amount
Loss limit amount

Secure sustainable and stable
earnings through appropriate
risk-taking

Ensure soundness through
prevention of unexpected losses

Results monitoring

Manage risk signs

Verify

Verify

Verify

Verify

Verify

Aim to maintain a sound portfolio and secure sustainable earnings by building a securities portfolio suited to the environmental changes and pursue appropriate returns on risk based on management policy and capacity

Increase sophistication of capital market investment based on RAF

【Basic Policy on Securities Investment】
Maintain a sound portfolio and secure sustainable earnings

Pursue appropriate returns on risk

- Pursue appropriate returns on risk based on RAF
- Build a portfolio suited to the environmental changes

Increase sophistication of investment methods

- Expand investment with a focus on capital gain
- Build investment system suitable for risk taking
- Strengthen investment management system focused on overall profit and loss
- Diversify hedging instruments to increase the sophistication of investment techniques

Increase the sophistication of the risk management system

- Maintain a sound portfolio by strengthening the risk management system
- Build an effective management system appropriate for risk-taking
- Increase the sophistication of operation management infrastructure to suit investment content

Foundation Item 2 Strengthen CSR Based on the SDGs and ESG Principles

Engage vigorously in CSR activities based on the SDGs and ESG principles, and contribute to the sustainable development of the regional community

Activities to tackle environmental problems (Environment)

- Strengthen activities to reduce the Bank's own environmental impact
- Support and facilitate activities undertaken by the regional community, customers and others to reduce environmental impact



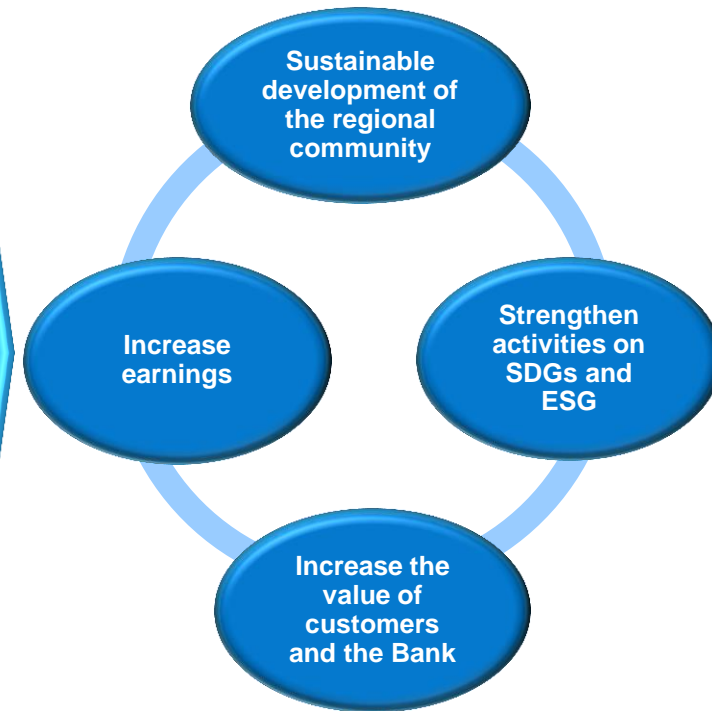
Activities to contribute to the regional community (Social)

- Strengthen education support to increase financial literacy of Yamanashi Prefecture residents
- Proactively take steps to promote arts and culture, sports and other activities to contribute to the development of the regional community
- Promote corporate activities from the standpoint of contributing to society, including wellness initiatives



Activities for corporate governance (Governance)

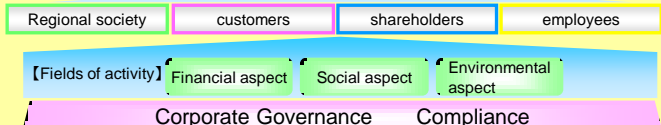
- Build systems for ensuring transparency and objectivity of management by strengthening governance
- Expand information disclosure on governance from the perspectives of the SDGs and ESG



【Basic Policy on CSR】

Since its foundation, the Yamanashi Chuo Bank's constant mission has been "Region-based operations and sound management." Guided by this mission, we will work to develop the regional economy through business activities in response to the needs of various stakeholders, including regional society, customers, shareholders and employees, with a solid foundation of compliance. At the same time, we are strongly aware of the social and environmental aspects of our mission, and will contribute to the realization of a sustainable regional society.

Contribute to the realization of a sustainable regional society



Thank you for attending our analyst meeting.

If you have any further questions, please do not hesitate to contact us at the following telephone number, E-mail address or website.

Inquires:

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The Bank's future business performance may be affected by changes in the business environment that are beyond the prediction or control of the Bank, and actual results may therefore differ substantially from the figures contained in the said forward-looking statements.