

Mid-term Management Plan

ASHIGIN WAY 2016

Ashikaga Holdings Co., Ltd.

The Ashikaga Bank, Ltd.

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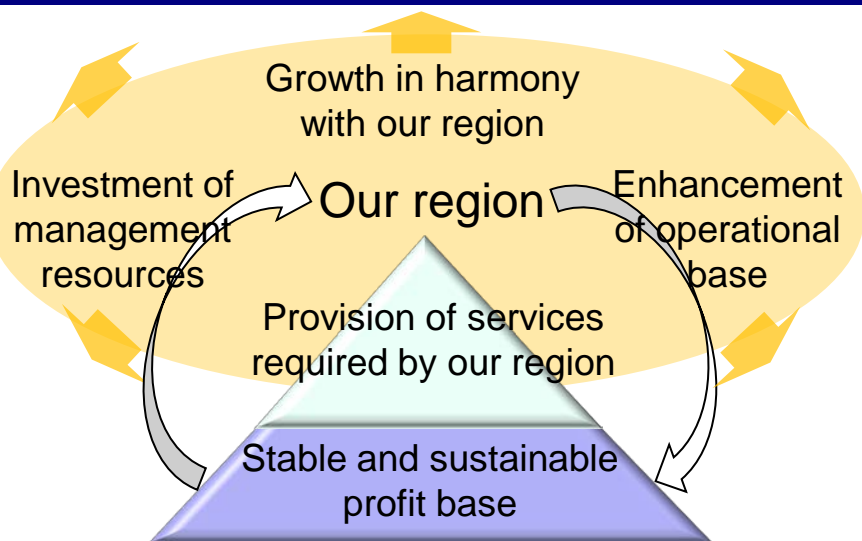
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1 – 1 Long-term Vision/ Mid-term Management Targets



- The bank that grows in harmony with our region
- Enhance our core strengths for that purpose

Our mission is contribution to the growth of our region

Become the bank that grows in harmony with our region, in compliance with our corporate philosophies : “In harmony with our region” and “To contribute to the creation of affluence”.

Enhance our core strength for the growth of our region

A stable and sustainable profit base is required in order to continue to provide services required by our region and to contribute to the growth of our region for many years

Mid term
management
target

Contribute to the regional revitalization through “Enhancement of our core strength” and “Realization of the integration synergy”

1-2 Key Performance Indicators (KPIs)

«The Ashikaga Bank, Ltd. (Non-Consolidated basis)»

FY2016

| | | |
|---------------|--|----------------|
| Profitability | Gross Business Profit | ¥81bn |
| | Net business income (before general allowance for loan losses) | ¥32.5bn |
| Growth | Deposits (Average Balance) | ¥5.4tn |
| | Loans(Average Balance) | ¥4.2tn |
| | Loans to corporate customers (exc. Tokyo branch and prefectural office branch) + Loans to individual customers | ¥3.3tn |
| | Investment Trust under Custody | ¥370bn |
| Efficiency | OHR | 50-60% |
| Soundness | Capital Adequacy Ratio | 8.5% |
| | Non-performing Loan Ratio | less than 2.2% |

Contribution to the regional economic growth

- Proactively promote regional revitalization in order to overcome the regional economic contraction due to population decline
- Contribute to the regional economic revitalization by supporting local businesses' growth through business nature evaluation

Business scopes identifying the business environment

- Expand service and product lineup and enhance provision of them, considering increase of population ages 65+
- Through consulting based on business nature evaluation, proactively solve our customers' business challenges caused by regional economic contraction, etc.
- Explore the possibilities of new business portfolios including practical use of Fin Tech, considering progress of ICT and financial deregulation

"Relationship-based approach" and "Function-based approach"

"Relationship-based approach" = Consulting and business nature evaluation

"Function-based approach" = Improvement of familiarity and convenience

- Provide more extensive services and products, including consulting services based on business nature evaluation, while the profitability of loans is lowering
- Help individual customers invest their assets through customer-oriented consulting
- Provide services with more familiarity and convenience by strengthening our planning capability. Focus especially on unsecured loans for which there are strong customer needs

Enhancement of Management Functions for the both approaches

- Cultivate consulting related staff for the sales promotion based on "Relationship-based approach"
- Improve productivity of administrative staff and sales promotion staff in order to carve out time for customer relations

Effective relocation of management resources

- Relocate limited management resources into areas expected to grow

Individual customer strategy

- « Relationship »
 - Enhancement of sales promotion of asset under custody primarily to middle class and wealthy senior generation
 - Establishment of asset succession business
- « Function »
 - Expansion of customer base through improvement of familiarity and convenience

Corporate customer strategy

- « Relationship »
 - Business support through business nature evaluation
 - Enhancement of fee business through consulting
- « Function »
 - Efficient small loan promotion

Regional economic revitalization strategy

- Support for startups and second startups to increase number of establishments and employees in the region
- Enhancement of customers' corporate value through consulting services based on business nature evaluation
- "Regional Revitalization" in corporation with local governments
- Support for development of social infrastructure

Securities strategy

- Expansion of securities portfolio by taking appropriate levels of risk

Strategy to strengthen management functions

- Human resource development
- Improvement of productivity
- Improvement of function of channels and outlets
- Enhancement of marketing functions
- Advancement of profit management
- Sophistication of credit management

Enhancement of our core strength

- Enhance sales promotion of asset under custody and inheritance related business primarily targeting increasing middle class and wealthy senior generation.

Initiative based on “Relation-based approach”

Wealthy Customers

Middle Class Customers

Offer advanced consultancy by a newly established private banking team

Transfer know how obtained by the team

Enhance sales promotion of asset under custody

- Increase transactions with senior generation
- Increase asset under custody through Core-satellite strategy ※
 ※The strategy is a way of recommendation to incorporate stably managed funds(cores) and actively managed funds(satellites) into customers' portfolios in consideration of their life stages and risk tolerances.
- Strengthen insurance sales through consulting
- Enhance sales of foreign currency deposits

Strengthen inheritance related business

Develop asset-under-custody business into Saitama area

- Approach to wealthy individuals such as corporate owners and apartment owners

Know how and customer base of sales of asset under custody

Strong customer base in
Tochigi Prefecture

Vicinity to growth
areas

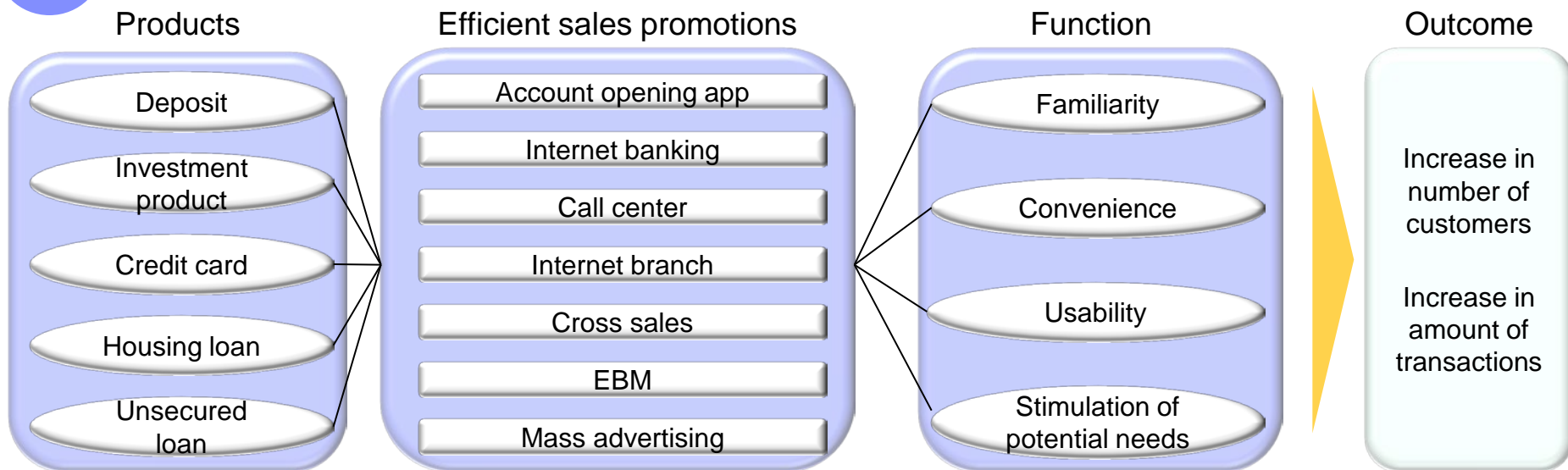
Increase of population ages 65+

In all regions

Saitama area

- Increase the number of customers and amount of transactions, by seeking to improve familiarity and convenience for customers.
- Focus on unsecured loans for which there are strong customers’ needs.

Initiative based on “Function-based approach”



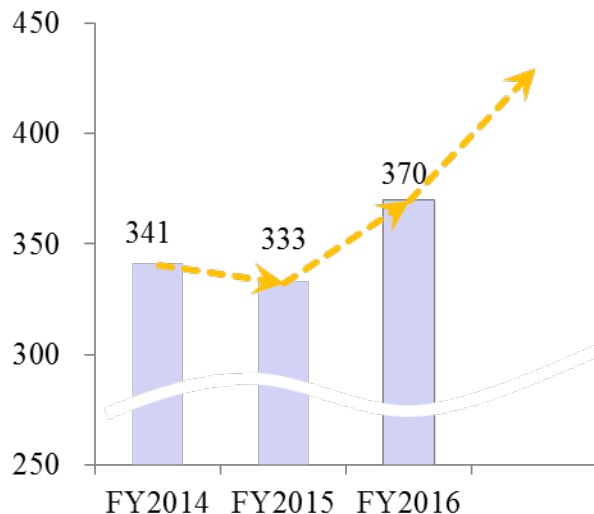
Enhancement of “Function-based approach”

- Seek to improve the usability
 - Product revision
 - Enhance non face-to-face sales
- Meet diversifying customers’ needs by expansion of the product lineup
- Reduce contract documents and visit frequency required.

- Important indicators concerning “Relationship-based approach” and “Function-based approach” are shown below.

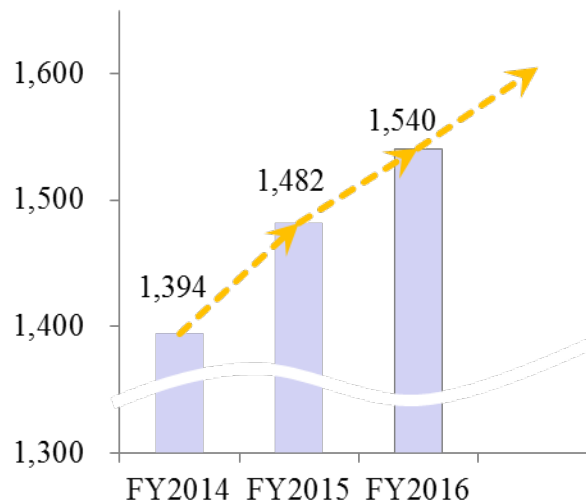
Investment trust balance

(¥bn)



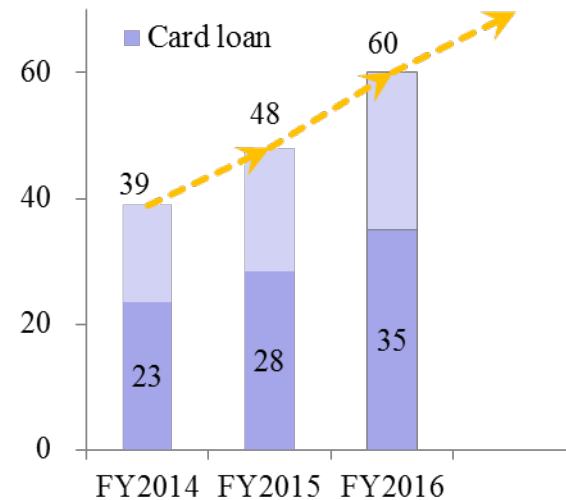
Balance of housing loans

(¥ bn)



Balance of unsecured loans

(¥ bn)



Number of investment trust holders

100k

Number of inheritance related transactions per annual ※

300

※Inheritance related transaction = Testamentary trust, Testamentary execution and Inheritance procedure support

3-1 Corporate Customer Strategy

- Improve profitability through power shift to consulting services based on business nature evaluation.

Important indicators

- Loans to corporate customers (exc. Tokyo branch and prefectural office branch/Average balance) ¥1,460bn
- Corporate customer related fees ¥1,800m

Relationship-based approach

- **Support business growth of core customers**
 - **Enhance business succession planning and M&A support**
 - **Enhance relationship with middle risk customers**
 - **Cultivate growth industries**
 - **Expand fee business**
 - **Launch leasing business**
- Enhance business nature evaluation method
 - Capture inheritance-related needs
 - Business support through improvement of customers' financial conditions and corporate revitalization advisory
 - Medical treatment and nursing, Healthcare, Aerospace, etc.
 - Expand scope of business matching



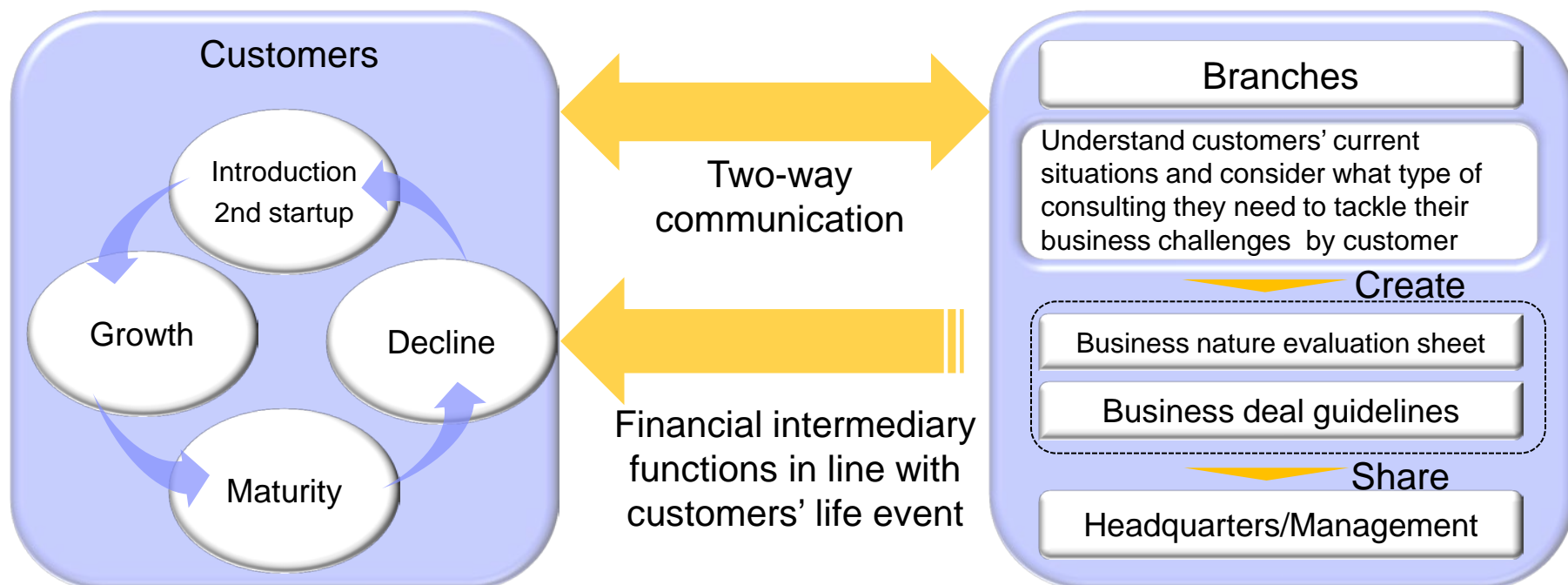
Shift of personnel

Function-based approach

- Launch small loan products
- Improve efficiency of sales promotion

3-2 Enhancement of Business Nature Evaluation Method

- Share management challenges with customers through business nature evaluation.
- Support customers' business growth and management improvement, by solving the shared challenges.



Enhancement of business nature evaluation method

- Active communication with customers
- Support for human resources
- Utilize external expert institutions

※An aim of business nature evaluation is to appropriately evaluate borrowers' business potentials without excessively relying on financial data, collateral and guarantees.

4 Regional Economic Revitalization Strategy

- In order to grow along with the region, revitalize regional economy through developing connector-hub enterprises and increasing number of establishment in the region.

Local governments' "Comprehensive strategy for overcoming population decline and revitalization local economies"



Development of connector-hub enterprises through business nature evaluation

- Support for startups and second startups
- Sales channel development (Business matching)
- Business succession planning/M&A support
- Corporate revitalization advisory
- Cultivation of growth industries (Medical treatment and nursing, Healthcare, Aerospace and so on)
- Globalizing support (Cooperation with JETRO)

"Regional Revitalization" in corporation with local governments

- Attraction and retention of enterprises
- Sixth industrialization support ➤ Vitalization of tourist resorts

Support for development of social infrastructure

- PFI support for local businesses ➤ Financing for redevelopment projects

Enhance customers' corporate value

Increase number of establishments and employees

Revitalize regional economies

5 Securities Strategy

- Achieve stable and sustainable profitability by expanding securities portfolio through taking appropriate levels of risk.

Important
indicator

- Interests and dividends on securities ¥18bn

Investment strategy

- **Pursue diversified Investment**

Construct a portfolio that is less subject to market fluctuation through diversified investment

- **Improve investment yield under the low interest rate environment**

Secure sources of stable earnings by purchasing foreign bonds, alternative investment trusts, and so on

- **Diversify risk-taking activities**

Diversify sources of gains through purchases of yield-curve-strategy[※] fund , etc.

※An yield curve strategy is an investment strategy to earn excess returns on portfolios by anticipating yield curve movements.

Funding strategy

- **Stabilize foreign currency funding**

Diversify foreign currency funding through currency basis swaps[※]

※A currency basis swap is an agreement between two institutions to exchange principal and/or interest payment denominated in two different currencies.

6–1 Strategy to Enhance Management Functions

- Implement measures below to build a competitive advantage in the focused business areas.

Develop human resources

- Cultivate consulting staff
- Enhance young employees' fundamental skills
- Cultivate management staff
- Revitalize the organization

Improve function of channels and outlets

- Enhancement of customer contacts through Omni-channelization
 - Enhancement of non face-to-face sales
 - Internet branch
 - Open a branch in a growth area

Advance profit management

- Enhance profitability management
 - Improve profitability of each transaction by utilizing target RAROA
 - Specify highly profitable segments

Improve productivity

- Enhance low-cost business processing through improvement of administrative workflow
- Improve productivity of sales promotion staff

Enhance marketing functions

- Offer appropriate services in line with customers' life events
 - Enhance hypothesis-testing sales promotion approach
 - Utilize of event-based-marketing

Sophisticate credit management

- Restrain number of defaults
 - Sophisticate early warning system for defaults
 - Enhance credit exposure management by industries

6-2 Human Resource Development

- Cultivate human resources and revitalize the organization, in order to maximize the effect of the strategies.

Cultivate consulting-related staff

➤ **Cultivate financial planning staff**

- Establish financial planning trainer positions
- Company-wide sharing of know-how obtained by the private banking team

➤ **Develop problem solving skills**

- Develop business nature evaluation capability
- Develop skills for business succession planning and M&A support

Enhance young employees' fundamental skills

➤ **Cultivate next generation consulting staff**

- Expand training programs for employees hired last year

Support for obtaining qualifications (CFP, etc.)

Cultivate management-minded staff

➤ **Enhance management skills for strategic planning and implementation of the strategies**

- Improve judgment in decision making through “Next generation leaders program”
- Develop management skills through training programs

Revitalize organization

- Clarify personnel requirements and career path
- Develop work systems to support diversified life style
- Actively promote women to managerial positions

6-3 Improvement of Productivity

- Review business processing in order to improve productivity of administrative staff.
- Improve productivity of sales promotion staff in order to carve out consulting time.

Enhance low-cost business processing

- **Continue business process reengineering**
 - Utilize paperless work flow system
 - Expand centralization of paper work
 - Improve document storage system
- **Reduce cost of clerical processing**
 - Expand general employees and part-time employees' scope of work
- **Review branch management structure**
- **Centralize debt collection operation to headquarters**
 - Establish a debt collection team

Improve productivity of sales promotion staff

- **Corporate loan promotion staff**
(Increase the amount of activity by 10%)
 - Clarify rolls
 - Utilize mobile devices
 - Enhance behavioral management
- **Asset under custody promotion staff**
(Increase consulting time by 10%)
 - Review administrative work flow and customer coverage
 - Utilize internet banking
- **Housing loan promotion staff**
(Increase amount of housing loans made per capita by 10%)
 - Enhance non face-to-face sales
 - Reduce time to contract by utilizing internet banking , etc.