



Looking Back

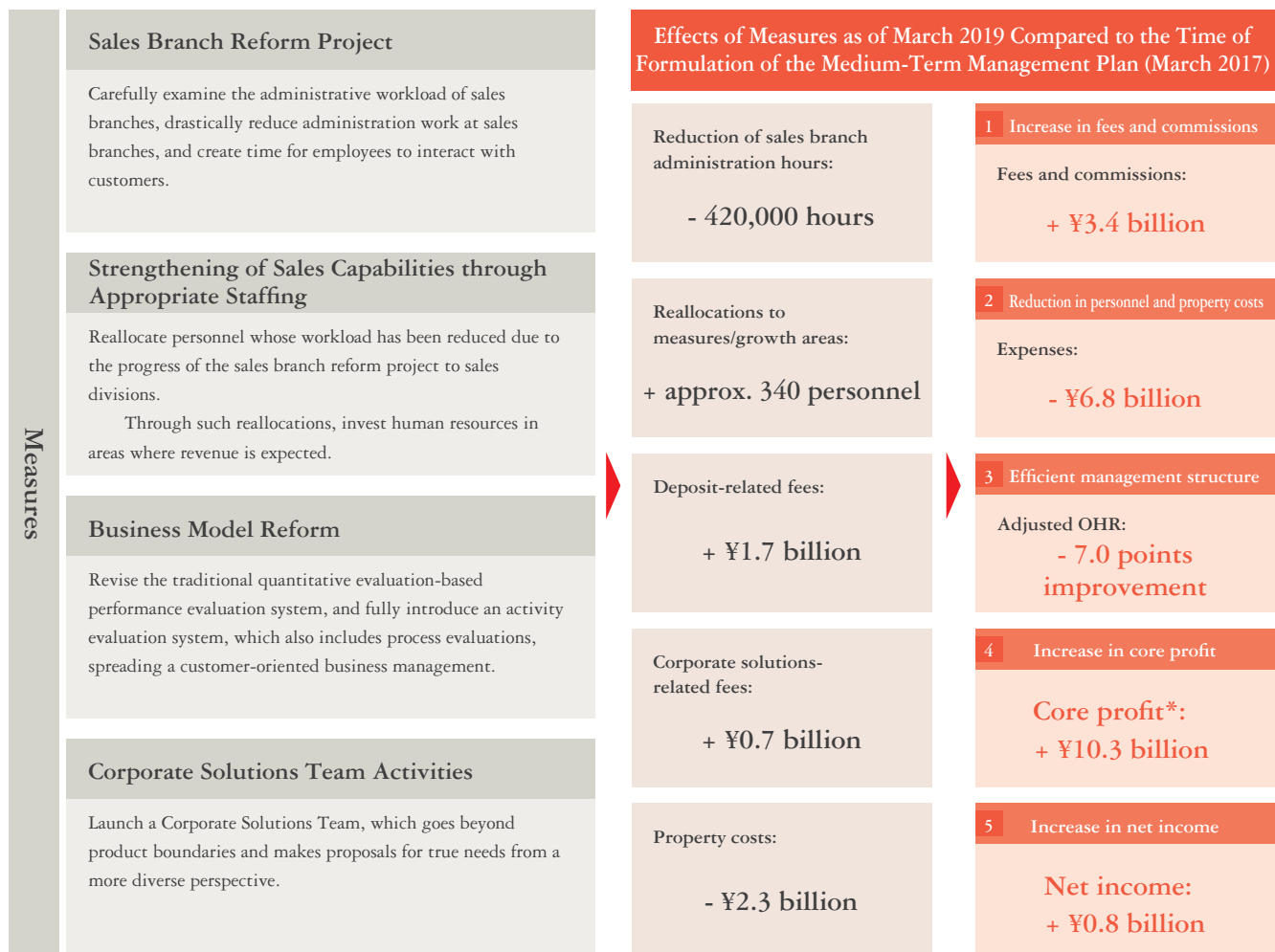
In April 2017, the Bank commenced its 14th Medium-Term Management Plan. One year earlier, in April 2016, in addition to abolishing short-term numerical targets, we began trials of an activity evaluation system to evaluate the sales activity process itself, and implemented the system in full scale in conjunction with the start of the Medium-Term Management Plan in April 2017.

In addition, we have developed a sales branch reform project to efficiently leverage our sales personnel and business hours, by centralizing sales branch administration and streamlining the head office organization.

As a result of these “sales reforms” and “business reforms,” in the past two years we have increased fees and commissions by ¥3.4 billion and reduced expenses by ¥6.8 billion, achieving effects totaling over ¥10.0 billion.

Main Measures and Initiatives Implemented During the Medium-Term Management Plan

14th Medium-Term Management Plan (April 2017 to March 2020)



*Core profit: Average loan balance × Interest rate difference in deposits and loans + Fees and commissions - General and administrative expenses

Future Management Strategy

While FY2019 will be the final fiscal year of the Medium-Term Management Plan, in the year ended March 31, 2019, we achieved a net income (consolidated) of ¥10.6 billion and an equity ratio (consolidated) of 8.71%, reaching our targets a year early.

As the environment surrounding financial institutions has changed significantly, and the needs of our regional customers have become increasingly sophisticated and diverse, we have pushed forward with an alliance strategy for business alliances and cooperation that is not restricted by traditional concepts. This represents a rational management strategy for coming face to face with our customers and responding to their needs.

As a result, we have developed a framework for the one-stop delivery of sophisticated and diverse financial services.

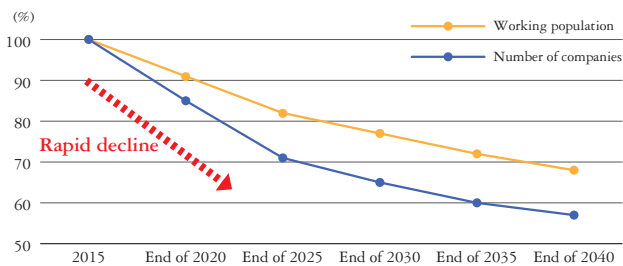
Going forward, we will continue to accelerate our “sales reforms” and “business reforms” initiatives in the Medium-Term

Regional Problems

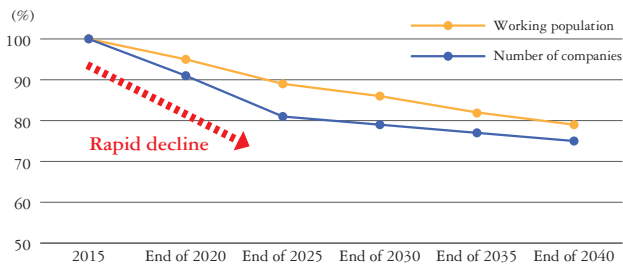
According to future estimations by the Ministry of Finance, the numbers of Japanese businesses and employees are expected to decrease by 27% (1,069,000 companies) and 21% (12,476,000 persons), respectively, from 2015 to 2040*.

In Gifu prefecture, which is the “motherland” of the Bank, the rates of reduction are even higher than the national average, at 43% (33,000 companies) and 32% (284,000 persons) for companies and employees, respectively. In addition, in Aichi Prefecture, decreases of 25% (57,000 companies) and 21% (790,000 persons) are expected for companies and employees, respectively. For the number of companies in particular, sharp declines of 29%

Population dynamics in Gifu



Population dynamics in Aichi



Source: “Financial View” No. 3 of 2017 (No. 131), Policy Research Institute, Ministry of Finance, Japan
June 2017, Future Estimates of Numbers of Companies by Region / Yoshiaki Murakami, Naomi Kodama, Yoshio Higuchi



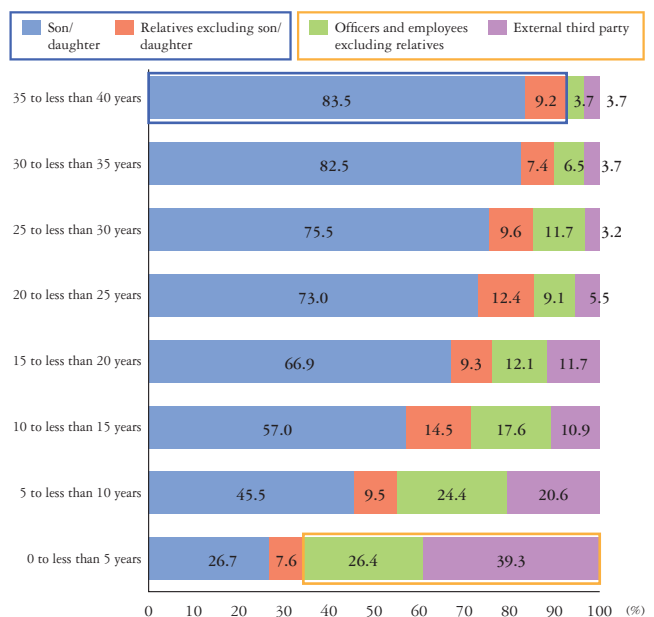
Management Plan, as we seek to connect these efforts to a positive cycle of regional economic development, to which we can contribute by enhancing our profit structure.

in Gifu and 19% in Aichi are predicted by 2025*.

Primary underlying cause for such declines is business discontinuance caused by uncertainties toward the future such as stagnating and shrinking demand due to the progress of the aging society with a declining birthrate as well as intensifying competition between companies. Another significant factor is business discontinuance due to the aging of management and difficulties in finding successors.

*Source: “Financial View” No. 3 of 2017 (No. 131), Policy Research Institute, Ministry of Finance, Japan
June 2017, Future Estimates of Numbers of Companies by Region / Yoshiaki Murakami, Naomi Kodama, Yoshio Higuchi

Relationship between the current and previous management by the tenure of the management

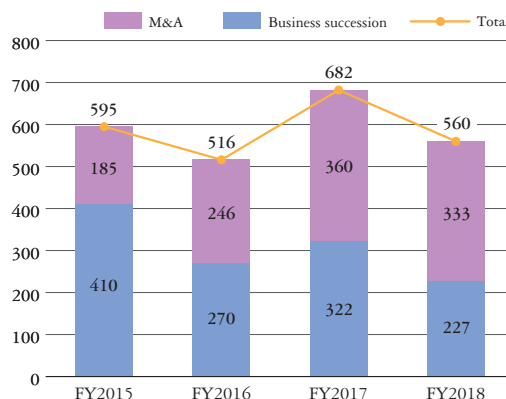


Source: “Survey on financing for SMEs” commissioned by The Small and Medium Enterprise Agency
(December 2015, Mizuho Research Institute Ltd.) (Re-edited and processed)

In recent years, while many corporate managers has had to pass on the baton, it has become difficult to hand business over to the next generation due to the large costs associated with the succession of the company's shares or the absence of successors.

While the government has been supporting smooth business succession, such as through the establishment of “Special Measures under the Business Succession Taxation Scheme,” in addition to asset succession, by which shares and real estate are transferred to the next generation, the “how and to whom” issues of business succession have become a substantial concern for corporate management.

■ Number of business succession / M&A consultations



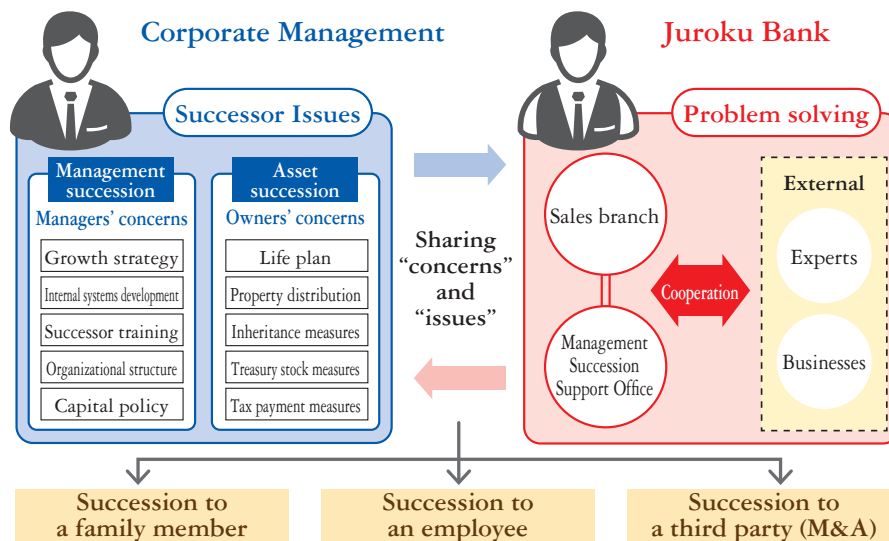
Initiatives Towards Resolution

● Establishment of “Management Succession Support Office”

Assigning dedicated employees in the Corporate Business Group within the Corporate Business Division, we have worked on supporting business succession and M&A since approximately 20 years ago. Along with changes in the environment surrounding management, forms of business succession have become more diversified, and the worries of corporate management have become more complex.

In the next few years, regional companies will reach the time for business succession all at once. Accordingly, we newly established the “Management Succession Support Office” within the

Corporate Business Division on March 1, 2019. With eight experienced members of staff, including four with branch manager experience, the Office will establish a system that allows each sales division and branch employee to empathize and understand the concerns of corporate management. By supporting “management that responds to changes in the external environment” and “passing the baton to successors at the appropriate time,” this system will contribute to the creation of sustainable regional communities.



● Establishment of the “Management Succession Fund”

The Bank, along with Tokai Tokyo Investment Co., Ltd., the wholly-owned subsidiary of Tokai Tokyo Financial Holdings Inc., as a limited partner, and Juroku Lease Co., Ltd. and Yamada Consulting Group Co., Ltd. as general partners, established the Management Succession Fund in April 2019 of approximately ¥1.0 billion.

Through utilizing the Fund, we will also be able to respond to the increasing momentum of industry reorganization of long-established local companies.

● Human Resource Development

In order to acquire the knowledge needed to resolve the issues faced by corporate management, all customer-facing employees aim to pass the “Financial Services Level 2 - Business Succession and M&A Course” of the Financial Services Ability Test, and we are working towards establishing a system in which all employees at all branches can help corporate management (as of March 31, 2019, 1,472 employees have passed).

Not only by obtaining qualifications, but also through lecturers and seminars by outside lecturers for branch managers and OJT training for young employees, we continually develop human resources that can handle business succession and M&A support.



SDGs



SDGs:
Sustainable Development Goals

SDGs, an action plan adopted by the UN Sustainable Development Summit held in September 2015, consist of 17 goals, such as “no poverty,” “quality education” and “decent work and economic growth,” and further 169 specific targets relating to the goals, under the slogan of “Leave No One Behind.” As activities on a global scale expand, in recent times there has been a rapid increase of companies implementing initiatives aimed at the SDGs in Japan, and there are expectations over corporate participation and contribution to achieving these goals by 2030.

Since joining the “Regional Revitalization SDGs Public-Private Platform” established by the Cabinet Office of Japan in August 2018, the Bank has worked to promote and spread the SDGs through activities such as starting to handle the SDG private placement bond “Tsunagaru Kokoro” and performing training on the SDGs for new employees in cooperation with JICA Chubu.

The Bank believes that its goal set in the 14th Medium-Term Management Plan, which is the business model “to create a positive cycle of contribution to the growth of customers and local economies and a revenue structure with stability and permanency to support local communities with engagement first as our cornerstone activity,” and the lesson that “if the bottom prospers, then the top will also prosper” contained within the Bank’s basic policy “10 Employee Rules,” which we have

inherited since the Meiji Era in the late 19th Century, are comparable with the SDGs.

While many companies, including the Bank, have worked to increase their awareness of environmental issues, and to coexist with and contribute to local communities through CSR (or Corporate Social Responsibility) activities, such CSR activities, if anything, may be regarded as being “passive.”

However, SDG initiatives are not “passive,” and we can recapture them as “proactive initiatives” that utilize the SDGs by placing responding to environmental and social issues as strategic CSR activities for reducing company risks and creating new business opportunities.

Moreover, SDG initiatives are not only for large companies that represent Japan on the world stage. While the non-utilization of SDGs could result in business risks to regional companies, the utilization of SDGs could lead to an opportunity to create new business opportunities.

Going forward, the Bank will continue to perform initiatives that utilize SDGs, and conduct further activities to promote and spread the SDGs, with an aim to create sustainable regional societies in cooperation with our regional customers.

