

Greeting



Chairman
Masato Miyanaga

Director and President
Sadanori Kato

During the first half of the fiscal year ended March 31, 2019, the Japanese economy has been in a moderate recovery trend, as exports and production continued to pick up against the backdrop of a robust overseas economy, and corporate performance and capital investment in the private sector improved.

However, as the second half of the year is on the corner, political risks such as the economic friction between the United States and China and the slowdown of the Chinese economy have affected the Japanese economy, increasing the uncertainty of the economy.

The future economic trend still needs careful monitoring as capital investment related to the Olympics will gradually peak out and the impacts of the consumption tax increase are expected.

As for the local economy, the western Japan region was badly hit by the record heavy rain in July 2018, a serious natural disaster causing a lot of damage in various places including the areas that we do business in.

Some of our customers were forced to temporarily stop their production. Following this, however, production activities have been steadily improving and disaster recovery works are also in full operation.

We are committed, with all-out efforts of our Group as a whole, to offering supports for disaster recovery by working closely with every customer.

Regarding the financial and economic environment surrounding the Bank, we expect harsh business environment will persist into the future, due to not only depopulation of the business area providing the bank's economic foundation, but also the decline in the yield on our

investments caused by the continued negative interest rate policy by the government, intensifying competition with other banks, entry into banking business by companies from different industries, and price decline in our service fees due to digitalization.

It is our belief that, under these circumstances, we need to enhance the added value we offer through further sophistication of regional support activities and life plan support activities, and to push forward with our structural reforms such as cost reduction efforts including streamlining our branches and digitalization of operations, so that the Bank continues to be chosen by regional customers and be trusted by our stakeholders.

Our medium-term management plan which was launched in April 2017 sets fiscal year ending March 31, 2020 as its final year.

This medium-term management plan is the first stage of our long-term management plan "Vision 2027: Plan for Creating the Future Together" spanning 10 years and, at the same time, covers the period for our structural reforms, during which we will implement various reform measures centered on BPR. And, for the period of the next medium-term management plan from the fiscal year ending March 31, 2021, we will improve productivity by utilizing what we gain from the structural reforms. Directors and employees will make concerted efforts to establish a business model that empowers the Bank to achieve mutual development with our customers.

June 2019
Director and President
Sadanori Kato