

# Outline of the Medium-Term Business Plan

April 2021 - March 2024



April 28, 2021



## Quantitative Data Section

Introduction .....	4~6
1. Strengths and weaknesses of the Company .....	4
2. Financial targets / Capital policy .....	4
3. Business strategy of the new Medium-Term Business Plan .....	5
4. Reform of business structure and Group collaboration .....	6
1. Numerical Targets .....	7
2. Image of Income Growth over Three Years .....	8

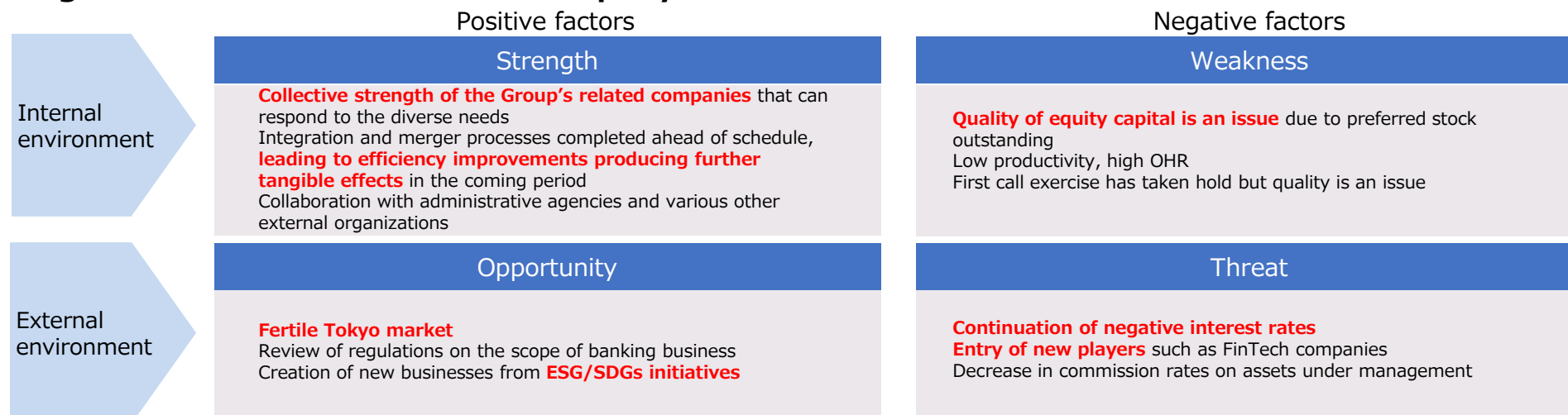
## Strategy Section

1. Vision of the New Medium-Term Business Plan (FY2021-FY2023) .....	10
2. Overall Flow of ESG/SDG-Related Strategy of the Medium-Term Business Plan .....	11
3. Branch Strategy / Changes in Productivity .....	12
4. Reform of Personnel System .....	13
5. Enhancement of Group Value Through Transformation of Resource Allocation .....	14
6. Efficiency Improvement and Concentration of Management Resources .....	15
7. Digital Bank Business .....	16
8. Corporate Customer Strategy .....	17~20

# Quantitative Data Section



## 1. Strengths and weaknesses of the Company



## 2. Financial targets / Capital policy

### ① Financial targets (KGI)

	FY2019 actual	FY2020 actual	FY2021 planned	FY2022 planned	FY 2023 planned
ROE <consolidated>	2.6%	1.3%	3.2%	5.0%	5.9%
Core OHR (note) <Kiraboshi Bank non-consolidated>	77.0%	75.7%	67.0%	59.8%	57.3%
Profit attributable to owners of parent <consolidated>	¥ 7.6 bn	¥ 4.1 bn	¥ 10.0 bn	¥ 16.0 bn	¥ 20.0 bn
Profit from customer business <Kiraboshi Bank non-consolidated>	¥ 0.9 bn	¥ 1.4 bn	¥ 12.4 bn	¥ 20.5 bn	¥ 23.4 bn
Subsidiaries' contribution to consolidated profit <consolidated>	¥ 1.1 bn	¥ 0.3 bn	(¥ 0.4 bn)	¥ 0.4 bn	¥ 2.3 bn
Capital ratio <consolidated>	8.6%	8.7%	8.6%	8.3%	8.3%

(Note) Core OHR: Expenses / Gross core business profit

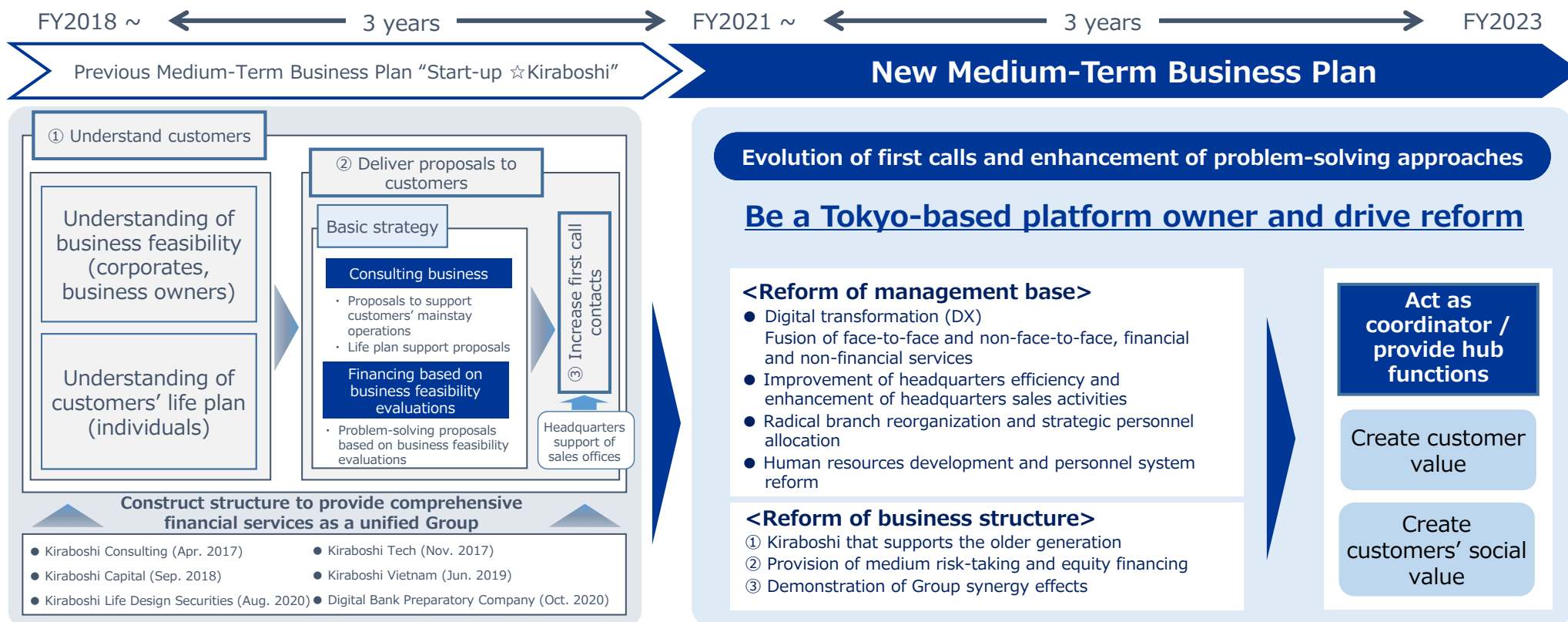
### ② Capital policy

- Secure sufficient equity capital to fulfill the function to help smooth financing, seek to improve profitability and capital efficiency, and secure financial strength to allow lump sum redemption of preferred shares



### 3. Business strategy of the new Medium-Term Business Plan

○ “First call” exercise set out in the previous Medium-Term Business Plan has taken hold. The new Medium-Term Business Plan seeks to strengthen proposal capabilities based on “first call” approach.  
Be a Tokyo-based platform owner and drive reform



### Group business strategy      Examples of platform functions

- ① **Life plan support business**  
Business tools for older adults
- ② **Digital Bank business**  
Cross-industrial collaboration to respond to diverse life scenes
- ③ **Start-up support business**  
Support from early stage to IPO
- ④ **Business succession business**  
Unified support covering corporate management, business succession, asset management and overseas business development
- ⑤ **Medical institutions support business**  
Contribution to sustained growth of community health care services
- ⑥ **Corporate reconstruction (management support) business**  
Management support package



## 4. Reform of business structure and Group-wide collaboration (Construction of sustainable growth model unique to Tokyo Kiraboshi FG in the Tokyo metropolitan area)

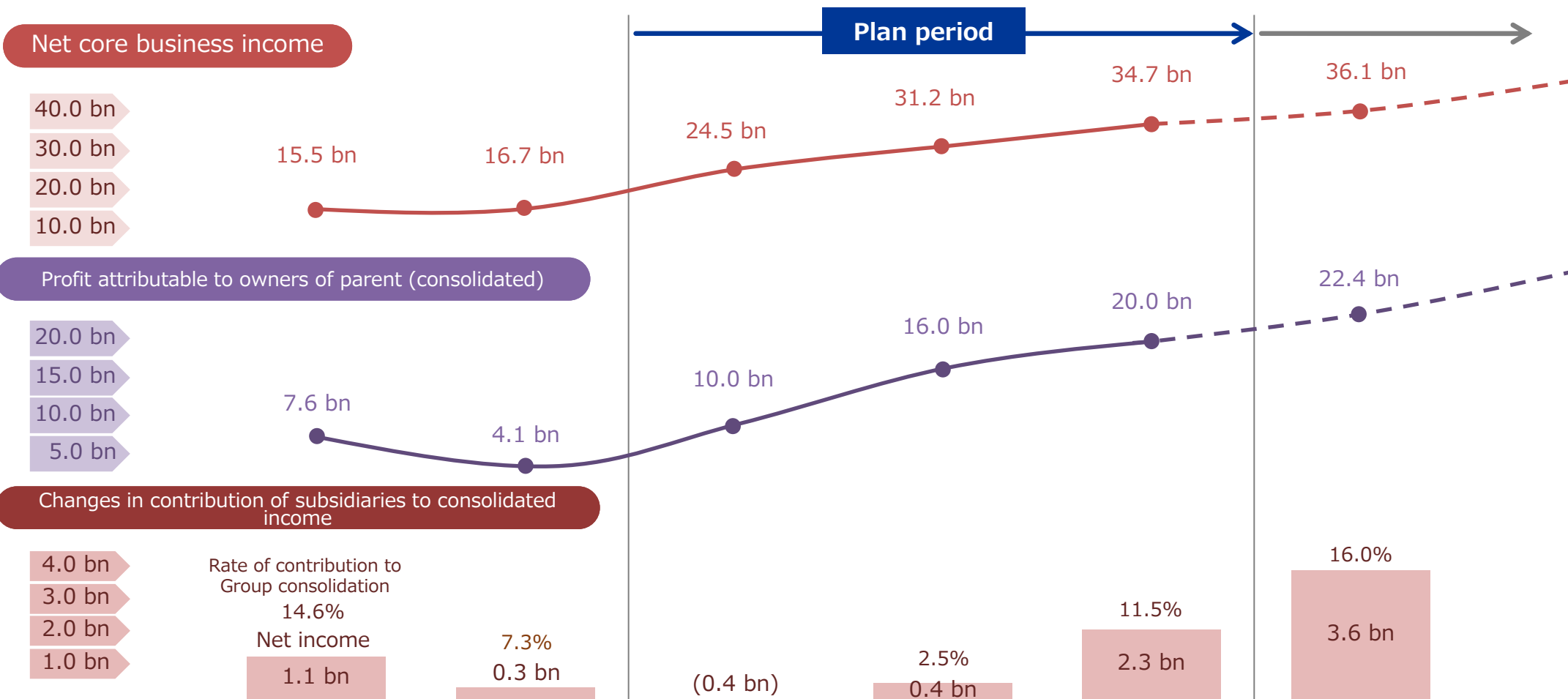
Strategy		Do what		FY2023 KPIs
① Reform of business structure and Group-wide collaboration for solving social issues	Individuals	Promotion of DX	Kiraboshi that supports the older generation Exercising FD in collaboration with KLD Securities Support of life plan in line with life cycle	Individual internet users: 68,000 → 400,000 Effects of branch office efficiency improvements: Over ¥1 bn, reduction of 18 offices
	Corporates	Establishment of Digital Bank, improvement of customer convenience	Enhancement of problem solving capabilities to contribute to improvement of customer value Consolidation of branches for corporate customers and productivity improvement, enhancement of headquarters sales activities Promotion of main bank relationship, provision of equity financing, fusion of financial and non-financial services	Customers with annual turnover in the ¥0.3 bn to ¥10 bn zone Number of loan customers with main bank relationship: + 600 Balance of loans to customers with main bank relationship: + ¥600 bn
	Solving social issues	Fusion of face-to-face and non-face-to-face services	Support of customers in social value creation Platforms: ① Business tools for the older generation (Kiraboshi package) ② Corporate management, business succession, asset management and overseas strategy combined ③ Support for medical institutions	① Used by 60,000 customers ② Over 1,000 companies Increases in the number of business owner customers with assets under management and the outstanding balance: + 1,000 customers, + ¥50 bn ③ Over 400 institutions
② Reform of management base and resource allocation		Fusion of financial and non-financial services	Further improvement of branch office and headquarters efficiency to free up personnel Work style transformation, productivity improvement through DX	Productivity improvements: Increase gross core business profit per head to 140% ¥23 mn → ¥32 mn
③ Human resources development and reform of personnel system			Optimal resource allocation for the Group as a whole	
			Development of professionals	Use of external talents: Increase in mid-career hires
			Support for realization of diverse work styles	

# 1. Numerical Targets



Tokyo Kiraboshi FG

- Plan to secure core business income of ¥34.7 bn and consolidated profit of ¥20.0 bn in FY2023 through enhancement of commission income as well as improvement of cost efficiency
- FY2024 target set at consolidated profit of ¥22.4 bn, ROE of 6.3% or higher, capital ratio of 8.3% or higher, and core OHR of 56% or lower

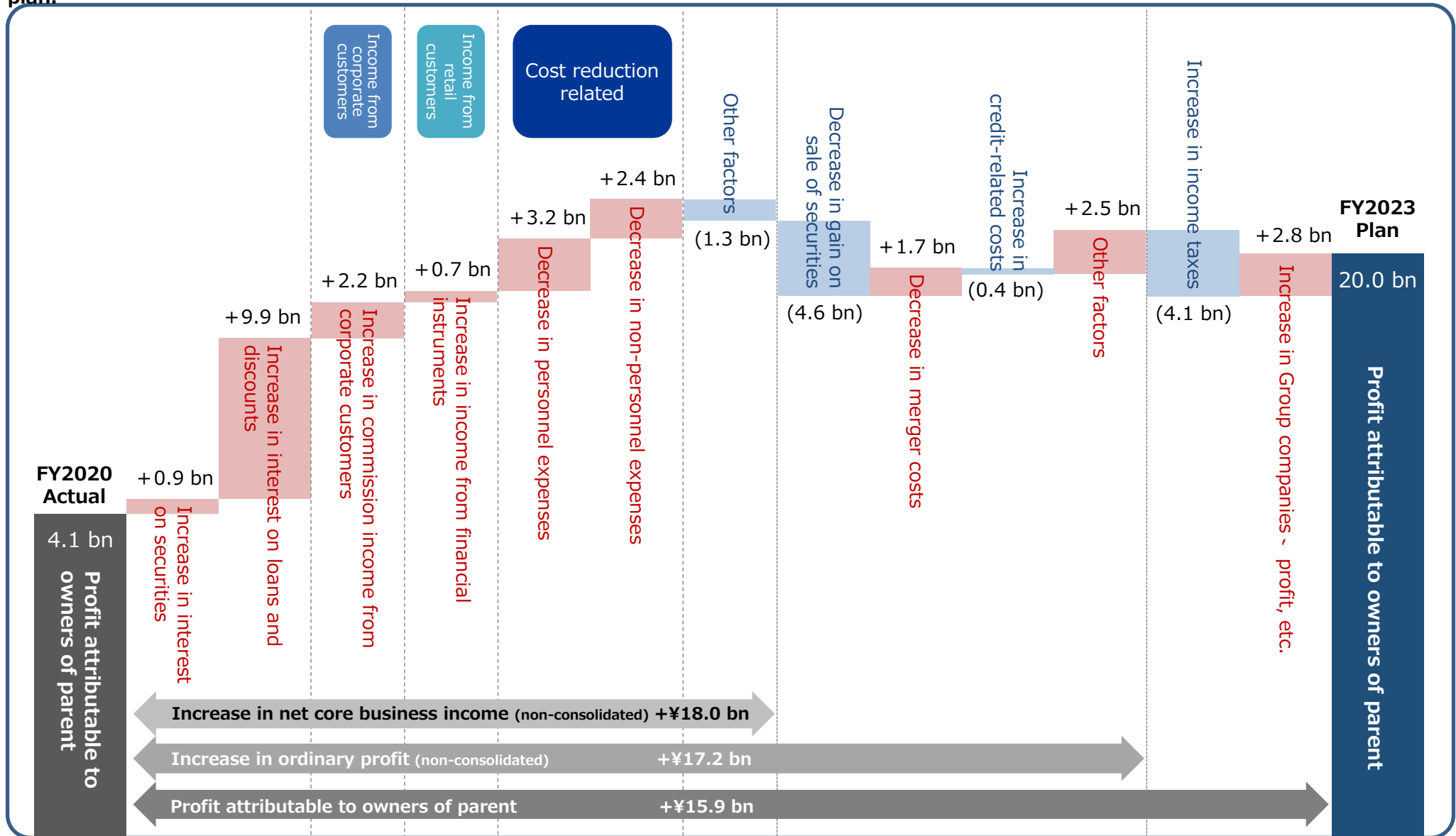


	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Capital ratio	8.6%	8.7%	8.6%	8.3%	8.3%	8.3%
ROE	2.6%	1.3%	3.2%	5.0%	5.9%	6.3%
Core OHR	77.0%	75.7%	67.0%	59.8%	57.3%	56.0%

# 2. Image of Income Growth over Three Years



- Strengthen commission income (+¥2.9 bn) through deeper engagement with customers in business succession, transactions with business owners and other means. Carry out thorough cost reduction measures to cut down personnel, non-personnel and other expenses (+¥5.6 bn).
- Strengthen Group companies' earning capacity to target ¥20.0 bn of profit attributable to owners of parent in the final year of the business plan.





# Strategy Section



# 1. Vision of the New Medium-Term Business Plan (FY2021-FY2023)



Tokyo Kiraboshi FG

## Management philosophy

To be a financial group for small and medium-sized enterprise customers and individual customers in the Tokyo metropolitan area that contributes to the development of local communities through comprehensive financial services

## Management policy

### A group that sparkles

Achieve enduring existence as a local regional financial group through the provision of unique financial services

### A group that rises to the challenge

Leverage the special features of the Tokyo area to continue to meet new challenges in order to contribute to the development of our customers and local economies

### A group that brings together ideas

We put great value on the “thoughts” of customers, the region, and our employees, and seek to develop a presence that is always in need and worthy of trust.

## Vision we are aiming for

Previous Medium-Term Business Plan “Start-up ☆Kiraboshi”

New Medium-Term Business Plan

Be the urban regional bank group most favored by customers in the Tokyo metropolitan area

Be a Tokyo-based platform owner that creates new values for customers

~ From Tokyo to Japan and to Asia ~

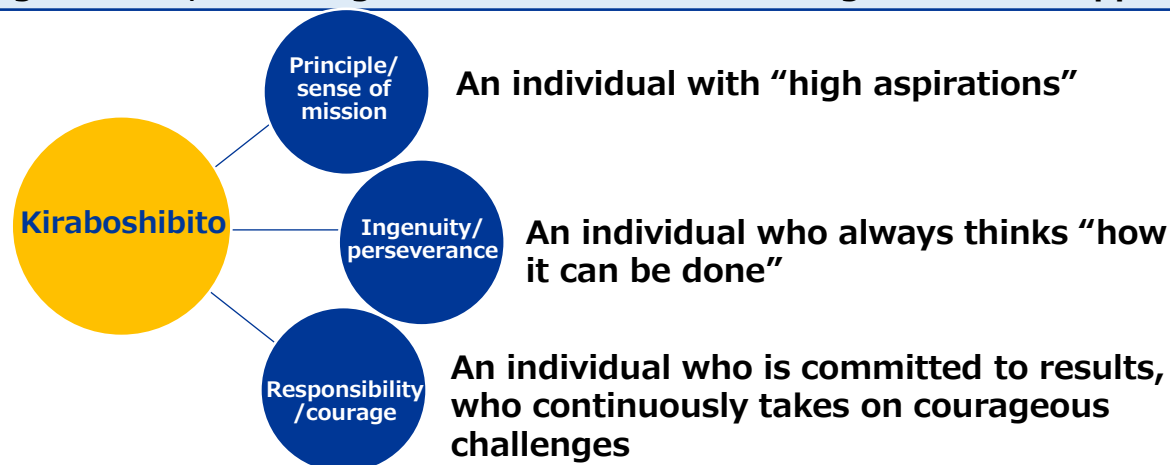
**Vision of the future: Comprehensive service business that is also strong in finance**

## <Kiraboshi philosophy>

Guided by awareness, values and mindset that are to be shared by all officers and employees, **accomplish the goals of contributing to society, seeking growth of the organization, achieving self-fulfillment and realizing one’s own happiness**

## <Three principles of action guideline for Kiraboshibito>

~Who are “Kiraboshibito” ~  
People who put “Kiraboshi philosophy” into practice

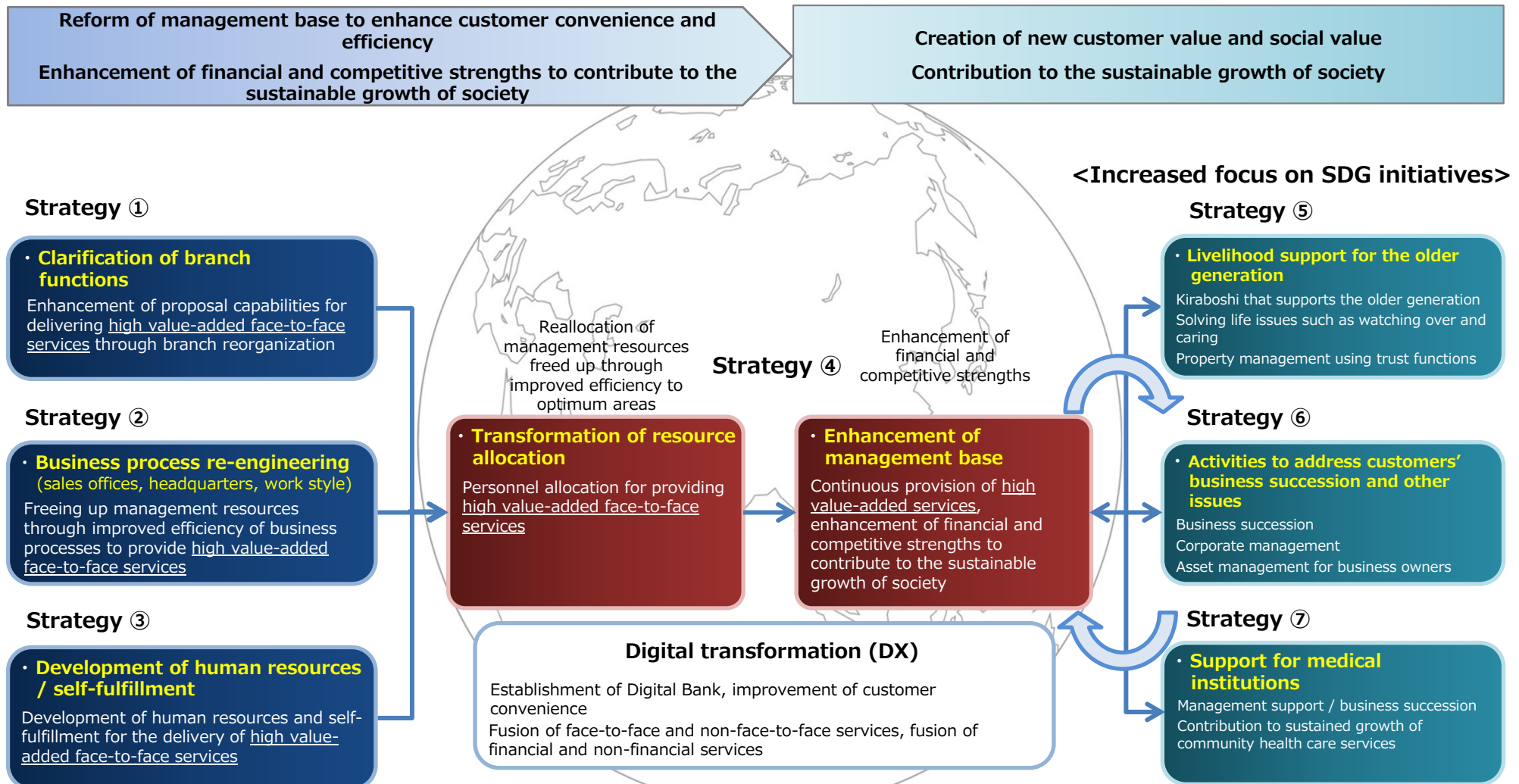


# 2. Overall Flow of ESG/SDG-Related Strategy of the Medium-Term Business Plan



(Medium-term business strategy as it relates to ESG/SDGs) = Realization of corporate philosophy Tokyo Kiraboshi FG

- The Company secures solid financial strength and enhances its competitive strength → serves to help customers achieve sustainable growth and contribute to the sustainable growth of local communities
- Leverage the Group's collective strength to push forward SDG initiatives in the three priority areas of "support for the older generation", "integrated support for business succession, corporate management and asset management" and "management support for medical institutions".
- Contribute to the sustainable growth of society while enhancing financial and competitive strengths of the Company



# 3. Branch Strategy / Changes in Productivity (Number of Sales Offices and Headcount)



○ **Improve customer convenience and rationalize number of offices through fusion of face-to-face and non-face-to-face services**

Consolidate offices engaged in corporate transactions for concentration of management resources: increase loan balance per office and per head

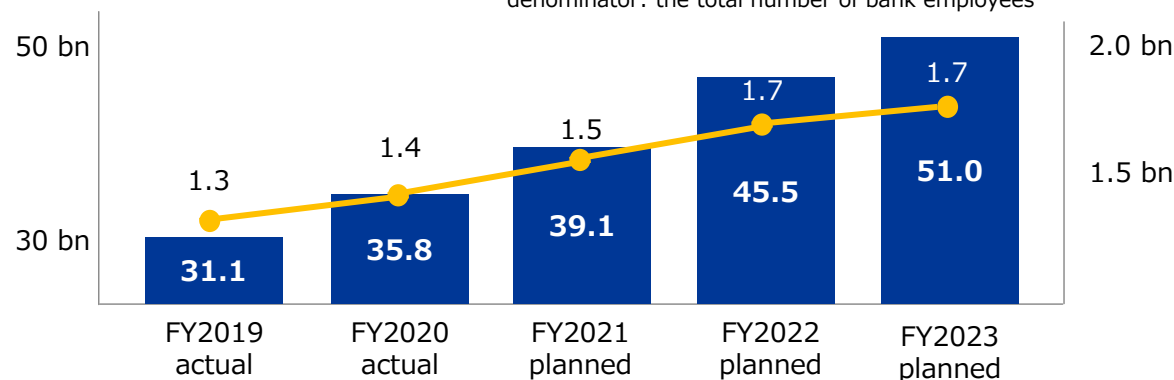
○ **Expand points of contact with customers through specialized branches, strengthen consulting functions**

Increase offices specializing in retail transactions and interact with customers: increase investment trust balance per office and per head

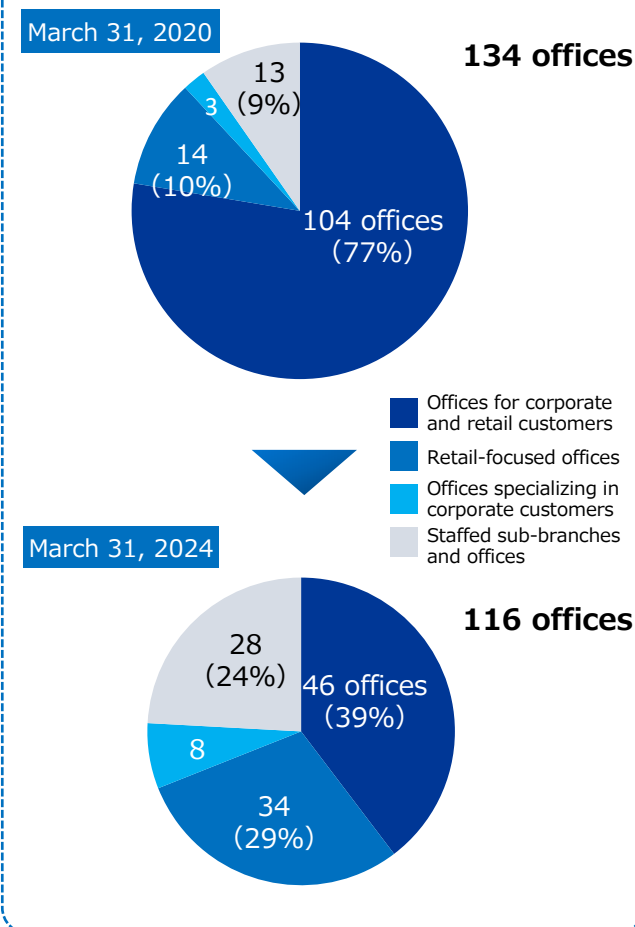
**Loan amount per office/per head**

■ Loan amount per office (left axis)  
denominator: the number of offices

● Loan amount per person (right axis)  
denominator: the total number of bank employees



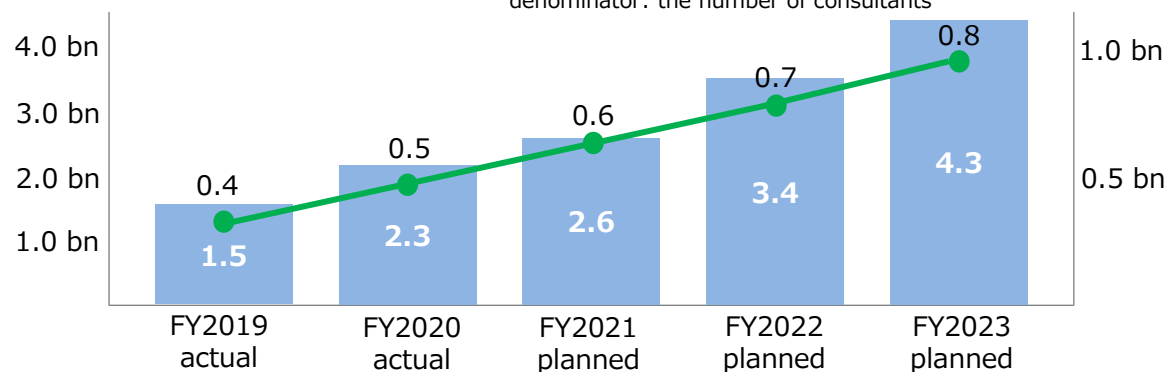
**Changes in the number of sales offices**



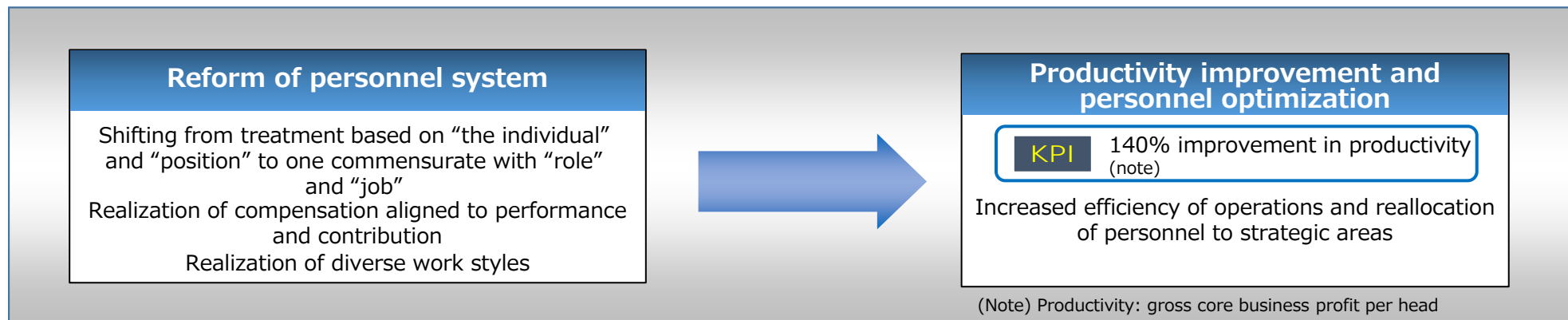
**Investment trust balance per office and per person**

■ Investment trust balance per office (left axis)  
denominator: the number of offices

● Investment trust balance per person (right axis)  
denominator: the number of consultants



# 4. Personnel System Reform ~ Development of Expertise and Realization of Diverse Work Styles ~



## Key points of personnel system reform

<p>① <b>Structure organized by desired career path</b></p>	<ul style="list-style-type: none"> <li>• Categorized into professionals, management and staff (to be decided by the Company based on an individual’s desire)</li> <li>• Shift from ability-based grading to role-based pay scheme (grade is reviewed every year)</li> </ul>
<p>② <b>Compensation level aligned to job roles</b></p>	<ul style="list-style-type: none"> <li>• Compensation level determined in line with newly assigned role</li> <li>• Yearly grade review in line with the role (which could lead to a reversal of annual compensation level between corporate-focused and retail-focused branch offices)</li> </ul>
<p>③ <b>Expansion of incentives</b></p>	<ul style="list-style-type: none"> <li>• Expansion of incentives through bonus payments</li> <li>• Expansion of incentives to individuals at the age of 55 and beyond (including older employees)</li> </ul>
<p>④ <b>Revision of evaluation system</b></p>	<ul style="list-style-type: none"> <li>• Raising evaluation perspectives (increase in per head income)</li> <li>• Clear decoupling of performance evaluation and job value (posting)</li> </ul>
<p>⑤ <b>Measures to accommodate extension of employment to the age of 70</b></p>	<ul style="list-style-type: none"> <li>• Revision of the compensation structure for people reaching the age of 55 and beyond, extension of employment at age 65 and beyond (including employment in related companies)</li> <li>• Expansion of secondment opportunities (use of human resources)</li> </ul>

# 5. Enhancement of Group Value Through Transformation of Resource Allocation



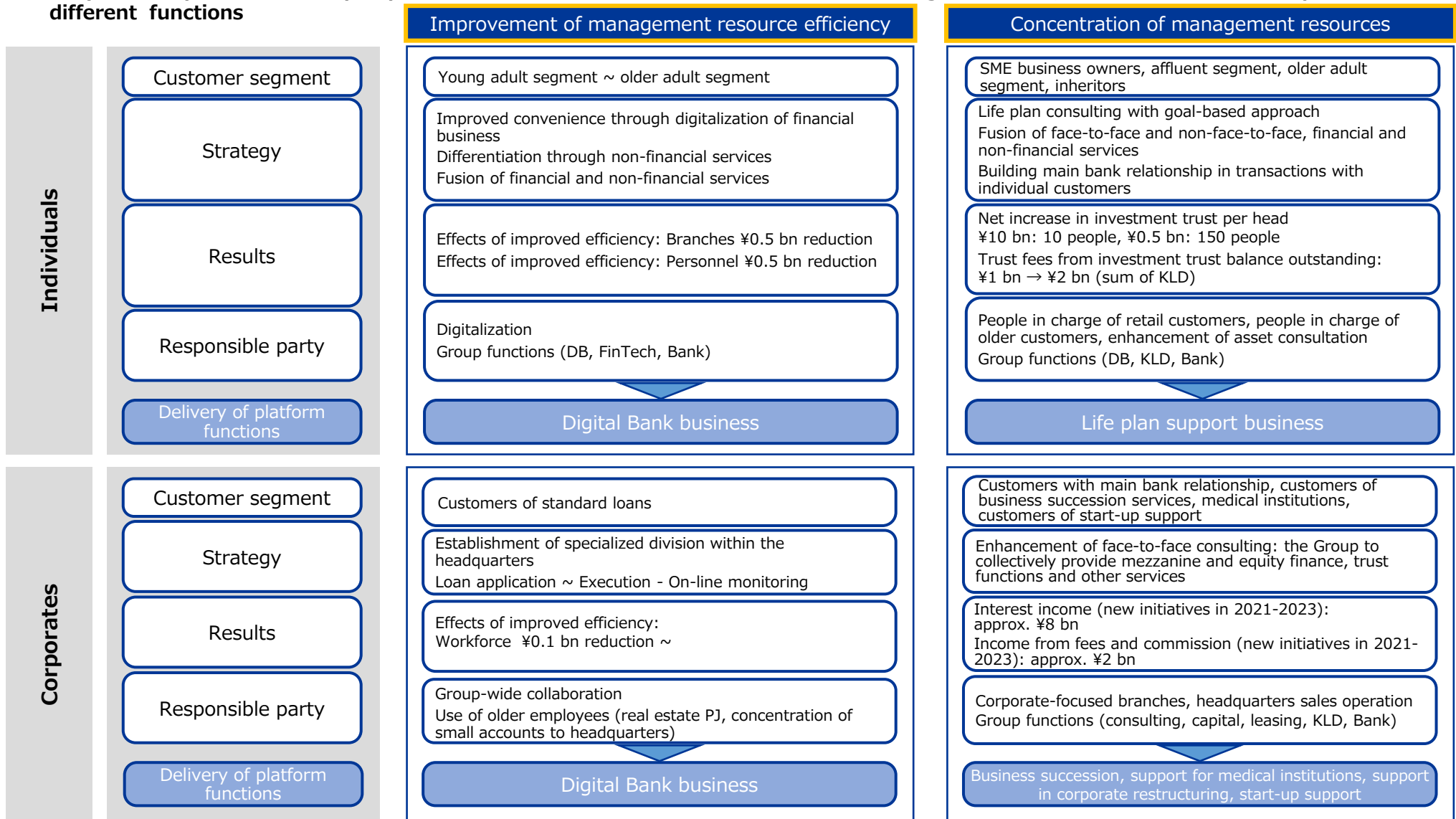
- Create time for “offensive actions” through business process re-engineering, branch reorganization and review of branch operation. Reallocate freed-up personnel to sales and strategic areas
- Concentrate routine tasks and administrative work requiring expertise in a strategic support function department
- Maximize Group synergies jointly with all Group companies through reform of personnel system and strategic allocation (transfer) of personnel to Group companies, etc.

	FY2019 (A)	FY2023 planned (B)	Changes (B) – (A)									
<b>Headcount</b>	2,888	2,526	<b>(362)</b> 12% down	<table border="1"> <tr> <td style="background-color: #cccccc;">Improvement of headquarters efficiency</td> <td style="text-align: center;">(150) *</td> </tr> <tr> <td style="background-color: #cccccc;">Sales offices</td> <td style="text-align: center;">(209) *</td> </tr> <tr> <td style="background-color: #cccccc;">Transfers, etc.</td> <td style="text-align: center;">(62)</td> </tr> <tr> <td style="background-color: #cccccc;">Concentration of routine tasks</td> <td style="text-align: center;">+59</td> </tr> </table> <p style="font-size: small;">* Number of sales personnel, including those in headquarters sales, is increasing</p>	Improvement of headquarters efficiency	(150) *	Sales offices	(209) *	Transfers, etc.	(62)	Concentration of routine tasks	+59
Improvement of headquarters efficiency	(150) *											
Sales offices	(209) *											
Transfers, etc.	(62)											
Concentration of routine tasks	+59											
<b>Personnel expenses</b>	¥ 26.1 bn	¥ 21.8 bn	<b>(¥4.3 bn)</b> 16% down									
<b>Number of offices</b>	134 offices	116 offices	<b>(18 offices)</b> 13% down	<p>Corporate and retail branches, specialized branches for corporate customers: (53) Retail-focused branches: +20 Sub-branches, offices: +15</p>								

# 6. Efficiency Improvement and Concentration of Management Resources



- Improve customer convenience through digitalization, concentrate freed-up management resources on face-to-face sales and consulting functions
- Provide the functions of a Tokyo-based platform owner collectively as a Group. Act as local community coordinator in collaboration with different industries and administrative organizations
- Tokyo-based platform is an open platform that allows collaboration with nationwide regional banks, and offers various sub-platforms for different functions





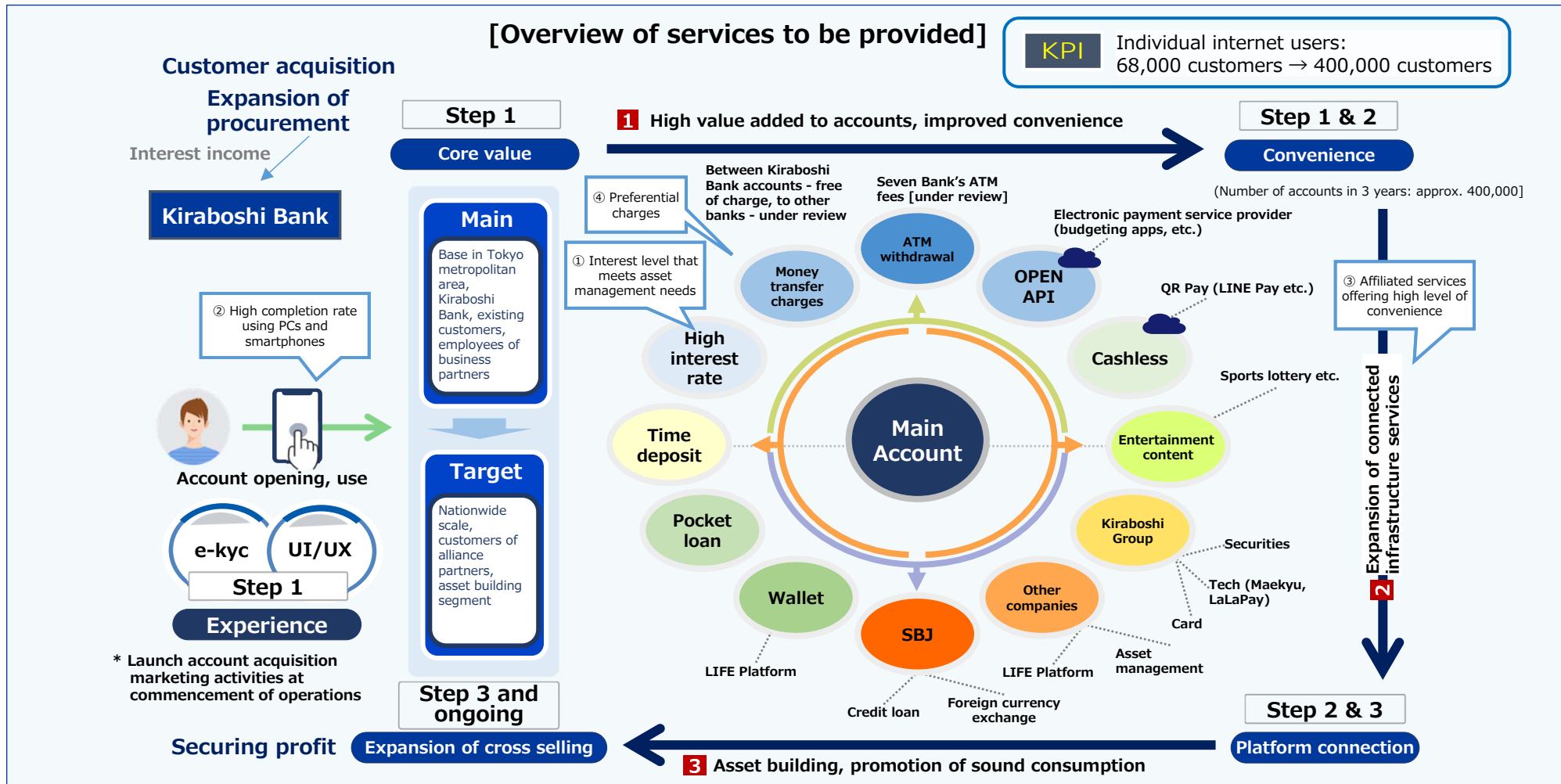
# 7. Digital Bank Business: Features and Business Concept



Tokyo Kiraboshi FG

## [Features]

- ① **Reduce initial investment and development period to the minimum to minimize costs and respond with speed**  
Build infrastructure based on cloud banking system of SBJ\*  
\* Shinhan Bank Japan: subsidiary in Japan of Shinhan Financial Group which has at its core Shinhan Bank, a leading bank in Korea.
- ② **Initially specialize in deposit and foreign exchange functions, lending out all investment operations to other banks within the Group**  
From the second year onward, collaborate on API with Kiraboshi Tech's wallet and other services to develop lending functions etc.; build platforms by leveraging the Group's collective strength and collaboration with external parties
- ③ **Seek improved convenience for existing customers of Kiraboshi Bank (option for existing customers to switch to Digital Bank)**



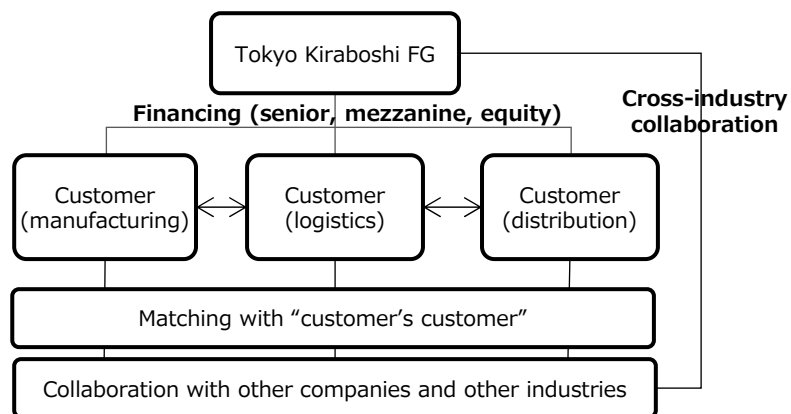


# 8-1. Corporate Customer Strategy



- Leverage the collective strength of the Group to enhance problem-solving capabilities aligned to the changes in social structure, and contribute to creation of customer value and to solving social issues

[Provide hub functions as a platform owner]



- Examples of platform to respond to customer's management issues: Support for business start-up, business succession, support for corporate restructuring, support for medical institutions
- Coordinate value chain and contribute to creation of customer's new businesses

## Number of corporate borrowers, loan amount

Number of business establishments in Tokyo and Kanagawa  
908,000 (Note 1)

Of which, annual sales of ¥0.3 - ¥10 bn  
70,000 (Note 2)

Of which, loan customers  
11,000 customers,  
16% share

in 3 years

Business investment (equity etc.), personnel dispatch, developing into compound transactions

**KPI** (compared to March 31, 2020)

- In the ¥0.3-¥10 bn annual sales zone  
Number of loan customers with main bank relationship: + 600  
Lending to customers with main bank relationship: +¥600 bn
- Collaboration with over 1,000 customers in business succession
- Collaboration with over 400 customers in medical transactions

(Notes 1, 2) Teikoku Databank survey

# 8-2. Corporate Customer Strategy: Business Financing

(Structured and mezzanine financing such as LBO loans, non-recourse loans and mezzanine loans)



Tokyo Kiraboshi FG

- Enhance problem-solving capabilities to address customers' diverse challenges, establish a specialized structured finance team within SF Division
- Strengthen due diligence and screening/risk management structures for speedy deal processing

## Collaboration between sales offices and SF Division

- Reduce sales offices' burden on referrals from sales offices
- Centralize contact point for negotiations on terms and conditions, etc., in SF Division
- Project members to identify and examine issues associated with a deal
- Officers to take part from an early stage and decide the direction to follow

## Collaboration among Group companies

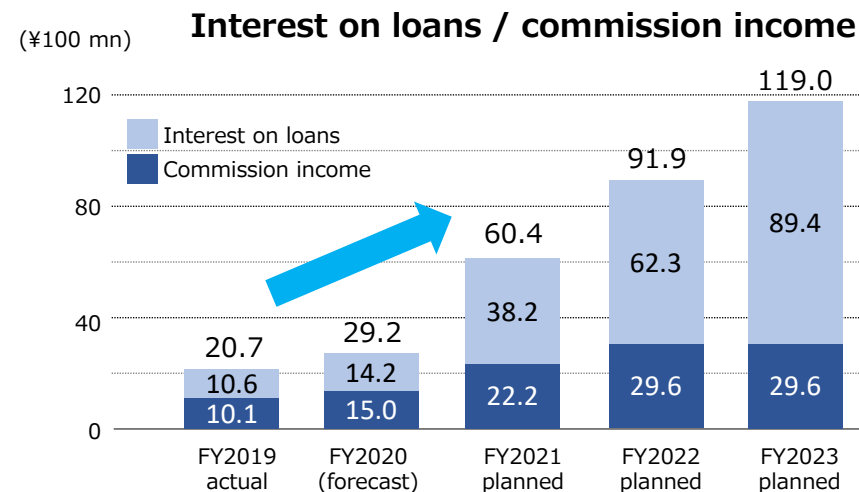
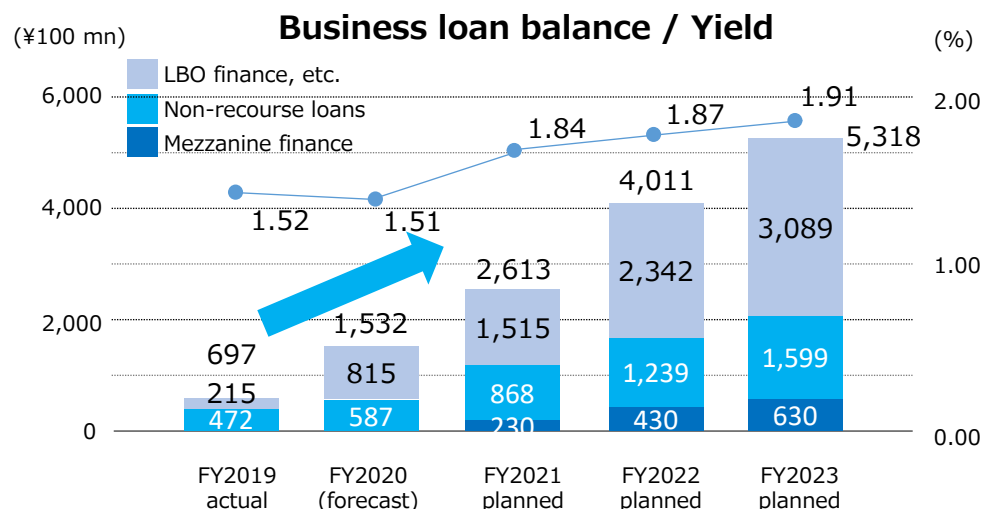
- Industry and market surveys conducted in collaboration with Kiraboshi Consulting
- Mezzanine finance structured in collaboration with Kiraboshi Capital

## Risk management system

- Establish the guidelines (such as for handling LBO finance)
- Establish a dedicated structured finance screening team (3 to 4 people)
- Set up a system for ongoing monitoring of covenants, budget control, etc.
- Designate a responsible department (SF Division) to perform integrated risk management

## Human resources development

- Enhance expertise by bringing in outside talents
- Develop professionals with competitive edge

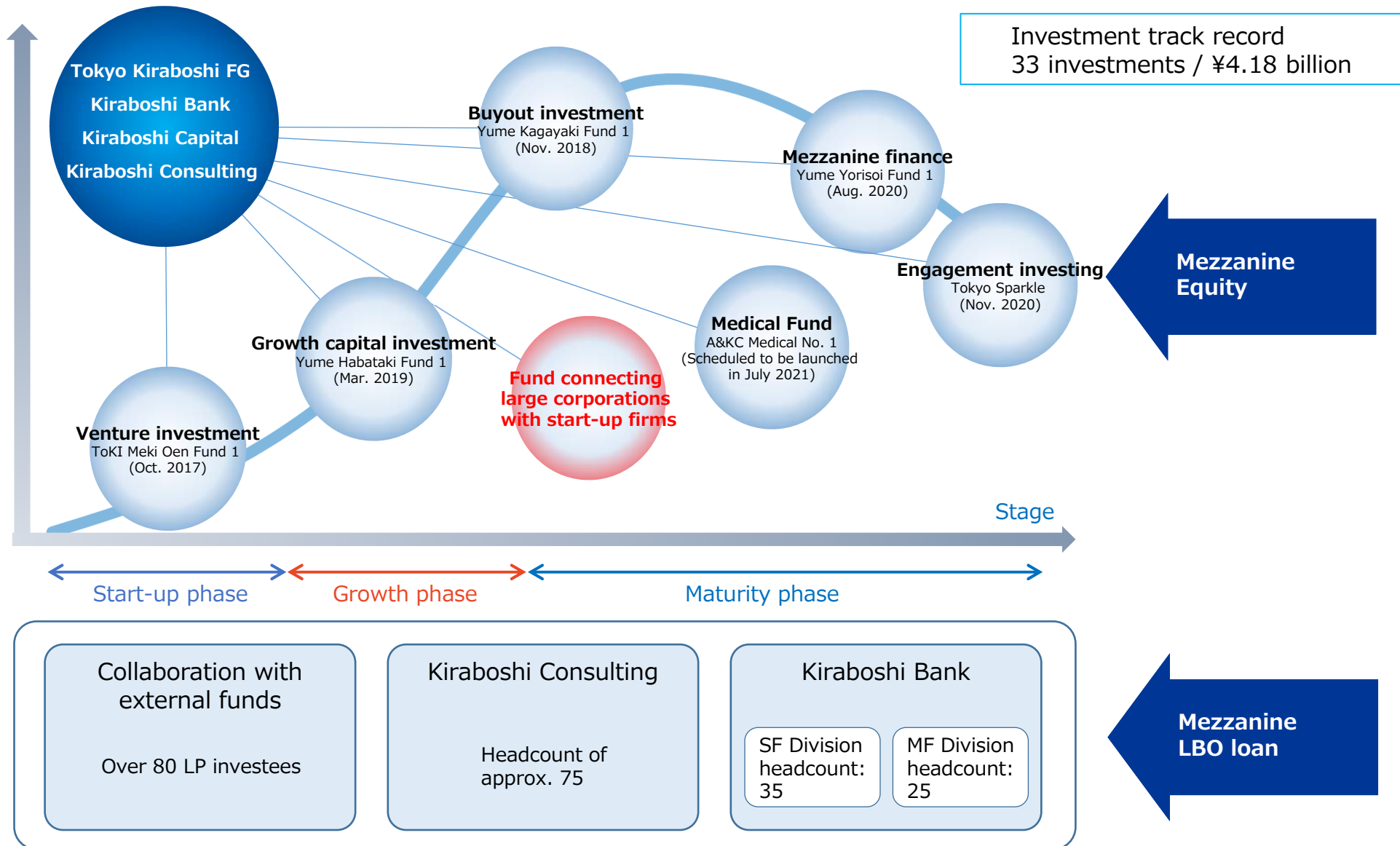


# 8-3. Group Collaboration Including Equity Financing



Tokyo Kiraboshi FG

○ Kiraboshi Bank, Kiraboshi Consulting and Kiraboshi Capital collaborating to provide support at diverse stages, from start-up to growth phase and to maturity phase



# 8-4. Tokyo-based Platform



- Build a “Tokyo-based platform” for creating new values through collaboration with administrative organs and across industries (airports and other social infrastructure, companies in entertainment, art, sports and other similar industries)
- Be a coordinator connecting customers with companies in other industries, provide hub functions and contribute to the creation of customer values and to solving social issues

**Kiraboshi platform, concrete example of Tokyo-based ecosystem: Tokyo Kiraboshi FG acting as coordinator to provide platform functions**

Concrete example of Tokyo-based ecosystem

## ① Collaboration with administrative organs

**[Comprehensive collaboration with Tokyo Metropolitan Government, Kawasaki City, etc.]**

Mutual collaboration in implementation of initiatives for industrial development, including support for SMEs, with the aim of achieving sustained development of regional economies  
 Collaboration in infrastructure and financial areas in pursuit of the International Financial Center concept

## ② Collaboration with Haneda Airport

**A. [Comprehensive collaboration with Haneda Future Research Institute Incorporated]**

Development of local economies around Haneda Airport and promotion of culture and arts  
 Matters related to initiatives aimed at achieving the SDGs  
 Digitalization of services to Haneda Airport users, etc.  
 Scheduled to separately conclude basic business alliance agreement with Haneda Future Research Institute  
 → customer marketing, development of new business domains, etc.

**B. [Provision of Maekyu services to Haneda Airport facility employees]**

Use of “Maekyu” services and trial implementation for the use of LaLaPay in airport facilities

## ③ CVC funds formation

Create funds through collaboration with startups and large corporations

Image of Tokyo-based ecosystem

Fusion of financial and non-financial services  
 Provision of financial services starting with non-financial services

