

New Horizon

~First Step towards the New "Future"~



The Bank of Yokohama, Ltd.

April 2007

Outline of the New Management Plan

1. Outline of the Plan

- (1) Name: **New Horizon**~First Step towards the New “Future”~
- (2) Term: 3 Years (April 2007~March 2010)
- (3) Positioned as: First 3 years for the realization of Long Term Vision
 - Long Term Vision (What we aim to become 10 years after) : To become an Attractive Financial Institution for customers, shareholders, employees, and communities
- (4) Main Theme: ①Developing functions by utilizing alliances, ②Proactively investing in Human Assets, ③Establishing “Yokohama Brand”

2. Target Figures

<Profitability>

Gross Operating Income: **JPY270Bn**
(+25% increase in 3 years)

Earnings Per Share: **+30% increase**

<Market Share in Kanagawa>

Loans: **higher than 30%**

Deposit: **higher than 23% & +50% increase in**

Non-Deposit Products Outstanding

* Market Share which does not include Japan Post, Credit Association & JA

3. Manifesto

We will do the followings to become an Attractive Financial Institution for customers, shareholders, employees, and communities.

- (1) Proactively invest in improving Customer Satisfaction
- (2) Proactively invest in human assets
- (3) Proactively return to shareholders
- (4) Proactively engage ourselves in CSR activities of local communities

Financial Forecast

Below are the Financial Forecast for the 3 years. We might review the forecast below, in case there are changes in the assumptions we made regarding the interest rate scenario.

Items	FY05 Actual	FY06 Forecast (As of Nov/06)
Gross Operating Income	JPY208.7Bn	JPY214.5Bn
- Expenses	JPY-86.2Bn	JPY-89.5Bn
OHR	41.30%	41.70%
Net Business Profit	JPY122.4Bn	JPY125.0Bn
- Credit Costs	JPY-19.8Bn	JPY-18.0Bn
Ordinary Profit	JPY101.1Bn	JPY108.0Bn
Net Income	JPY60.2Bn	JPY65.0Bn

Ordinary Profit★	JPT102.7Bn	JPY109.5Bn
Net Income★	JPY60.8Bn	JPY65.5Bn
ROA★	0.56%	0.58% (As of Sep/06 actual)
ROE★	9.52%	9.50%
EPS★	JPY43.3	JPY47.0
Tier1 Ratio★	9.17%	9.08% (As of Sep/06 actual)

Share of Loans	27.70%	28.2% (As of Sep/06 actual)
Share of Deposits	22.80%	22.5% (As of Sep/06 actual)

FY09 Forecast	Comments
JPY270.0Bn	up 25% in 3 years
JPY-113.0Bn	
low-mid 40%	
JPY157.0Bn	up 25% in 3 years
JPY-16.0Bn	
JPY137.0Bn	up 26% in 3 years
JPY82.0Bn	up 26% in 3 years

JPY139.0Bn	up 26% in 3 years
JPY82.5Bn	up 25% in 3 years
about 0.7%	
higher than 10%	
JPY61.2	up 30% in 3 years
about 10% (Basel II adopted)	

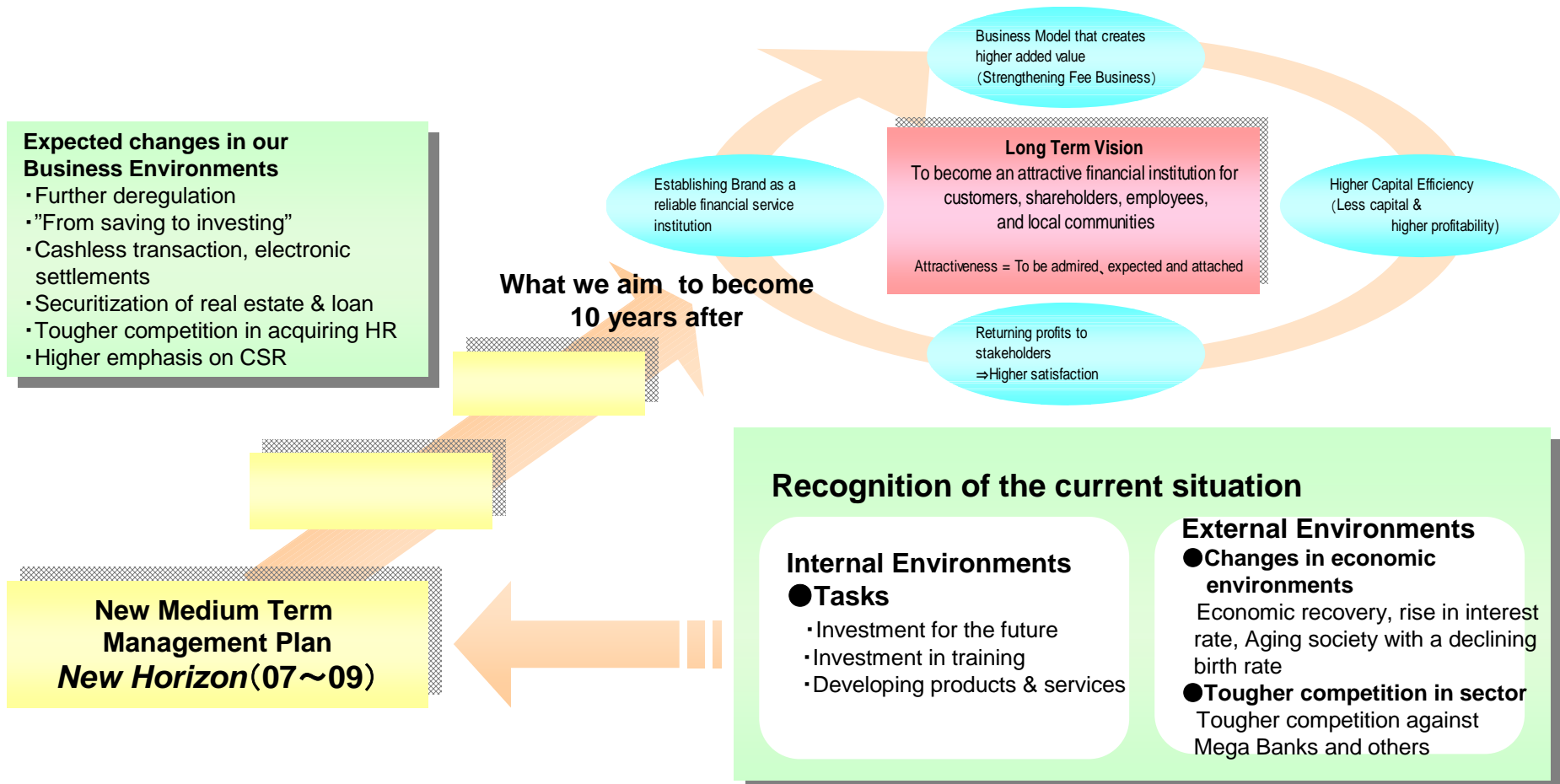
higher than 30%	up 2% in 3 years
higher than 23% +50% increase in Non-Deposit Product	up 0.5% in 3 years

★ indicates consolidated basis, otherwise non-consolidated basis.

1. Figures projected in this material does not guarantee future financial results, and are exposed to risks and uncertainties. Future results may differ from those projected according to changes in economic environments.
2. Below are the assumptions for simulating the figures projected in this business plan:
Interest Rate Scenario: BOJ is expected hike O/N interest rate by 0.25% three times within the 3 years.

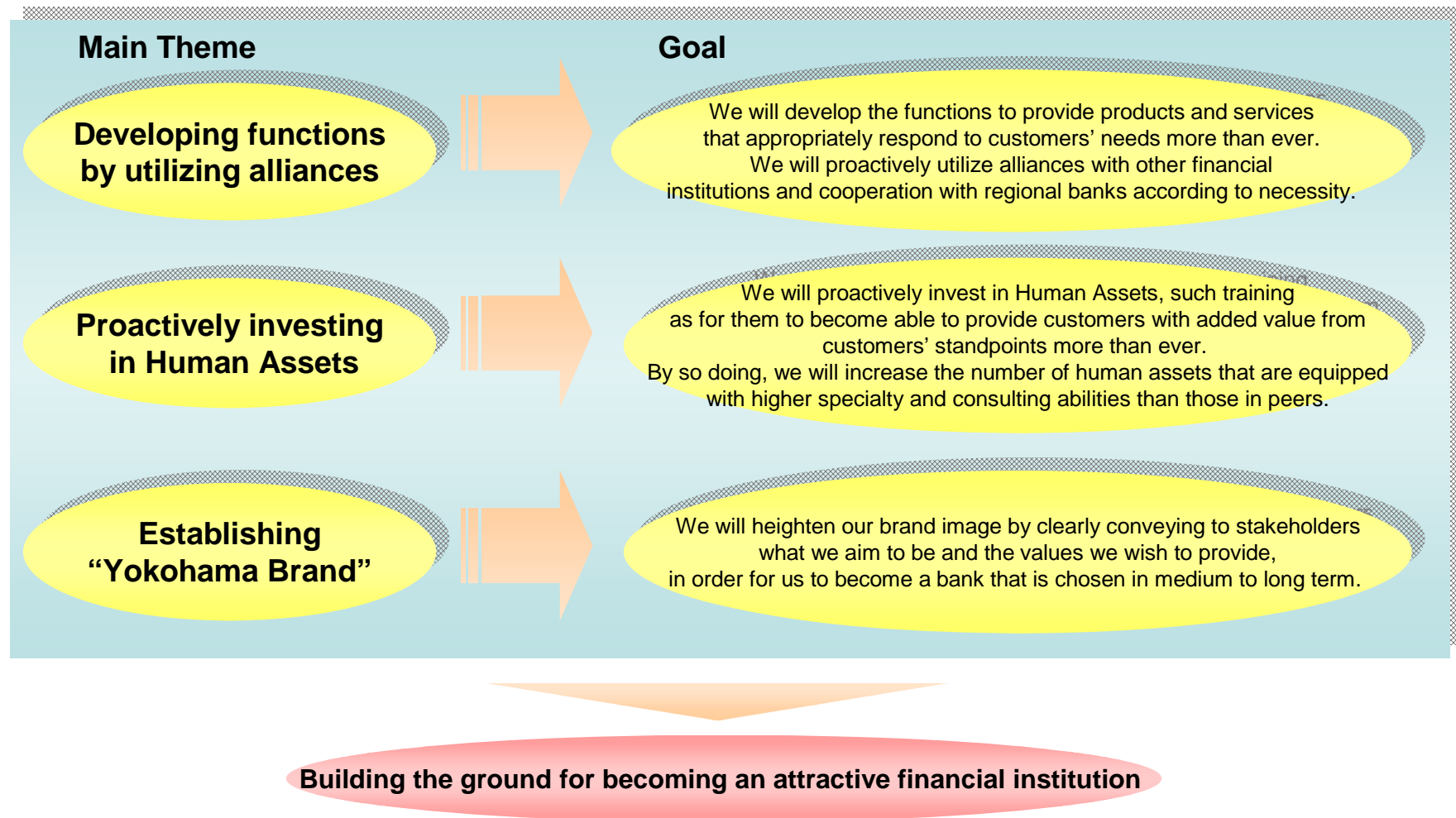
Background for launching the New Medium Term Management Plan

- We wish to become an indispensable existence for all the stakeholders, in order to overcome the fierce cross-sector competition, with economic and social changes expected ahead in sight.
- We are hoisting “To become an Attractive Financial Institution for customers, shareholders, employees, and the communities” (what we aim to become 10 years after) as the Long Term Vision in order to become a financial service institution that is perceived as admired, expected and attached. We will make every effort to establish a brand as financial service institution that makes all the stakeholders satisfied and that is reliable.
- As the first step toward the vision, we will launch the New Medium Term Business Plan, “*New Horizon*”.



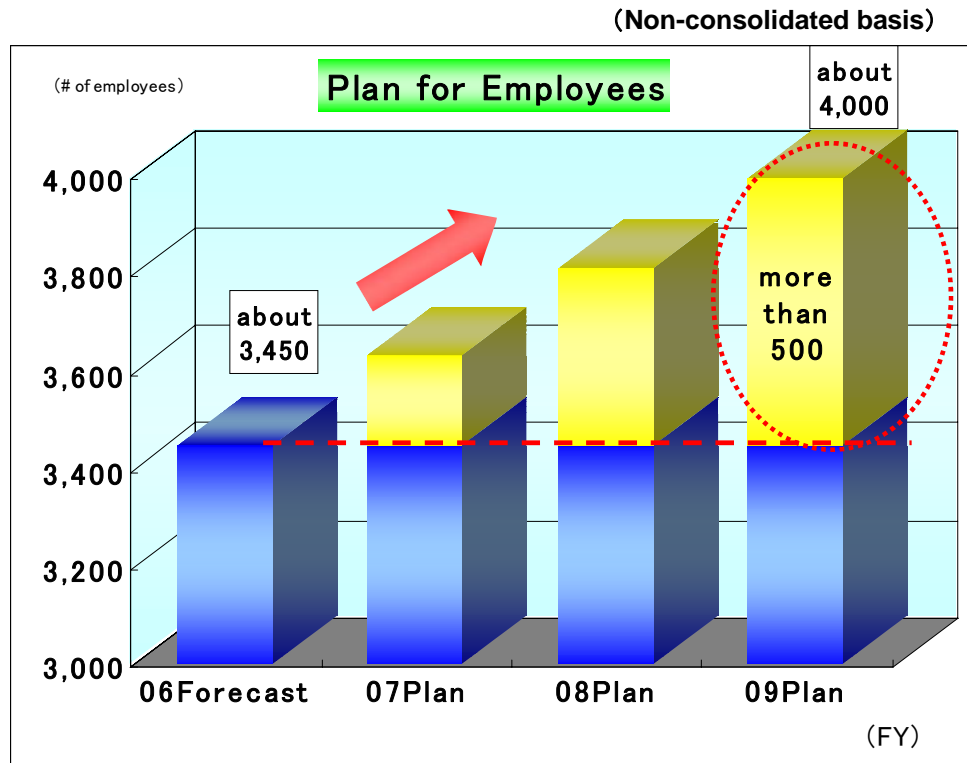
Main Theme of the New Management Plan

- We will make every effort to deliver unconventional “new attractiveness” (new products & new services) to the regional customers by refocusing on these regional customers as a regional bank that is franchised in Kanagawa Prefecture and Southwestern Tokyo.
- In order to do this, we will steadily build the ground for becoming the attractive financial institution by placing greatest emphasis on the following 3 points as Main Themes; “Developing functions by utilizing alliance”, “Proactively investing in Human Assets”, and “Establishing “Yokohama Brand”” in this new management plan.

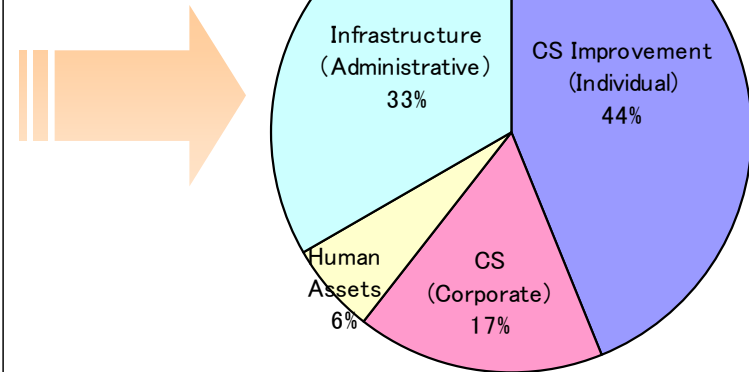


Allocation of Management Resources ~Employees~

- We will establish **4,000** employees regime by increasing the number of employees by **500** in 3 years, in order to appropriately respond to ever diversifying financial businesses.
- We will strike the balance between sales promotion and internal management by allocating the incremental portion to individual sectors, corporate sectors and reinforcing infrastructure, and will designate a pool of employees who are to be given higher training & education as a part of investment in human assets.



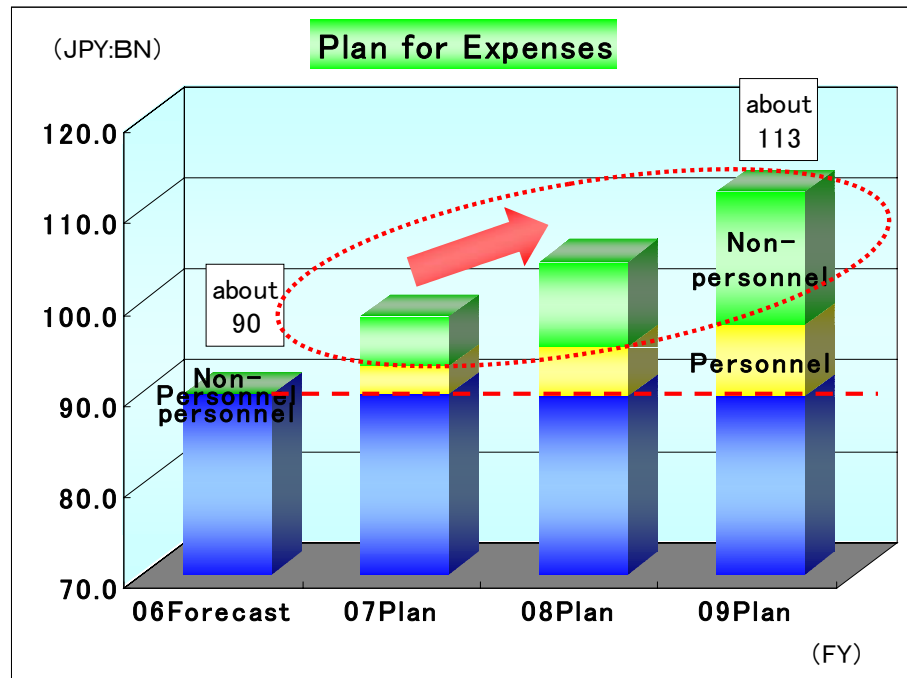
Breakdown of the increase



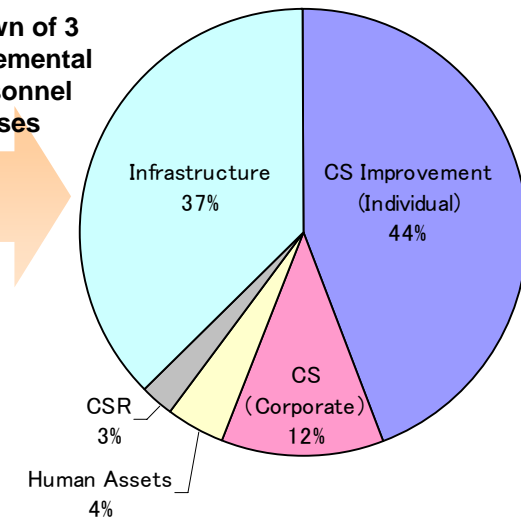
Allocation of Management Resources ~Expenses~

- We will spend additional **JPY45Bn** in the next 3 years with a view to becoming an attractive financial institution for all the stakeholders.
- Non-personnel expenses are broken down intensively into “Measures to improve CS” such as renewal and improvements in functions of branches & ATMs, and “Rebuilding Infrastructure as a Corporation”, and furthermore into “Measures for investing in Employees Training” and “CSR Measures” for the local communities.
- We will especially put greater emphasis on Individual Sectors among measures to improve Customer Satisfaction.
- Average OHR (expenses against Gross Operating Income) for the next 3 years is expected to be around 42-43%.

(Non-consolidated basis)

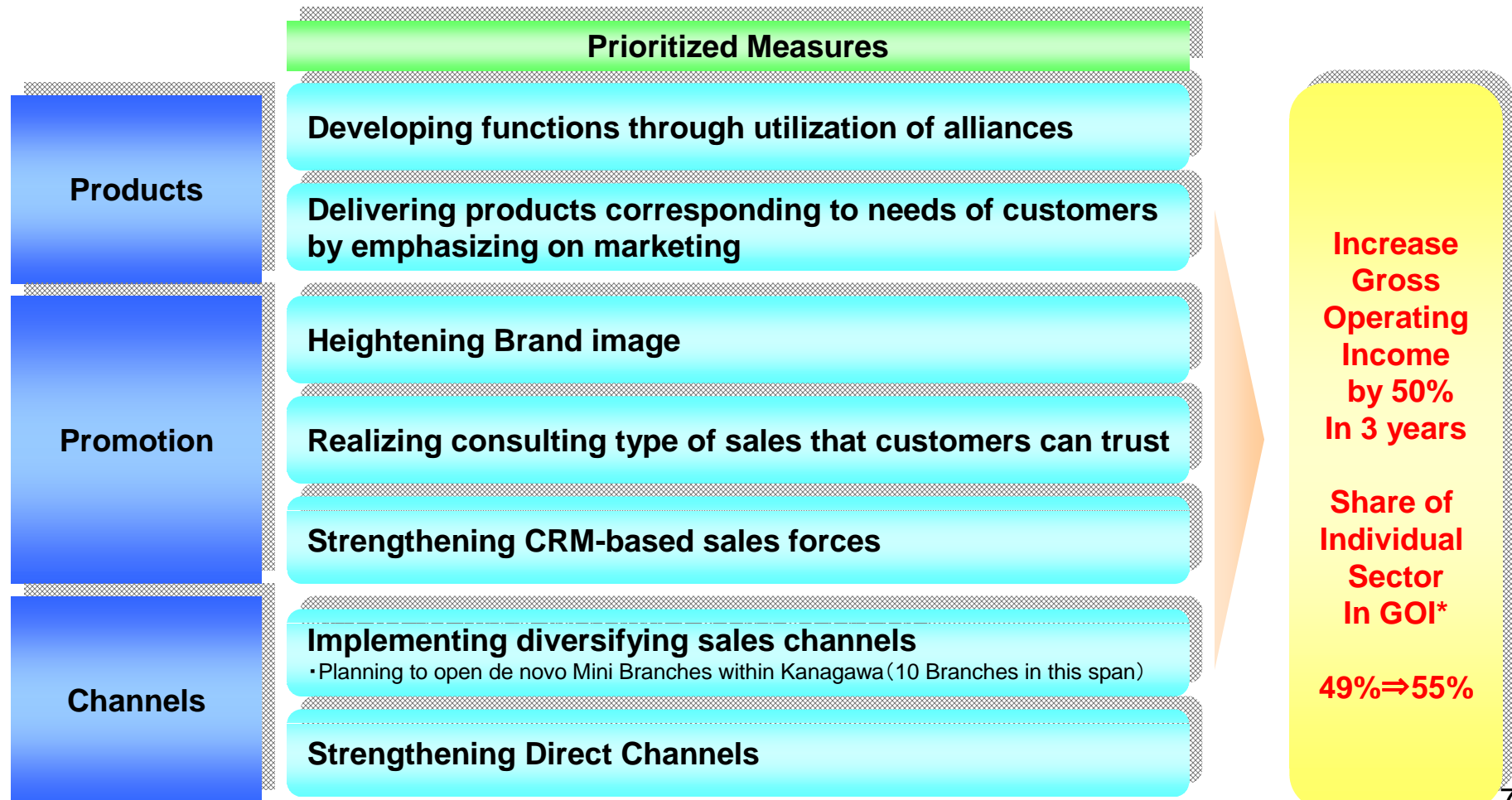


Breakdown of 3 years incremental non-personnel expenses



Measures 1 CS Improvement Measures (Individual Sector)

- In Individual Sector, we will intensively allocate our management resources to “Heightening Brand Image” & “Strengthening Service Channels”.
- Along with establishing “One Stop Shopping” system by developing functions through utilization of alliances, we will promote cross sales activities corresponding to life stage & needs of customers by heightening consulting skills.



* Excluding income from market sectors etc.

Measures 2 CS Improvement Measures (Corporate Sector)

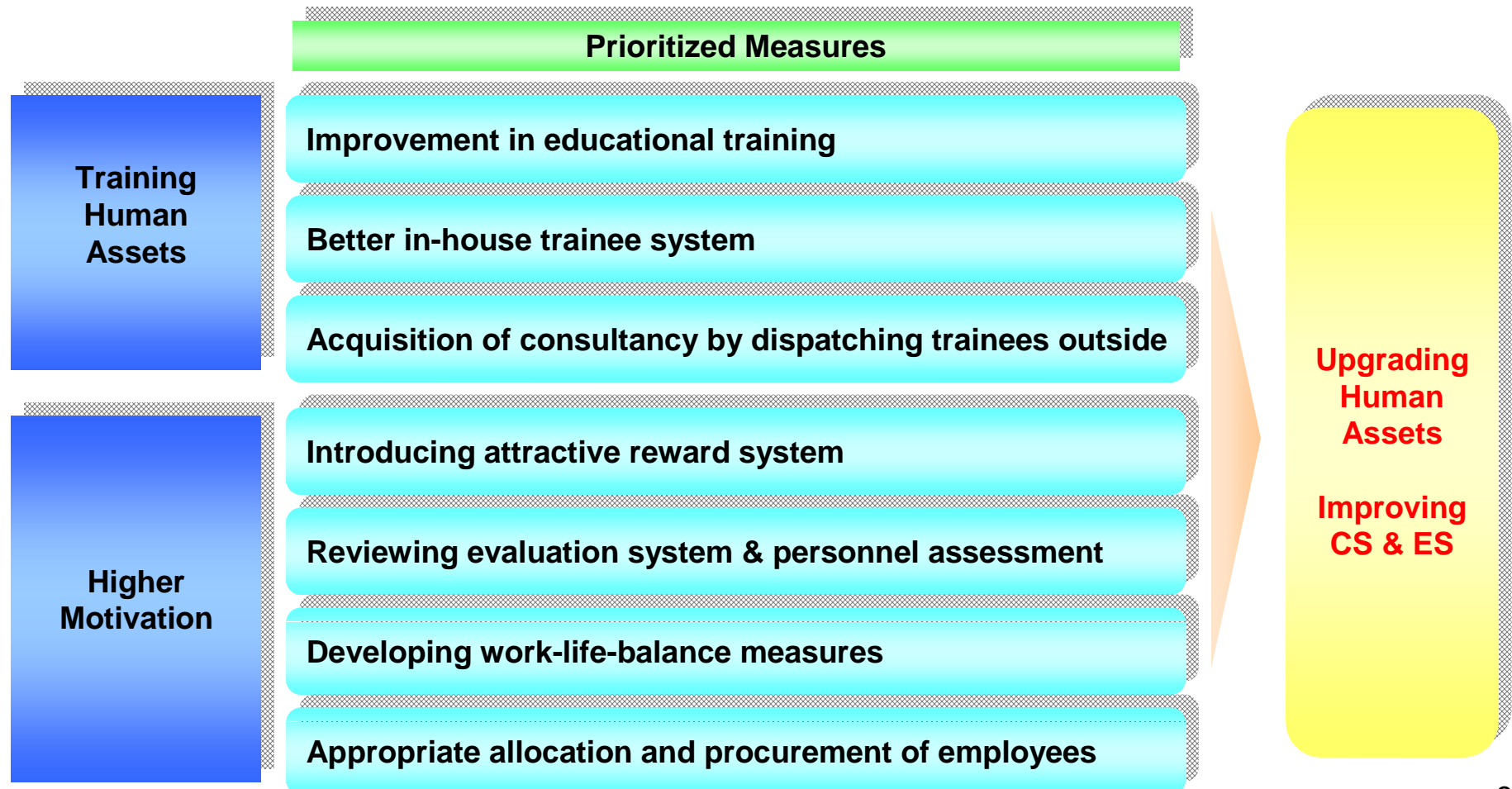
- In corporate sector, we will continue to set corporations in Kanagawa and Southwestern Tokyo as target customers. We will also intensively allocate our management resources to increasing accessibility to customers and developing functions.
- We will further consider developing overseas operations in conjunction with alliances and expanding offices mainly in Asian region, to reinforce supporting functions for SMEs within the region.
- From medium to long term standpoint, we will strengthen fee business by responding to businesses other than loan transactions, via investing in Human Assets and developing functions through utilization of alliances.



* Excluding income from market sectors etc.

Measures 3 Human Asset Investment Measures

- As measures for employees, we will invest in Human Assets mainly on “Training” and “Motivation” .
- By implementing these measures, we will upgrade Human Assets by improving their consulting abilities, and will educate and train our employees as those who are proud of working for BOY and who can be fully trusted by customers.



Measure 4 Shareholder Return Measures

- We will continue to maximize the value of shareholders, and will make every effort to realize steady earning growth and improvement in capital efficiency.
- As for dividends, we will proactively consider increasing the payout ratio, in addition to maintaining our current highly transparent performance-based Dividend Policy.
- We will increase the Target Shareholder Return Ratio (including share buy-back) from current “higher than 30%” to “**higher than 40%**” during the next 3 years.



Measure 5 CSR Measures

- As measure for local communities, we will engage ourselves in “smoothing regional financing” and “social contribution activities.”
- As a bank deeply rooted in the region, we will establish a new brand as “a bank that is indispensable to the region” by treasuring the ties with the region more consciously than ever before.



Measure 6 Reinforcing Infrastructure Measures

Measures for refining business operations

Fine-tuning the shared utilization of banking system with Hokuhoku FG

Establishing sophisticated IT systems

Refining back office operations

Refurbishing financial market sector

Measures for strengthening internal management

Strengthening internal control & internal auditing

Strengthening corporate administration

Tightening compliance

Tightening personal information protection

Higher level of risk management

BOY's Manifesto

We will carry out the following 4 statements to become “an attractive financial institution for customers, shareholders, employees, and the communities”.

① We will proactively invest in improving Customer Satisfaction

Target Figures: we will invest the total of more than JPY15Bn in the next 3 years.

"CS Improvement": Renewal, Installment & upgrading of ATMs & branches, tightening security, lowering fees & charges etc.

② We will proactively invest in human assets

Target Figures: we will invest the total of more than JPY15Bn in the next 3 years.

"Human assets investment": fees for employees training & education, increase in personnel expenses etc.

③ We will proactively return profits to shareholders

Target Figures: the average return ratio over the 3 years to be higher than 40%.

"Shareholder Return Ratio": (total dividends paid + own shares repurchased) / Net Income

④ We will proactively engage ourselves in CSR activities of local communities

Target Figures: we will allot the total of more than JPY0.5Bn in the next 3 years for CSR activities.

"CSR activities": funds regarding social contribution, sponsoring courses in educational institutions etc.

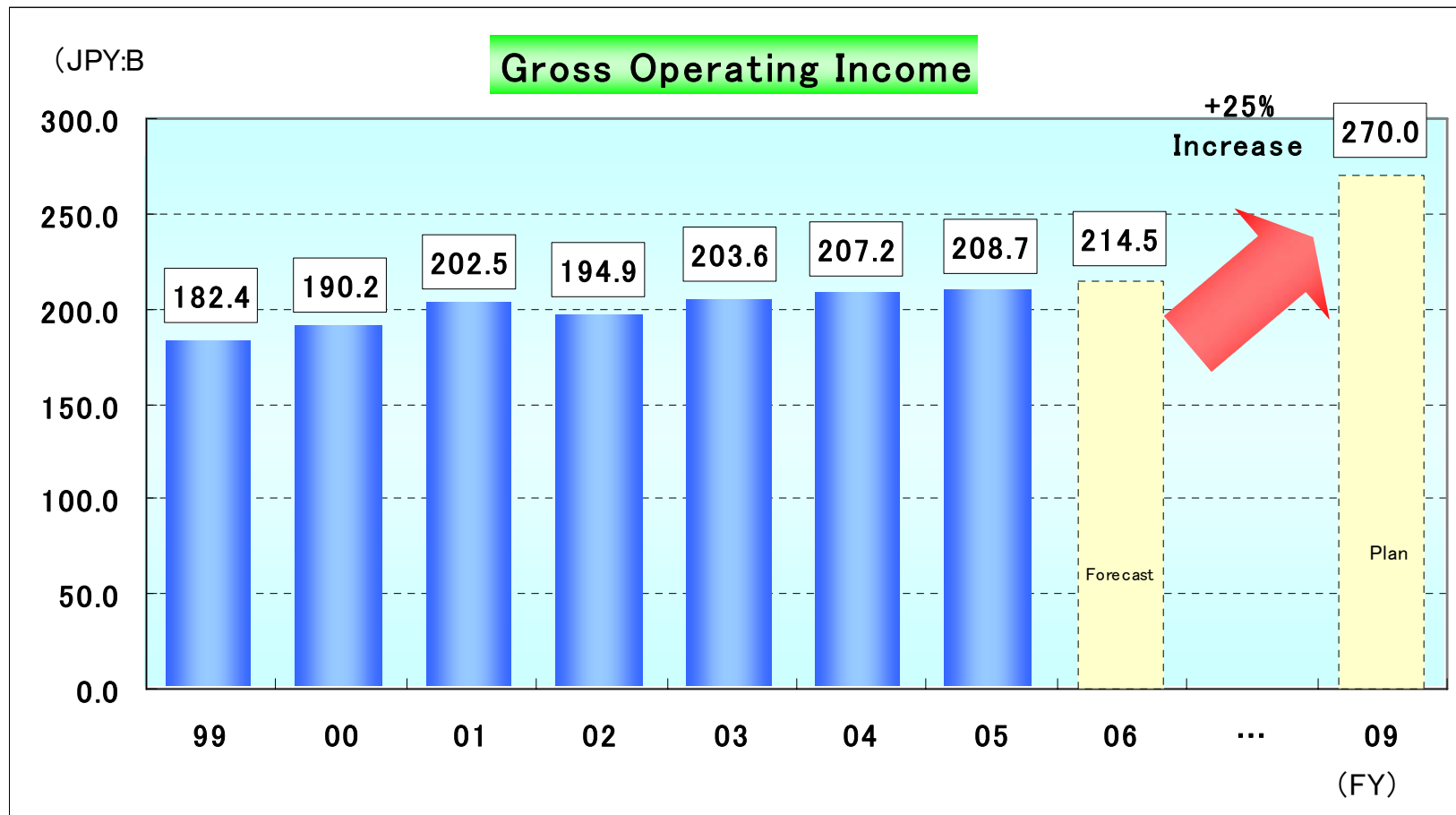
A large, horizontal, pink arrow-shaped graphic with a halftone dot pattern. The arrow points to the right and has a white outline. The word "Appendix" is centered within the arrow in a blue, italicized serif font.

Appendix

Target Figures <Gross Operating Income>

- We will set steady increase of Gross Operating Income as target since it is the very source of profits for us to promote proactive management.
- In the final year of the 3 year plan, gross operating income is expected to increase by **25%** compared with that in FY06.

(Non-consolidated basis)

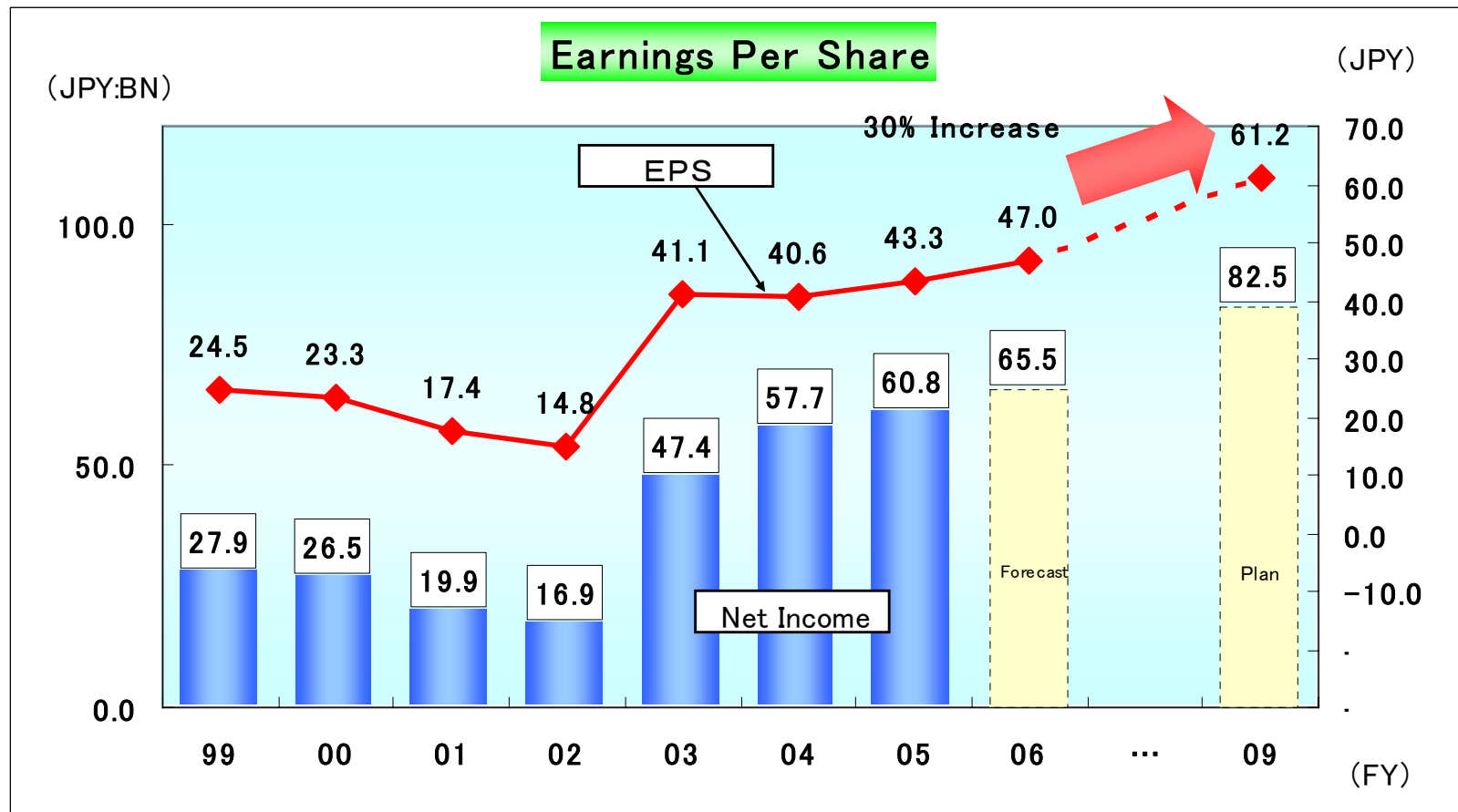


* 06 Forecast is based as of Nov. 2006

Target Figures <EPS>

- As a result of expected increase in Net Income and of the capital policy emphasizing shareholders' value, we will set steady increase of EPS (Earnings per share) as target.
- Net income is expected to be higher than **JPY82.5Bn**, and EPS to increase by **30%** by the end of the final year of the plan.

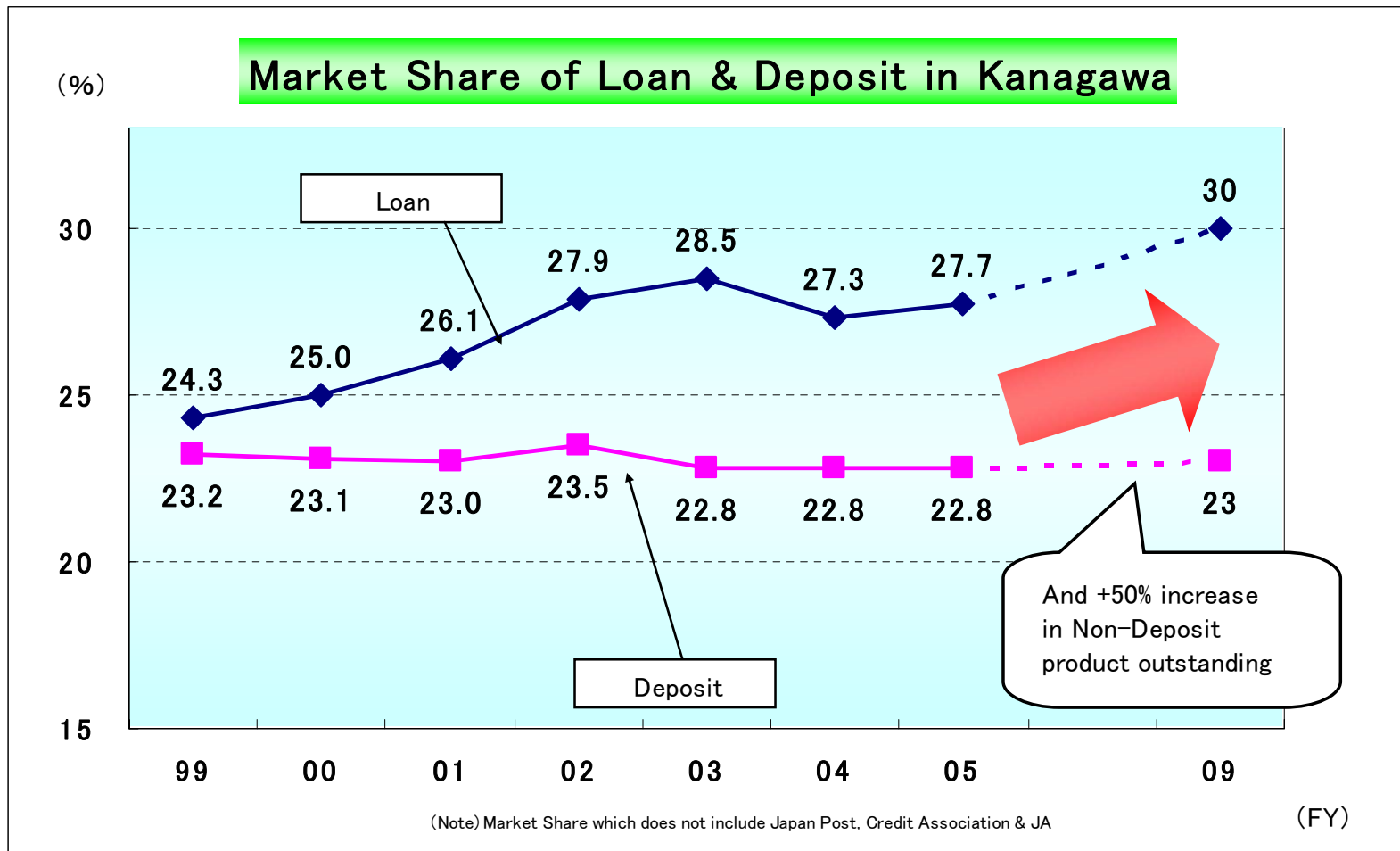
(Consolidated basis)



* 06 Forecast is based as of Nov. 2006

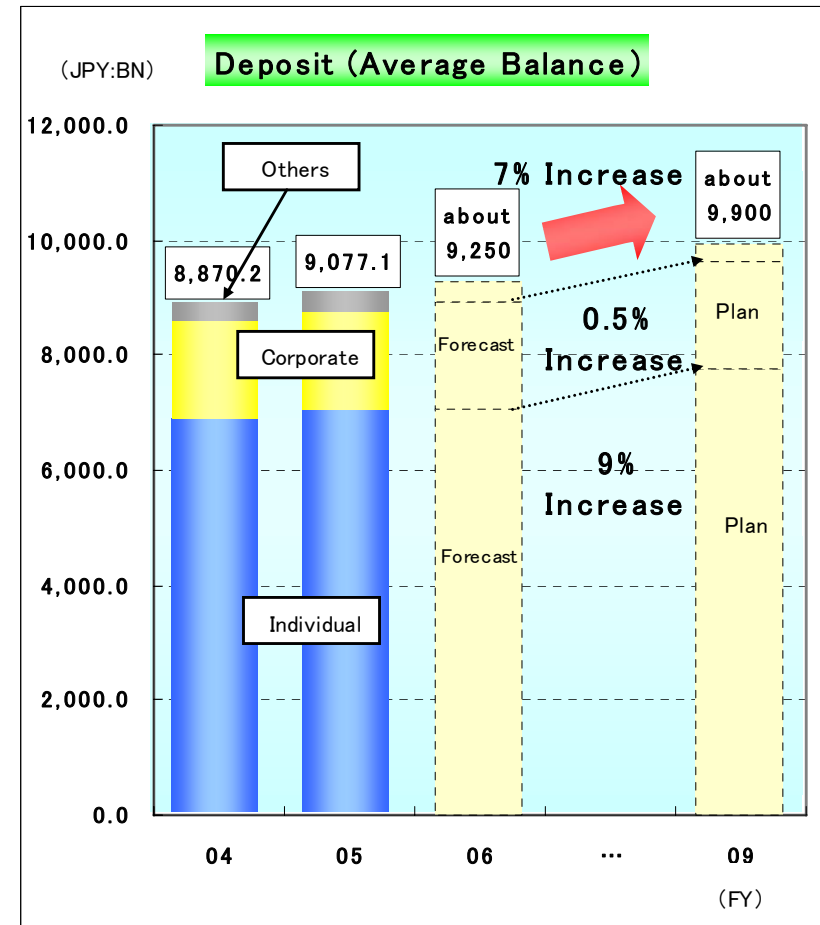
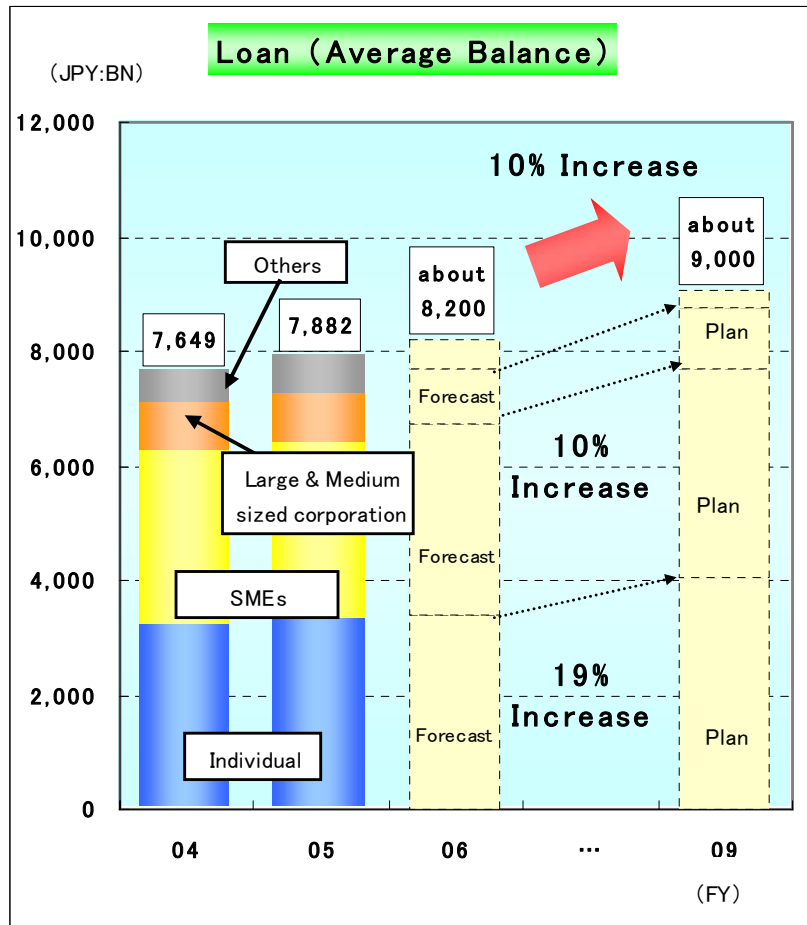
Target Figures <Market share of loans & deposits>

- We will set steady increase of market share of loans & deposits as target in order to further heighten our presence in Kanagawa where competition among banks are intensifying.
- We aim **30%** for loans, **23%** for deposits, and non-deposit products outstanding to increase by **50%** during the span.



Transition of loans & deposits outstanding

- We will make every effort to increase the loan balance from JPY8.2Tn (FY06 Forecast) to **JPY9Tn (+10% increase)**, and deposit balance from JPY9.2Tn(FY06 Forecast) to **JPY9.9Tn (+7% increase)** during the span, through sale activities deeply rooted in the communities and carefully responding to the need of individual & SME customers.

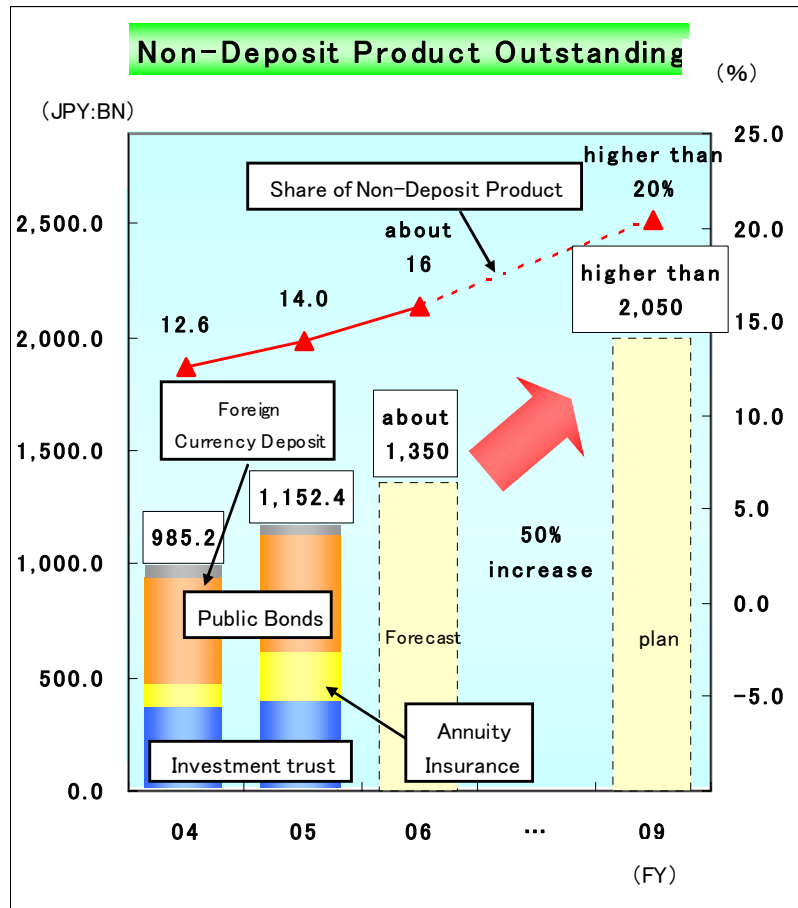


* Large & Medium sized corporations: those that have more than JPY1Bn in capital.

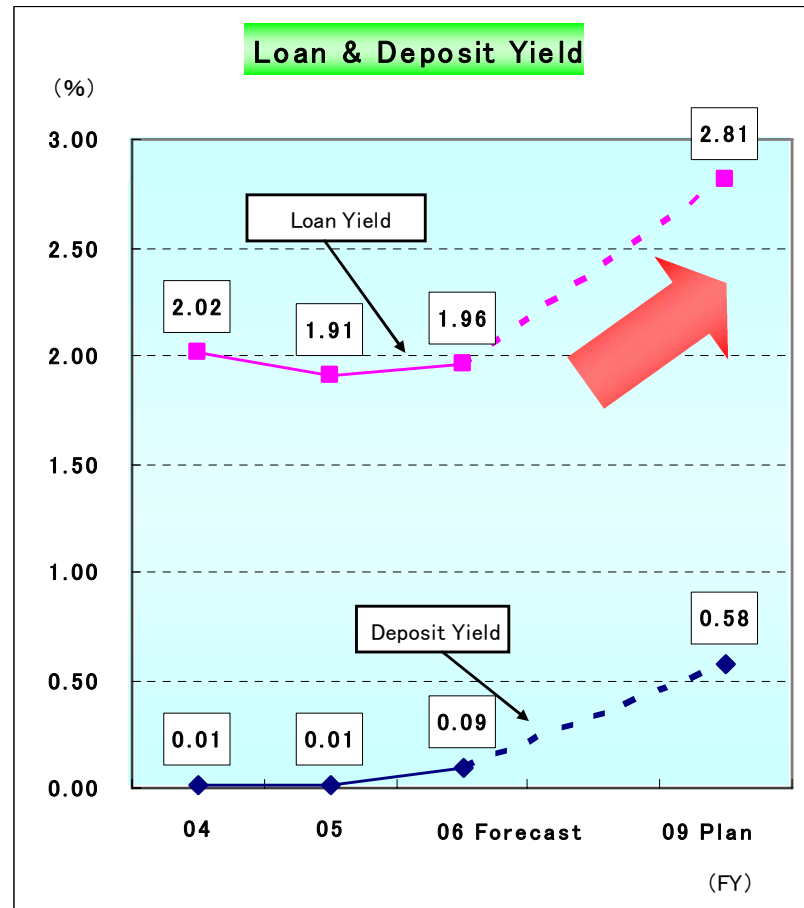
* SMEs: those that have less than JPY1Bn in capital.

Non-deposit products outstanding & Yields

- We will make every effort to increase the balance of Non-deposit products by **50%** in the span, by carefully responding to the needs of customers through delivering special consulting services and widening the product range.
- We aim to set the loan yields as appropriate level corresponding to costs & risks associated, when further rate hikes are in sight.



(Note) Share of Non-Deposit Product
 = Individual Non-deposit product outstanding ÷ (Individual Deposit + Individual Non-deposit product outstanding) × 100



Interest Rate Scenario:
 O/N Call Rate is expected rise by 0.25%, 3 times during the 3 years

* 06 Forecast is based as of Nov. 2006