Fintech and Employment Situation for Japanese Banks

May 2018

National Federation of Trust Bank Employees’ Unions
Japan’s Megabanks are Reducing Employee Numbers

- Work operations are decreasing due to AI and digitization and manned branches are also decreasing
- What is the background/reason for rapid advances in efforts to reduce employee numbers?

<table>
<thead>
<tr>
<th></th>
<th>Mitsubishi UFJ Bank</th>
<th>Sumitomo Mitsui Bank</th>
<th>Mizuho Bank</th>
<th>Sumitomo Mitsui Trust Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>1.8 trillion yen</td>
<td>1.7 trillion yen</td>
<td>1.3 trillion yen</td>
<td>0.4 trillion yen</td>
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<tr>
<td>Expense ratio</td>
<td>63.1%</td>
<td>49.1%</td>
<td>65.6%</td>
<td>60.7%</td>
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<tr>
<td>No. of employees (Group total)</td>
<td>34,000 (115,000)</td>
<td>29,000 (77,000)</td>
<td>30,000 (59,000)</td>
<td>14,000 (22,000)</td>
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<tr>
<td>Reduced work volume (Reduced employment)</td>
<td>-9,000 people (-6,000 people) 4 years from now</td>
<td>-4,500 people (- ? people) 2 years from now</td>
<td>-19,000 people (-19,000 people) 7 years from now</td>
<td>Not disclosed</td>
</tr>
</tbody>
</table>

Work operations are decreasing due to AI and digitization and manned branches are also decreasing.

What is the background/reason for rapid advances in efforts to reduce employee numbers?
One Reason is Reduced Profitability

- In February 2016 the Bank of Japan lowered its policy interest rate, launching negative interest rates for the first time.
- This has led to reduced profitability for Japanese banks, which invest largely in Japanese Government Bonds.

![Trends in ordinary income (Unit: 1 billion yen)](chart)

Policy interest rate lowered from February 2017
Another Reason is Preparations for Reduction in the Domestic Workforce

- Declining birthrate and advancing aging society
- The younger generation is already shrinking.

Excerpt from MHLW materials (Trends in the Working Population)

12 years from now:
- 4 million people
- 5.7%

(10,000 people)
Raising Employment Rate for Women is a National Policy

- In terms of the social advancement of women, Japan ranks 28th out of 29 OECD members.
- In order to maintain the working population it is imperative to change society so that women find it easier to go to work.

Excerpt from MIC materials

Women’s employment rate

*Potential workforce participation rate=(No. of workers + Total no. of unemployed + Total no. seeking employment)/ population (over 15 years)
*Nationwide, excluding Iwate, Miyagi and Fukushima.
Role of Bank Labor Unions

- Although banks are advancing measures to reduce staffing levels, this is being done through retirement-related measures and not through large-scale restructuring/dismissals.
- There is a possibility of facing a labor shortage.
- Existing employees are having to respond to digitization (=improve IT skills) or focus on remaining branch-based business (=improve communication skills).
  → Employees are calling on employers to provide enhanced training programs so they can respond to changes in their work roles.

- Many managers do not recognize that “companies cannot remain in business unless they create good working environments for women.”
  → Measures are being advanced to eliminate overtime, facilitate the taking of paid leave and encourage home-based work.
Thank you for your time and attention