

Section II: 14th Medium-Term Management Plan



Summary of the 13th Medium-Term Management Plan

Main topics

Corporate value

12th Medium-Term Management Plan

- Emergence of merger's cost synergy
- 50 branches in Aichi
- 5 trillion yen in deposits

13th Medium-Term Management Plan

Customer-oriented approach in improving service quality

- ⇒ Strengthening contact points with customers
- ⇒ Reforming business operations from customers' perspectives
- ⇒ Growth strategy centered around Aichi

Outcome

- ・ Achieving 4 trillion yen in loans with Aichi-centric strategy
- ・ Opening offices in Singapore and Bangkok
- ・ Opening two currency exchange shops
- ・ All-day fee-free ATMs for Juroku transactions
- ・ Launching Holiday Juroku services for public holidays

14th Medium-Term Management Plan launched

April 2011

April 2014

April 2017

Numerical targets and achievement status

Targets			Start of plan	Achievement status
Growth potential (customer base)	Deposit balance	¥5,600.bn	¥5,155.4bn	¥5,468.6bn
	Number of retail borrowers	100,000+	97,780	112,308
Earning capability	Net income	¥10bn	¥12.3bn	¥9.1bn
Financial soundness	Core equity ratio	8.8%+	8.66%	8.57%
	Ratio of credit cost to total loans	Less than 0.2%	0.09%	△0.07%

Overview of the 14th Medium-Term Management Plan

Title	All For Your Smile ♪ ~2nd Stage~
Period	Period: From April 2017 to March 2020 (3 years)
Long-term vision	Financial group that is needed by customers and grows with customers
Basic policy	<ul style="list-style-type: none">• Ensuring customer-oriented approach ➡ Succeeding the stance of the 13th Medium-Term Management Plan• Exploring core business operations deeper and taking on fresh income-generating opportunities<ul style="list-style-type: none">• Responding to changes in external environment speedily
Business model	<p>Transforming the business model to create a positive cycle of “Contributing to the growth of customers and local economy” and “Building a stable and indefinite revenue-generating structure to support local communities”</p>
Action base	<p>Engagement First Prioritizing the establishment of a strong trusting relationship with customers</p>

Six strategies for fulfilling the plan

Strategy mapping and numerical targets

Strategy mapping

Rationalizing / streamlining

Improving management efficiency to survive competition

- Accelerating business reform
- Slimming down head office organization
- Achieving efficient branch operation

Improving organizational strength

Helping each employee improve performance

- HR development
- Work style reform

Sales stance of sincerely tackling customers' diverse needs and tasks

Expanding contact points with customers and offering solutions above and beyond expectations

Business customers

Individual customers

- Improving problem-solving capacity through bi-directional communication
 - Supporting the improvement of corporate values based on business viability evaluation
 - Offering financial intermediary functions to local SMEs
 - Providing support according to their growth stage
- Offering goods / services according to customers' life stages to explore their needs
 - Offering consultation functions
 - Enhancing and expanding goods and services on offer (unsecured loans without involving face-to-face consultation, etc.)
- Improving channel functions

SME loans

Non-interest income

Personal loans

FY2019 targets

Item		FY2016 results	Targets
Earning capability	Net income (consolidated)	¥10bn	¥10bn
Growth potential (customer base)	Community presence (daily-average deposits +daily-average loans)	¥9,350.1bn	¥10,000bn
	Daily-average deposits	¥5,410.8bn	¥5,700bn
	Daily-average loans	¥3,939.3bn	¥4,300bn
Financial soundness	Equity ratio (consolidated) Full implementation basis	8.84%	Around 8.7%

Long-term targets

Item		FY2016 result	Target
Earning capability	ROE (consolidated)	3.0%	5%+

Six basic strategies

Strategy
1

Expanding contact points with customers and offering solutions above and beyond expectations



Strategy
2

Actively getting involved in community tasks



Strategy
3

Building strategies by region



Strategy
4

Improving fund management capacity



Strategy
5

Improving management efficiency to survive competition



Strategy
6

Helping each employee improve performance



【Strategy 1】

Expanding contact points with customers and offering solutions above and beyond expectations

Full introduction of the activity evaluation system

⇒ Substantially revising the previous performance evaluation system

Business model innovation

Overview of the activity evaluation system

- Establishing the Sales Activity Guideline for “activity evaluation” as the basic principles of all sales activities
- Evaluating sales branches qualitatively according to “sales branch activity evaluation criteria”
- Examining the rate of achievement against “key data” in block evaluation
- Introducing the “head office activity evaluation criteria” as the criteria for evaluating the activities of head office departments in support of sales branch activities based on the sales branch activity evaluation criteria”

Sales branches

Sales branch activity evaluation

- Defining the number of items and their balance so that they are easy to understand for sales branches
- Sales-related items + Administration-related items + Unique items
- Clarifying subject activities and quantifying evaluation indicators
- Clearly showing items related to benchmarking

Engagement award

Recognizing not only standalone cases but also good practice activities that an entire branch has worked on steadily

Block

Block activity evaluation

Key data

Evaluating the rate of achievement

Head office

Head office activity evaluation

- Focusing on supporting sales branch activities
- Clearly showing items related to benchmarking

Customer-oriented
business administration

Sales branch activity evaluation criteria (excerpts)

No	Item	Department in charge	Activity evaluation criteria
2	Sales stance	Sales Management Division / Aichi Sales Division	Working on strengthening relationship with clients to turn them into main accounts?
10	Sales stance	Individual Customers Sales Department	Establishing a consulting sales structure in deposit asset sales?
21	Sales stance	Business Customers Sales Department	Engaging in in-depth dialogs with customers to identify true tasks / needs in offering solutions?

Sales branch activity evaluation criteria (No.10)

Activity evaluation criteria (detail)	Evaluation indicators
Attentively listening to customers' life plan and stance to identify their needs and tasks, and offering products that help solve the tasks	<Voluntary targets on deposit asset sales and their results>
Using an achievement level checklists (held by all Fas, accounts staff, liaison staff, etc.) for skills and HR development	Evaluating difficulty, progress and PDCA
Conducting study sessions and leads meetings as appropriate to boost all qualified sales representatives' knowledge level and motivation, while making efforts to offer optimum products	<Skills and HR development>
Setting and managing targets that suit own branch's characteristics, market and actual conditions concerning deposit assets to maintain / boost branch workers' motivation and achieve customer satisfaction	Evaluating the status of utilizing the achievement level checklist
.....	<Post-sales follow-up>
.....	Evaluating the number of clients with deposit assets followed up after sales and the number of seminars held
.....
.....

Sales branch activity evaluation criteria (No.21)

Activity evaluation criteria (detail)	Evaluation indicators
Actively grasping clients' business succession policy and working with the head office to ensure smooth business succession	Number of business succession consultation sheets submitted (evaluating the number of effective consultation cases)
Identifying client companies' retirement benefit / pension scheme and offering a defined-contribution business pension plan	Number of retirement benefit / pension scheme consultation request forms collected
Offering a means of payment clearance other than checks (electronic settlement, batch settlement system)	Number of new electronic settlement transactions
Accurately grasping clients' management tasks and needs and providing information about functions, seminars, etc. offered by Juroku Bank affiliates	Number of information communication tables, etc.
.....
.....

▼ Outstanding results based on Juroku Bank's original benchmark

Supplier Search Service

(trademark registered in January 2017)

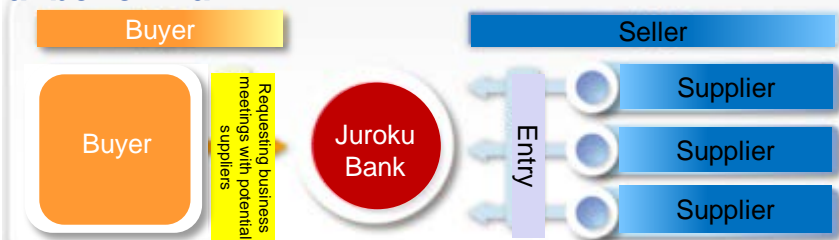
Juroku Bank finds buyers and identifies their needs / tasks.

Juroku Bank uses its network of branches to identify suppliers that meet the needs.

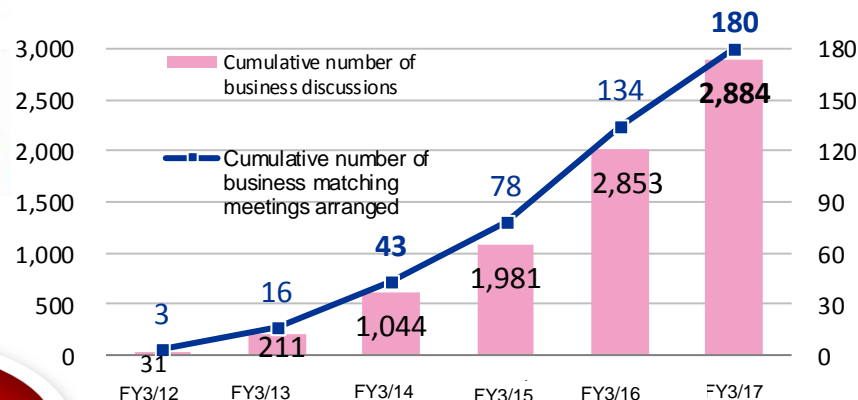
Buyers screen documents to select suppliers.

Each buyer receives proposals from multiple suppliers.

A business deal is struck highly accurately.



● Past results



Catering to the following types of supplier search needs

- Finding a supplier capable of handling difficult processing work
- Arranging multi-vendor procurement with two / three suppliers
- Finding a supplier capable of handling small-lot production or prototype production
- Finding a flexible supplier located nearby
- Finding a new development partner
- Finding a partner to enter into a new business field

▼Organizing value-added business matching meetings featuring prominent buyers

Sample entry form

ビジネス商談会 in ○○社 航空機器事業部

【名古屋商工会議所】と十六銀行は、特長ある技術や商品を有する地域企業の新たな販路開拓や製品開発を支援するため、○○社 航空機器事業部との商談会を開催します。今回の商談会は、一般的に行われているビジネスフェアのように展示ブースを設ける形ではなく、中小企業が大手企業に対して、自社の技術や製品、サービス等を直接アピールいただける「個別商談会」です。

■ 商談会の流れ

サプライヤー企業の募集（エントリー）

バイヤー企業による選抜

商談会

■ 商談会概要

日時	平成20年9月10日（水） （1社ごとに時間割を設定しますので、開始時刻は個別にご連絡いたします）
会場	株式会社 ○○社 航空機器事業部 〒○○-○○ ○○市○○町15
バイヤー企業	株式会社 ○○社 航空機器事業部 〒○○-○○ ○○市○○町15 事業内容：分析、計測機器、医用機器、航空機器、産業機器の製造 航空機器事業部は、フライト・コントロール・システム、エアーマネジメント・システム、コックピット・ディスプレイ等を製造しています。
内容	自社の技術や製品、サービス等をアピールする「個別面談」形式で実施します。
募集対象企業	バイヤー企業が提案を希望する事業分野の商品・商材・技術等を有する、以下の企業さま ・十六銀行のお取引先企業さま ・名古屋商工会議所の会員企業さま ※事前のエントリーが必要です。 ※商談会参加企業は、お申込時にご提出いただいたエントリーシートに基づき、バイヤー企業が選考し決定します。
商談希望ニーズ	裏面のとおり
参加費	無料
募集企業数	10社程度
申込方法	エントリーシートをご記入のうえ、会社案内・設備一覧を添付し、十六銀行各支店にお申込みください。 ※エントリーシートは、十六銀行ホームページからダウンロードできます。
申込期限	平成20年9月10日（金）
備考	面談のみの商談会ですので、ブース等のご準備は不要です。 参加企業の希望分野と合致しない場合、事前にお断りすることがございます。 本件に関するバイヤー企業への直接のご連絡はご遠慮ください。

Main buyers that have used the service in recent years

Collaborating with the Ministry of Economy, Trade and Industry as well as local governments

Offering business matching opportunities

(Examples)

Company S Manufacturing flight control systems

Company K Manufacturing titanium materials and parts

Company M Aircraft engine parts

Company A Manufacturing equipment

Company B Manufacturing turbine engines

Business meeting with aircraft engine manufacturers



Analysis on the supplier search service

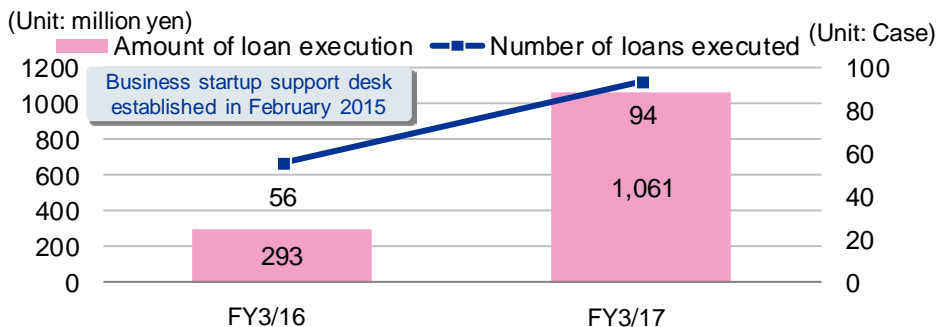
Results of monitoring and analyzing the trading status of participating companies

1. Loan balance is durable, maintaining or increasing the level.
2. Loan balance tends to increase when the number of participations is high.

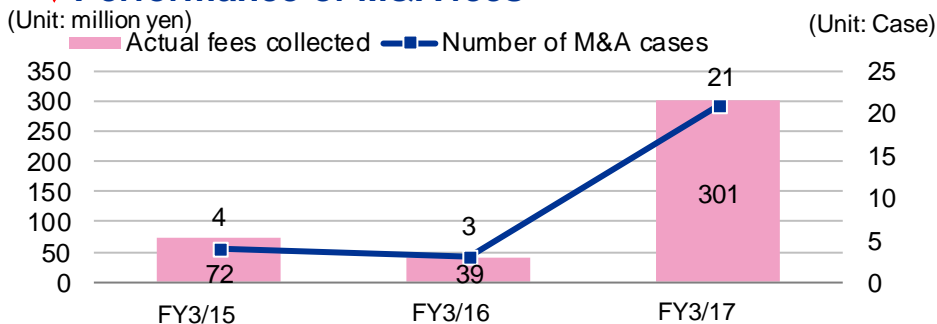
Secondary effects

1. Allowing buyer staff in charge to gain in-depth understanding of suppliers, thereby boosting their skills
2. Allowing buyer companies to accumulate information about supplier evaluation, which can be utilized for credit judgment

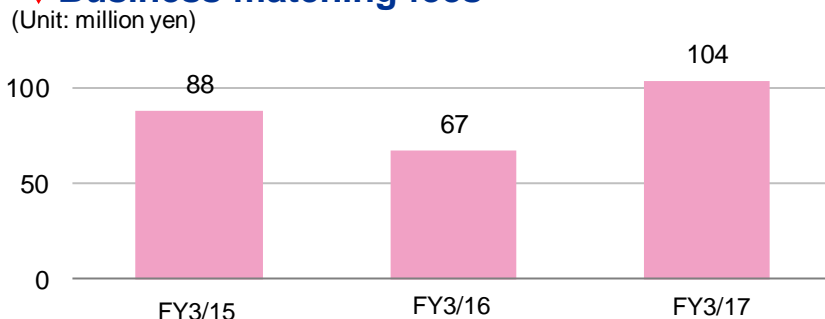
▼ Performance of business startup support desk



▼ Performance of M&A fees



▼ Business matching fees



▼ Strengthening our support structure in ASEAN nations

Office to be set up in Hanoi in February 2018



▼ Number of overseas suppliers by country (As of the end of March 2017)

Country	Number of suppliers	Country	Number of suppliers
China	534	Malaysia	46
Hong Kong	72	Philippines	43
India	32	Singapore	45
Thailand	253	Myanmar	11
Indonesia	115	ASEAN (other)	13
Vietnam	134	ASEAN total	660
Total			1,298

【Strategy 2】

Actively getting involved in community tasks ~Strategic alliances~

- Nagoya Bank
- Hyakugo Bank

- Hokkoku Bank
- Fukui Bank
- First Bank of Toyama

Tie-ups with local banks of the three neighboring prefectures in the Tokai region and local banks of the Hokuriku region

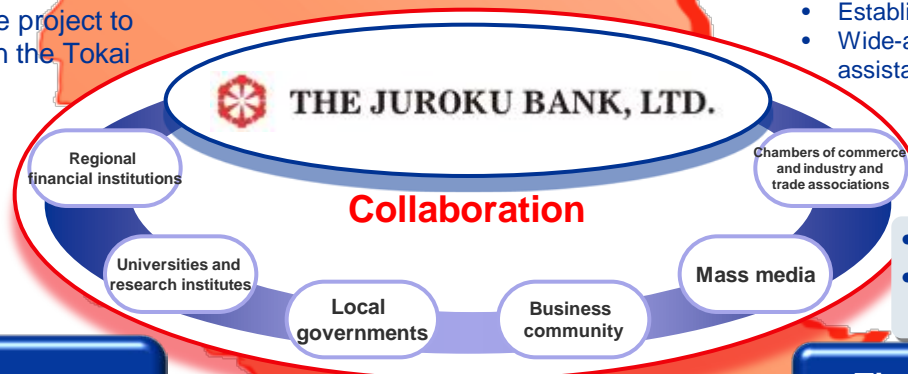
- Joint M&A seminars held by three banks
- Joint corporate briefing sessions held by three banks
- Joint business meeting
- Collaboration agreement for the project to revitalize the tourism industry in the Tokai and Hokuriku regions (Six Stars Tourism Project)

- Deloitte Tohmatsu
- Nomura Securities

Cross-sector tie-ups for fostering venture businesses

- Administration of the venture support organization, NOBUNAGA21
- Seminars on revitalizing local economy
- New Business Plan Support Fund
- First Stage grants for business entrepreneurs

Diverse strategic alliances



- Hiroshima Bank
- Hokkoku Bank
- San-in Godo Bank

- Mebuki FG
- Hyakujushi Bank
- Nanto Bank
- Yamaguchi FG

Cooperation with regional banks on the Chance project (regional bank integrated services)

- Tie-up in the IT field, mainly in computer systems
- Establishment of the Infrastructure Council for project financing
- Launch of the Chance FinTech Lab
- Establishment of the energy fund
- Wide-area collaboration for offshore business assistance

- Tono Shinkin Bank
- Japan Agricultural Cooperative MEGUMINO

Tie-ups with partners in other areas of the financial sector

- Tie-up with Tono Shinkin Bank to revitalize local communities
- Support for the project, Gifu, Seiryu no Kuni (the Land of Clear Water) Food and Agriculture Trade Fair
- Mutual HR exchange with the Japan Agricultural Cooperative MEGUMINO

▼Support for local governments' strategy for vitalizing towns, people and jobs, etc.

Support to high school students for product development and marketing of Arare rice crackers



(Signing ceremony with the Gifu Prefectural Commercial High School)

<Specific content>

Targeting commercial high school students who have established the corporate entity

- (1) PR at a food trade show in Hong Kong
- (2) Inter-cultural exchange with international students
- (3) Visit to overseas factories

Development of young future leaders for regional regeneration

▼Revitalizing local economy through support for regional companies

Marketing support for Gifu's local produces at Nagoya Mitsukoshi department store



(Market event at the Aeon Mall Tokoname)

This collaboration with a department store was a rare tie-up of this kind even on a national level. The event attracted over 20,000 visitors over four days. The Mitsukoshi – Isetan Group is to sell the products based on the project stance and consumers' response.

Unconventional cross-sector collaboration for activity supporting local companies

Presenting Touch-and-Talk communication sheet for international visitors to multiple local governments



(Communication using the sheet in Takayama City, Gifu Prefecture)

Situational phrases for restaurants, accommodation, shopping and taxis in English, Korean and Chinese



Inbound tourism support for welcoming visitors

Support for the sale of Gifu's local produce with NEXCO Central Japan x Gifu University



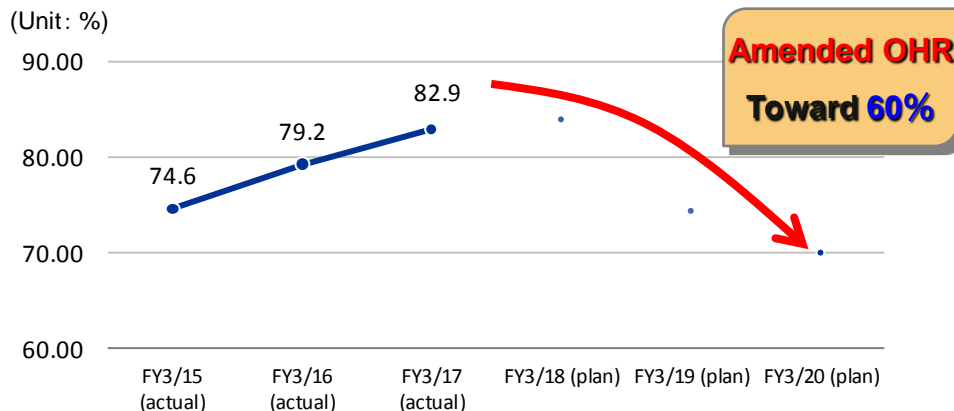
(Workshop held prior to the business talk session)

This was a rare initiative of arranging a business talk session so that 45 local businesses could promote their merchandizes, e.g. food items and handicrafts, to tenants of highway service areas (SA) and parking areas (PA) in the prefecture. Opinions from university students were gathered in a workshop ahead of the event to enhance the relevance of the session.

Improving management efficiency

- **Accelerating business reforms**
 - Eliminating hardcopy applications / submissions and the use of seals
 - Expanding administration concentration at the head office (eliminating back office administration)
 - Eliminating the use of paper (and the use of safe / document storage)
 - Streamlining loan / public relations duties for faster work
- **Streamlining branch operations in view of demographics**
 - Adopting branch operations specializing in sales (administration with minimal personnel)
 - Considering opening branches in regions of anticipated growth
- **Streamlining head office organization (organizational reform)**
Further optimizing personnel allocation and workforce

▼ Actual and planned figures of amended OHR



Building an efficient branch operation structure for sales reform

**Single-line completion process
Concentration of back office
work at the head office**

**Reinforcement of sales
workforce and expansion of
business hours**

Top-line reinforcement

OHR improvement

▼HR education reform

Two-week new recruit training program ⇒ Expanding it to 3 months

- Addressing diversifying bank operations
- Reinforcing workers capabilities prior to assignment
- Enhancing stress resistance through trial and error



(Zazen meditation training)

▼Empowerment of women and other diverse human resources

Recruiting high-performing non-Japanese workers for organizational revitalization



Career-course new graduate recruits for FY2016
(Left) Ms. Chu of the head office's sales division
(Right) Mr. Cho of the Nagoya sales department

▼Work style reform

Forcible computer shutdown at the end of business hours

Computers are forcibly shut down after an alert message is displayed every Wednesday, the second and third Friday of each month and during Early Finish week, targeting some 1,000 head office workers.



Publication of overtime data and ranking on the Intranet

The visualization approach makes managers and the rest of the workforce keenly aware of the need to cut back on overtime.

SAMPLE	Average leaving work time		Over time hours				
	Time	Ranking	Deputy	Male employees	Female employees	Per person	Ranking
A Branch	18:47	17	26:45		7:46	10:56	25
B Branch	18:47	17	24:23	16:23	5:08	12:26	35
C Branch	19:05	40	28:33	16:55	3:21	11:21	27
D Branch	19:20	76	28:42	21:20	15:12	20:17	123
E Branch	19:50	137	33:05	24:30	10:47	18:45	103
F Branch	17:59	3	11:50		2:15	4:10	4
G Branch	19:33	112	35:03	24:08	19:11	25:34	148
H Branch	19:25	91	27:05	21:45	16:23	20:58	128

Shortening total working hours, streamlining work operations and ensuring correct work-life balance

▼Numerical targets for women's empowerment and actual status (vs. FY2014)

① 87 women in assistant management positions or above ⇒ To be doubled to 174 women by the end of FY2020 ⇒ 114 women as of the end of March 2017 (+27 women in 2 years, up approx. 30%)

② The ratio of women in leader positions or above to be raised to 20% by the end of FY2020 ⇒ 15.0% as of the end of March 2017 (240 women / 1,355 men)

* "Leader positions or above" refers to those in assistant management positions plus administrative leaders and FA leaders.