

# The Juroku Bank

## 34<sup>th</sup> Financial Results Briefing

[First half of the fiscal year ending March 2020]

November 29, 2019



## Overview of results for 2019/9

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Earnings forecasts and other future-related statements made in this document are based on information available at the time of publication and a certain level of assumptions that are considered to be reasonable. Actual results may differ significantly due to a wide range of factors.

# Overview of results for 2019/9

## Non-Consolidated

(Unit: 100 million yen)

	2017/9	2018/9 A	2019/9 B	B - A
Core gross operating profit	286	296	321	25
Net interest income	239	250	267	17
Fees and commissions	46	47	53	6
Other operating profit (except profit on JGBs and other debt securities)	1	△ 1	0	1
Expenses	251	226	214	△ 12
Personnel expenses	140	123	114	△ 9
Non-personnel expenses	95	88	85	△ 3
Net core operating profit	34	69	106	37
Net core operating profit (ex Investment trust cancellation profit)	44	71	105	34
Net business income	41	66	105	39
Profit related to securities investment	19	10	△ 1	△ 11
Profit on JGBs and other debt securities	6	△ 2	△ 1	1
Profit on equities	12	13	0	△ 13
Credit costs	△ 11	8	17	9
Ordinary profit	62	72	91	19
Interim net profit	46	52	65	13

## Overview of non-consolidated results Net core operating profit increased by 53%

○ Core gross operating profit increased by 2.5 billion yen YoY to 32.1 billion yen, due to an increase in Net interest income and Fees and commissions.

• Increase in interest and dividends on securities

Expenses decreased by 1.2 billion yen YoY to 21.4 billion yen, due to decrease in Personnel expenses and Non-personnel expenses

Ordinary Profit increased by 1.9 billion yen Y to Y to 9.1 billion yen

Interim net profit increased by 1.3 billion yen YoY to 6.5 billion yen

Both is increased for two consecutive terms

## Consolidated

	2017/9	2018/9 A	2019/9 B	B - A
Core gross operating profit	317	329	356	27
Expenses	272	252	243	△ 9
Net core operating profit	45	77	113	36
Ordinary profit	72	79	96	17
Interim net profit attributable to shareholders of the parent company	49	54	65	11

## Overview of consolidated results Increased both in sales and profit

Ordinary Profit increased by 1.7 billion yen Y to Y to 9.6 billion yen

Interim net profit attributable to shareholders of the parent company increased by 1.1 billion yen

YoY to 6.5 billion yen

(\*) From the current interim period, a part of the dividend income from insurance has been offset against premiums paid, and the prior year's figures have been reclassified.  
In addition, gains and losses related to investment partnerships are accounted for using the net method.

## Main measures implemented during the medium-term management plan

### 14th Medium-term Management Plan (2017/4~2020/3)

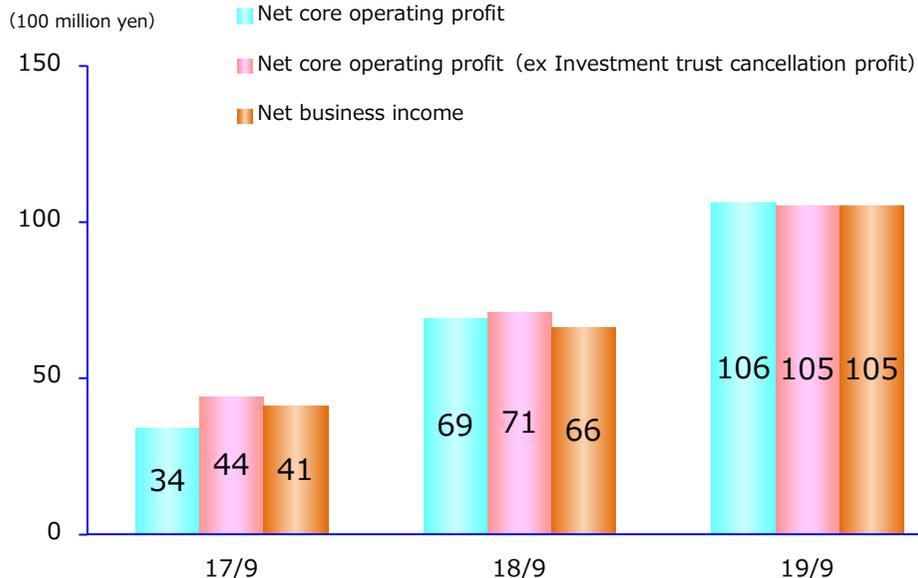
Measures	<b>Branch reform project</b>
	By centralizing back office works at branches to headquarter, reviewing complicated work procedures and documents, utilizing IT, etc., eliminate back office operations from branches to create time for branch staffs to consult with customers
	<b>Sales strengthen by staff relocation</b>
	As a result of branch reform project, staff relocation is accelerated, and more staff work in a sales division.
	<b>Branch Activity Process Evaluation System</b>
	Abolished sales quota, customer-oriented sales process is highly evaluated.
	<b>Launch of 'Corporation Solution Team'</b>
	Beyond the framework of products, to a new sales structure to find customers' true needs and realize more speedy proposals from various angles.

#### Strategy effecton(as of Sep 2019) compared with Sep 2016

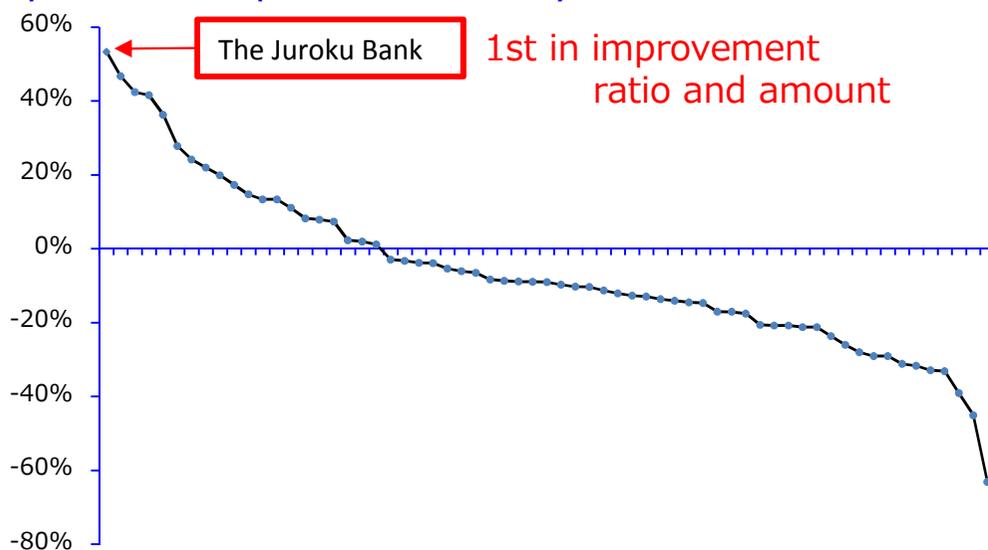
reduction of back office operations ▲510 thousand hours	① Increase	Fees and commissions +1.9billion yen
Corporation solution related revenue +0.4 billion yen		② Decrease
Indivisual related revenue +1.1 billion yen	③ Efficiency	Core OHR 66.82%
Other revenue +0.5billion yen		④ Profitability
Number of personnel(non-consolidated) ▲ approx. 600 staffs(*)	④ Profitability	Profit of customer services +3.2billion yen
Staff relocation to expanding business approx. +340 staffs (*)		
Non personnel expenses ▲1.3 billion yen		

(\*) Compared with Mar 2017

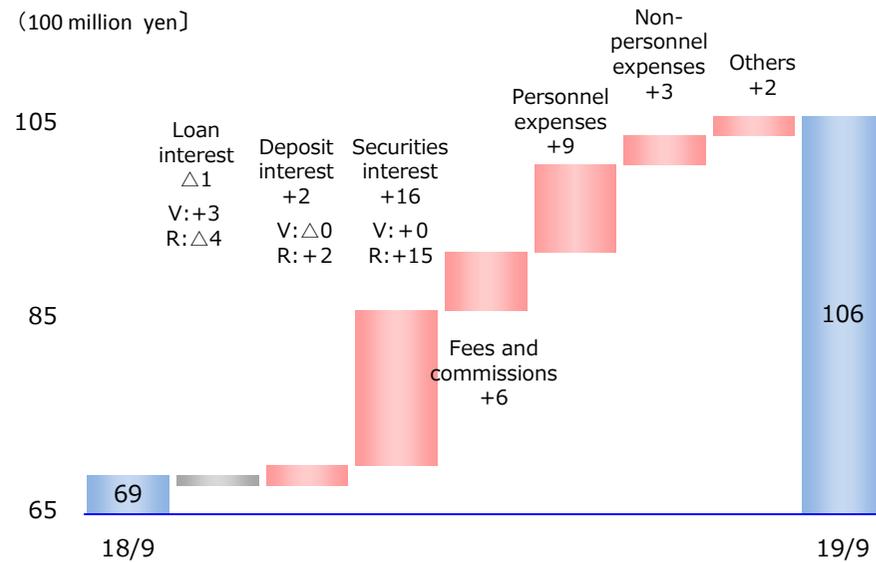
## Net core operating profit Net business income



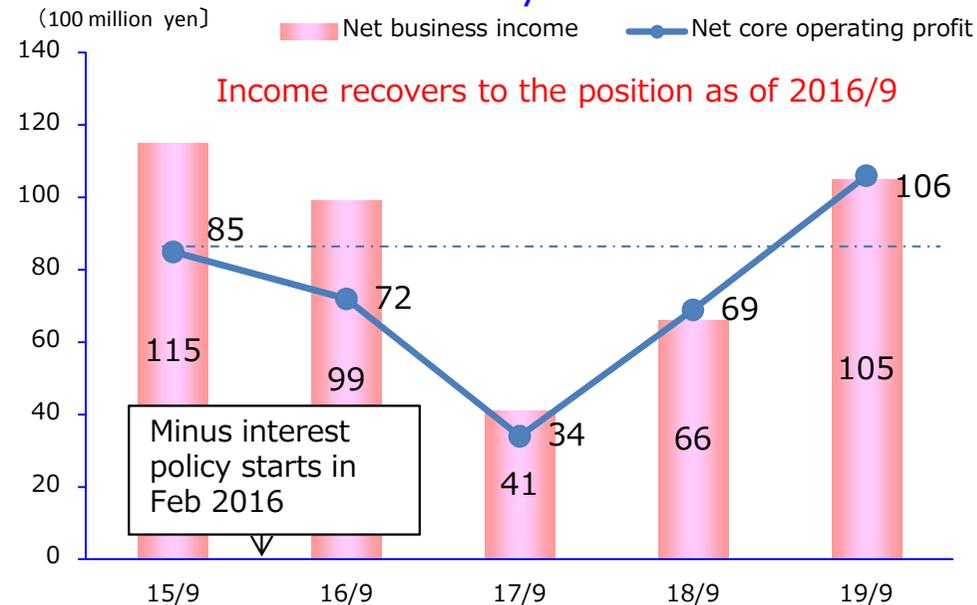
## Change of regional bank net core operating profit from previous fiscal year



## Factors to increase or decrease of net core operating profit

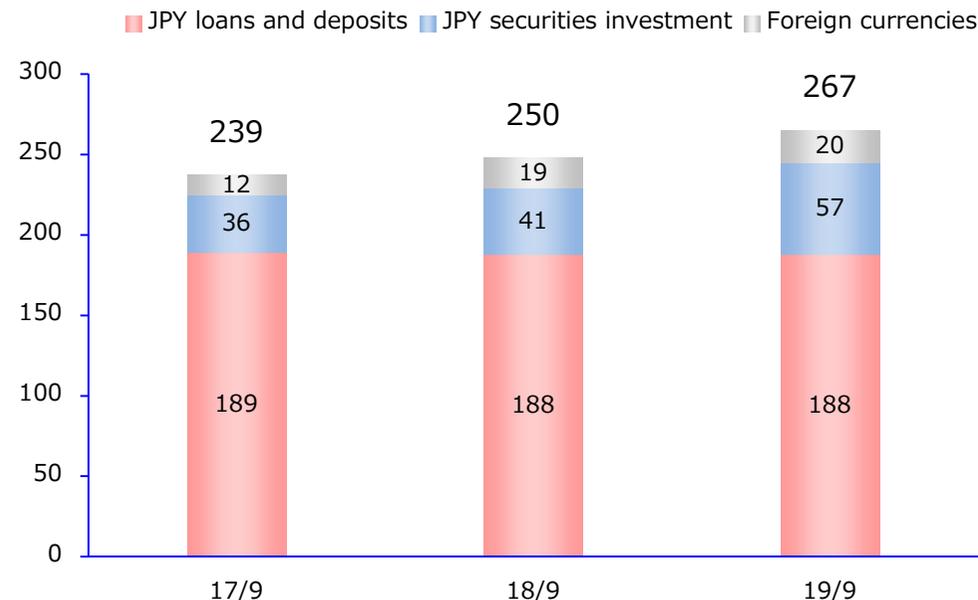


## Change of Net core operating profit and Net business income in last 5 years



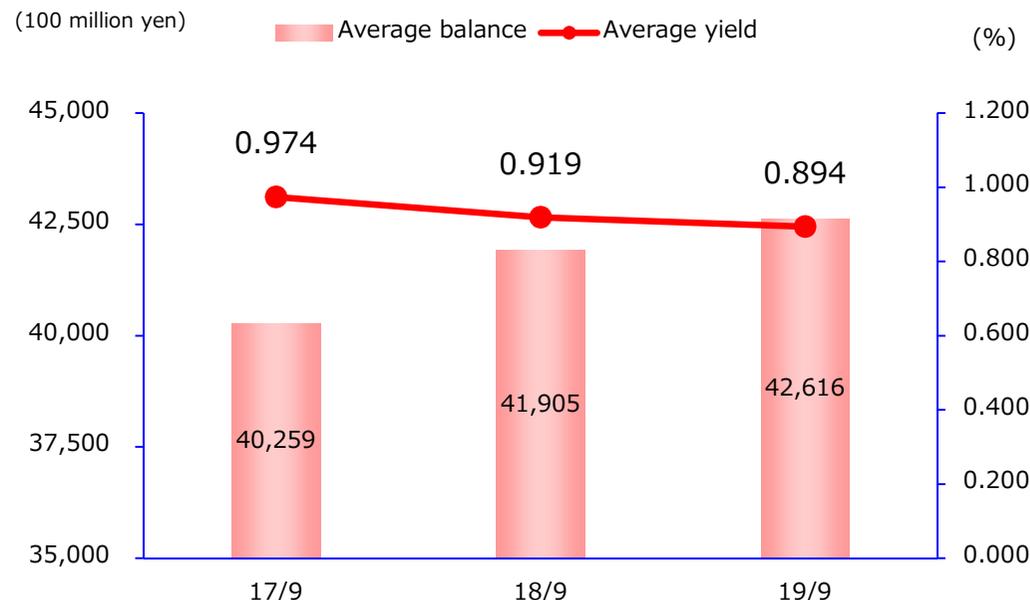
## Net interest income

(100 million yen)

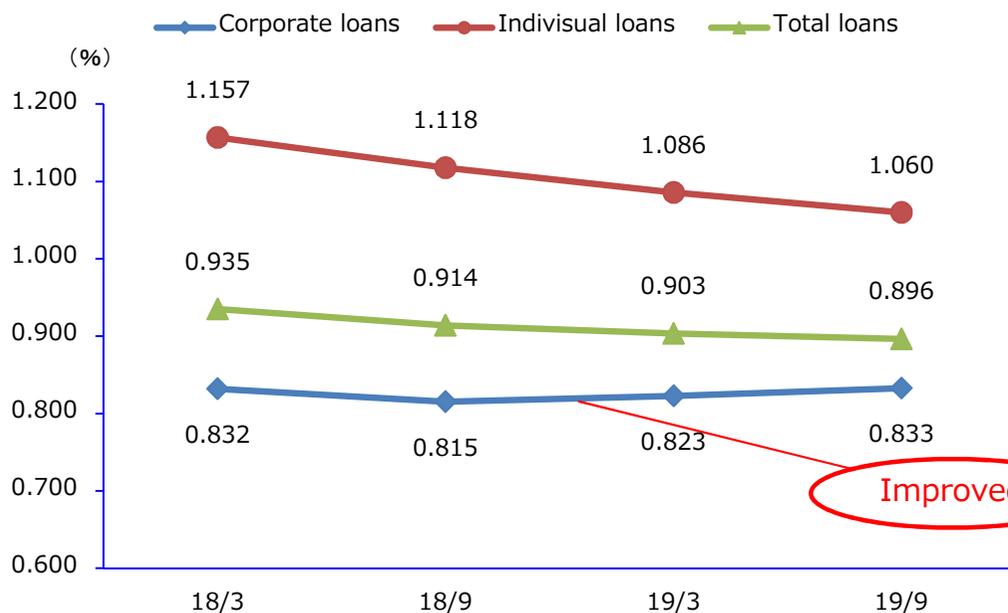


## Average balance and yield of JPY loan

(100 million yen)

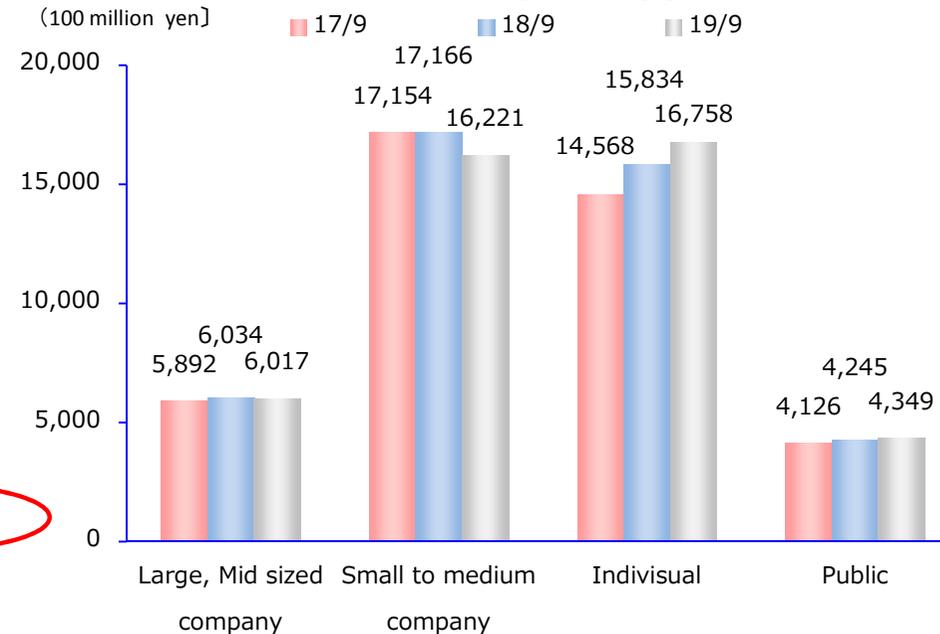


## Interest rate of JPY loan by category



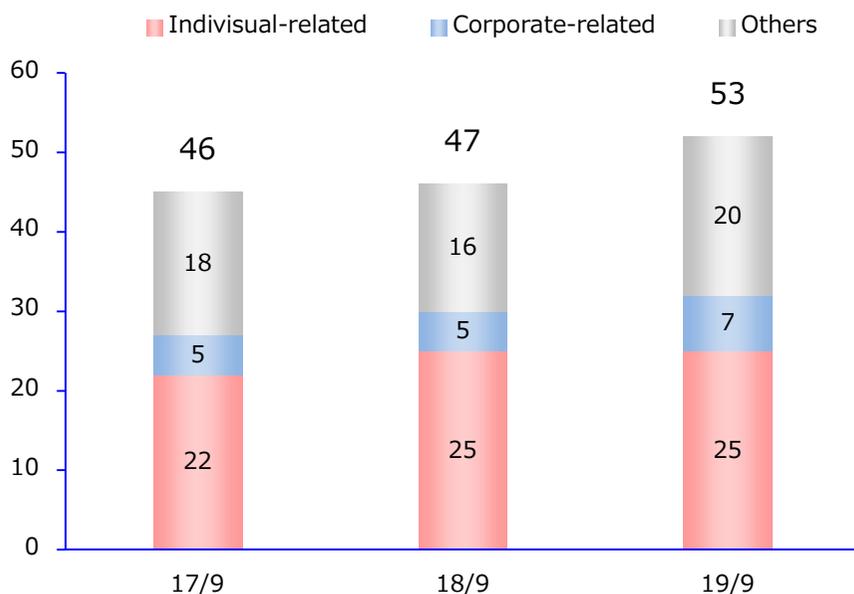
## Loan balance according to type of borrower

(100 million yen)



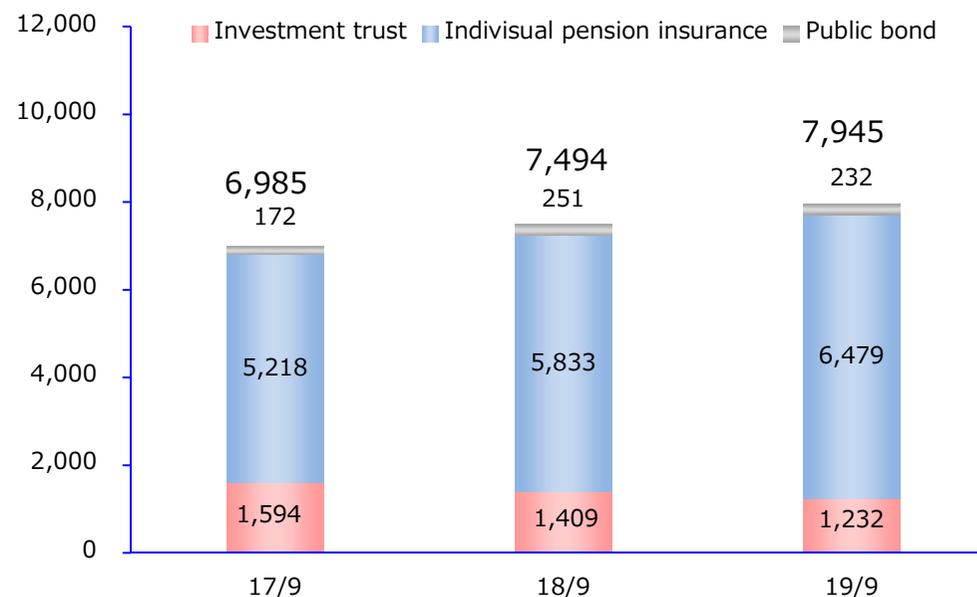
## Fees and commissions

(100 million yen)



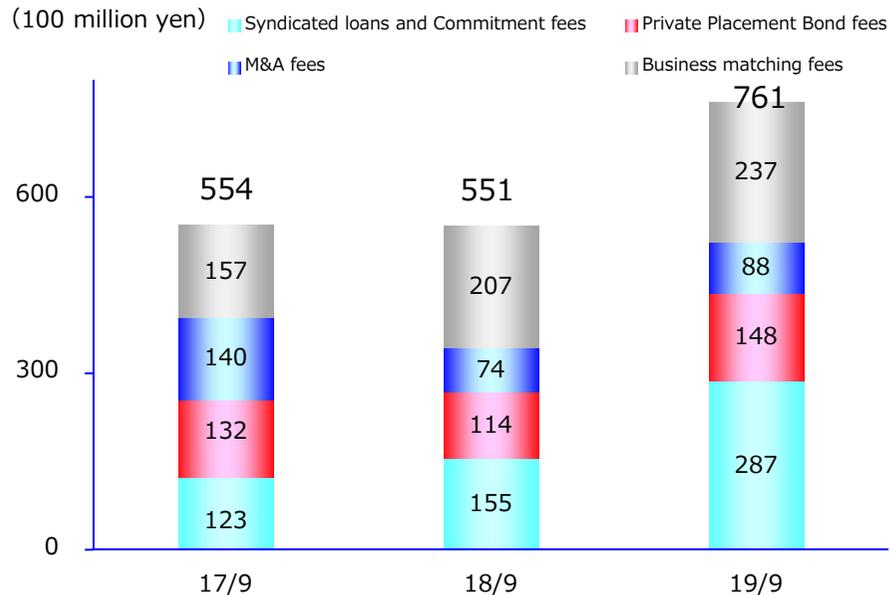
## Personal custody assets (Investment products)

(100 million yen)



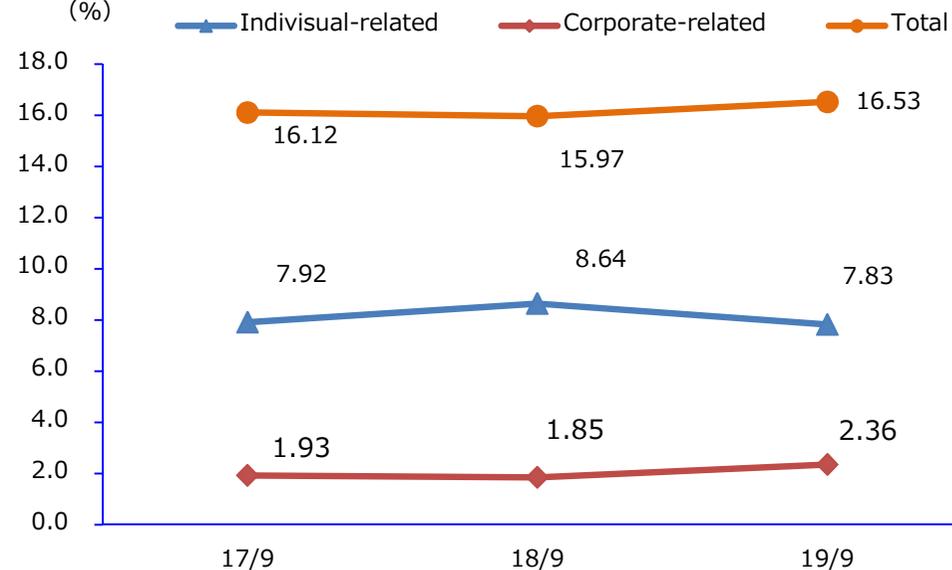
## Corporate solution related revenue

(100 million yen)

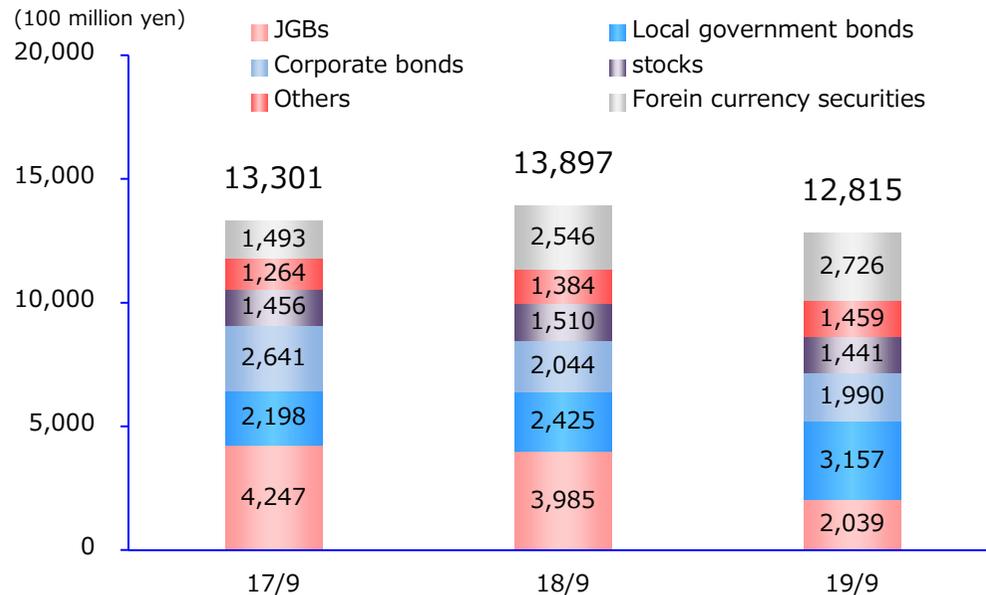


## Ratio of Fees and Commissions against core gross operating profit

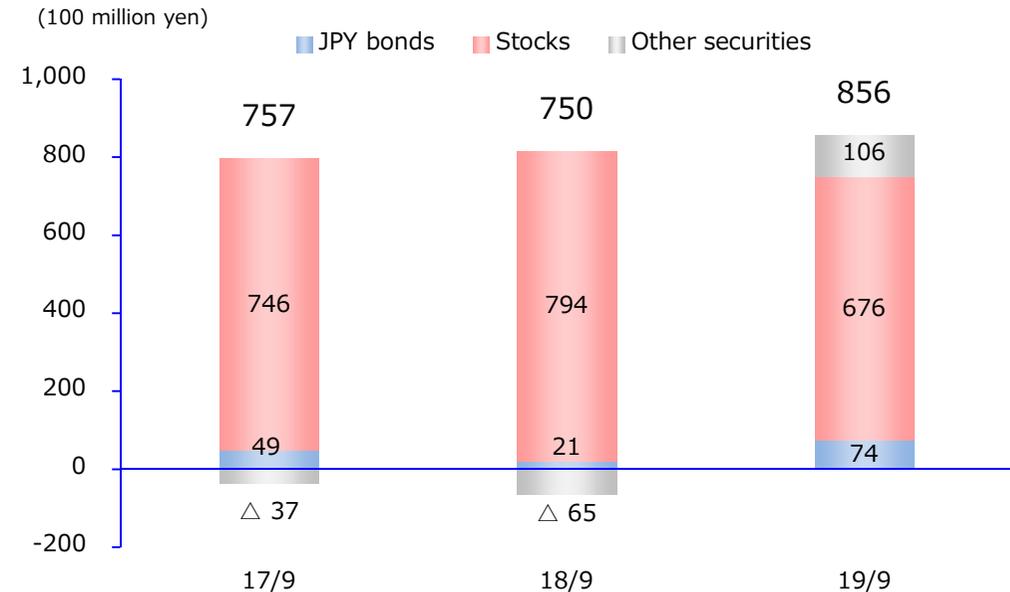
(%)



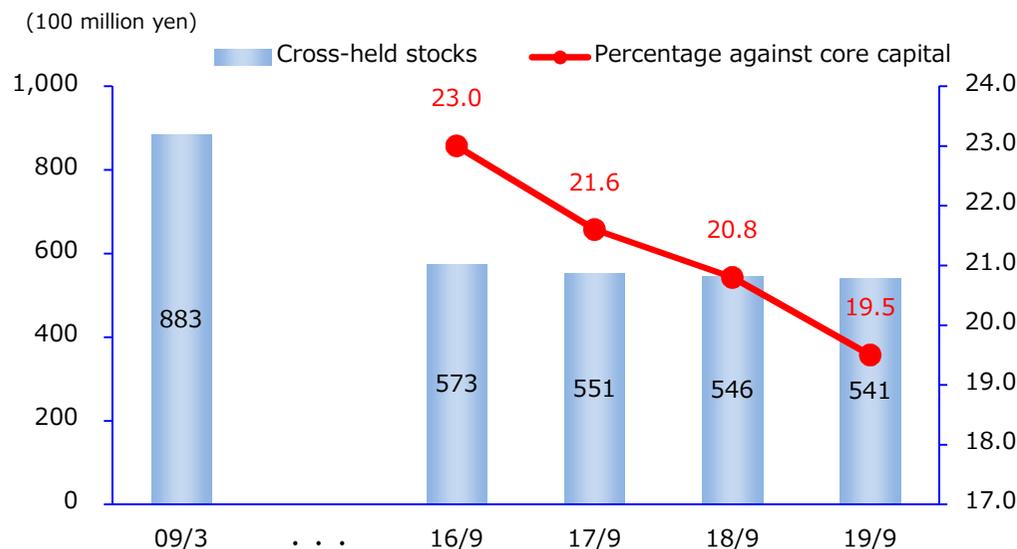
## Balance of securities investment



## Valuation gains and losses of securities

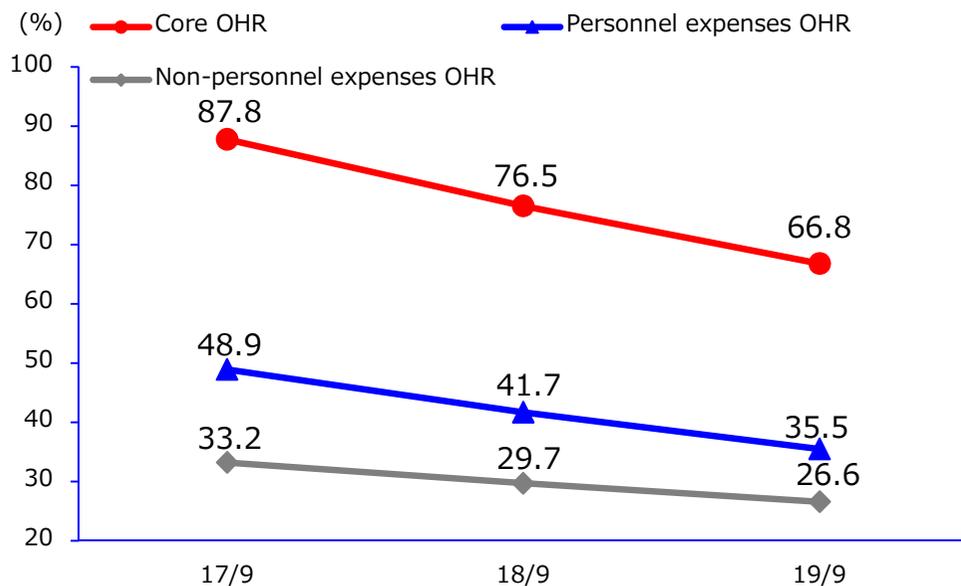


## Cross-held stocks ( book value basis )

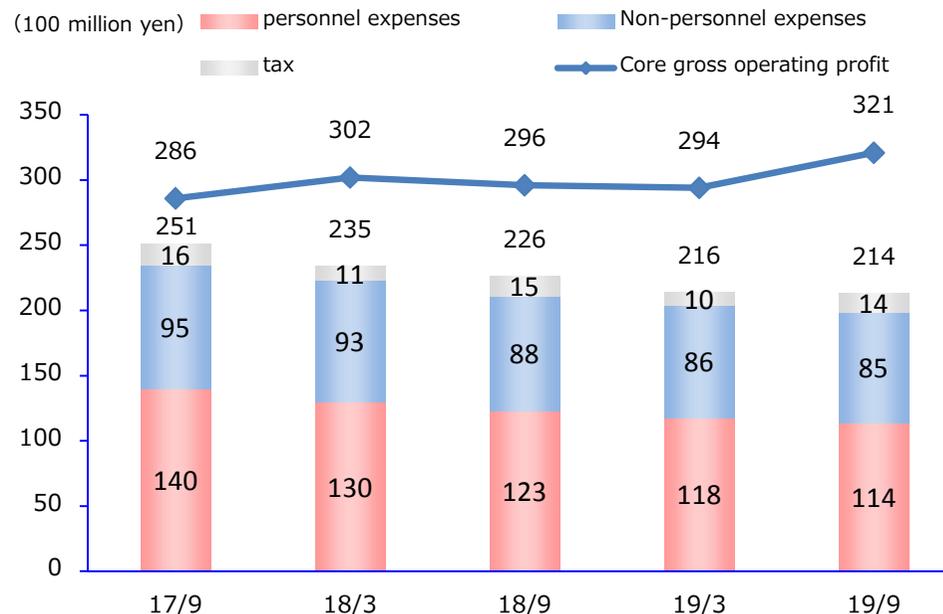


- Although the redemption of government bonds was mainly invested in local government bonds, the overall balance of securities decreased.
- Due to the decline in interest rates mainly in the U.S., unrealized gains / losses on "other" securities, mainly foreign bonds, turned positive.
- Strategic investment stocks are gradually reduced.

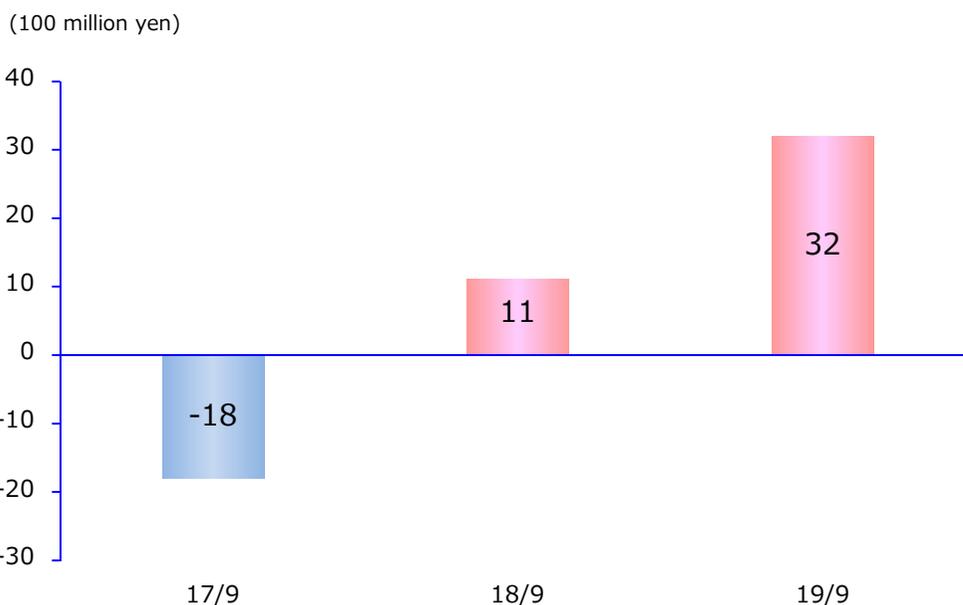
## Core O H R



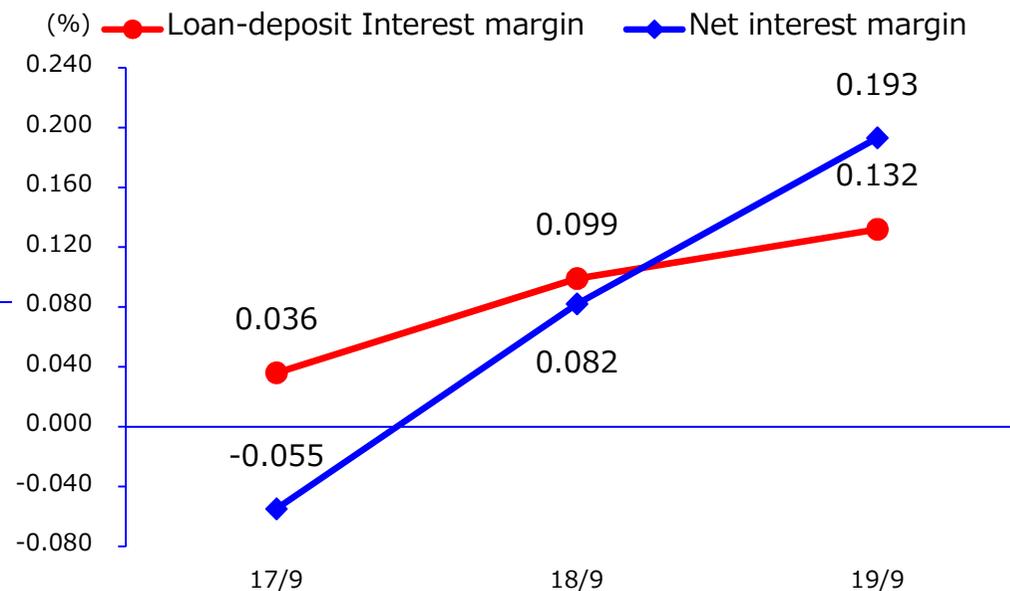
## Details of Core OHR



## Profit of customer services

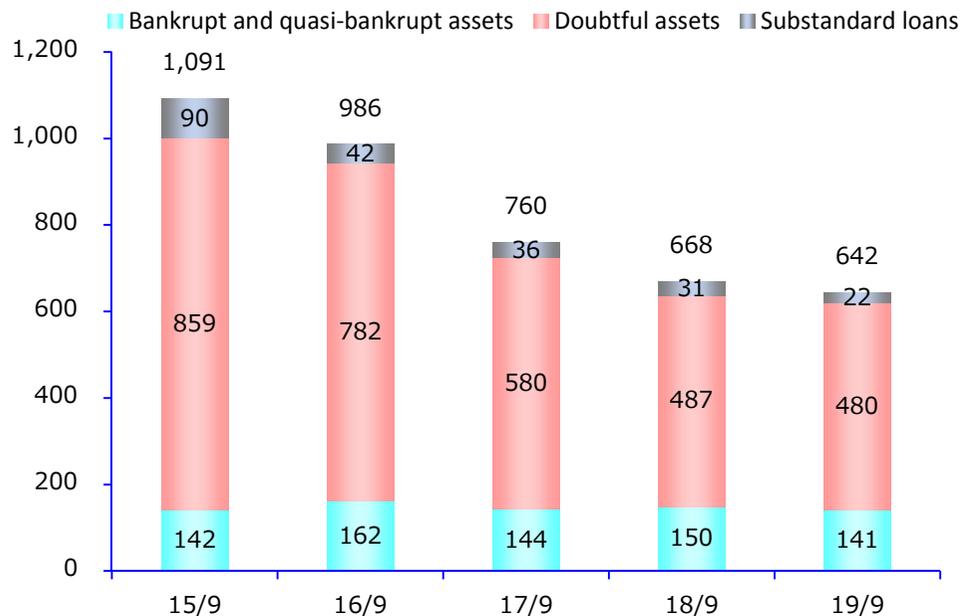


## Net interest margin Loan-deposit Interest margin

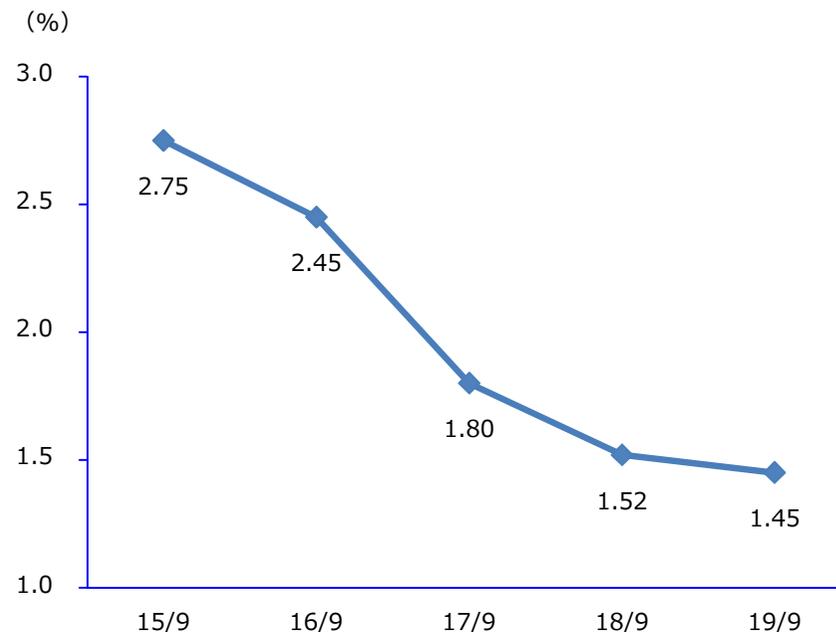


## Non-performing loans ( Financial Revitalization Act basis )

(100 million yen)



## Ratio of non-performing loans



## Credit costs

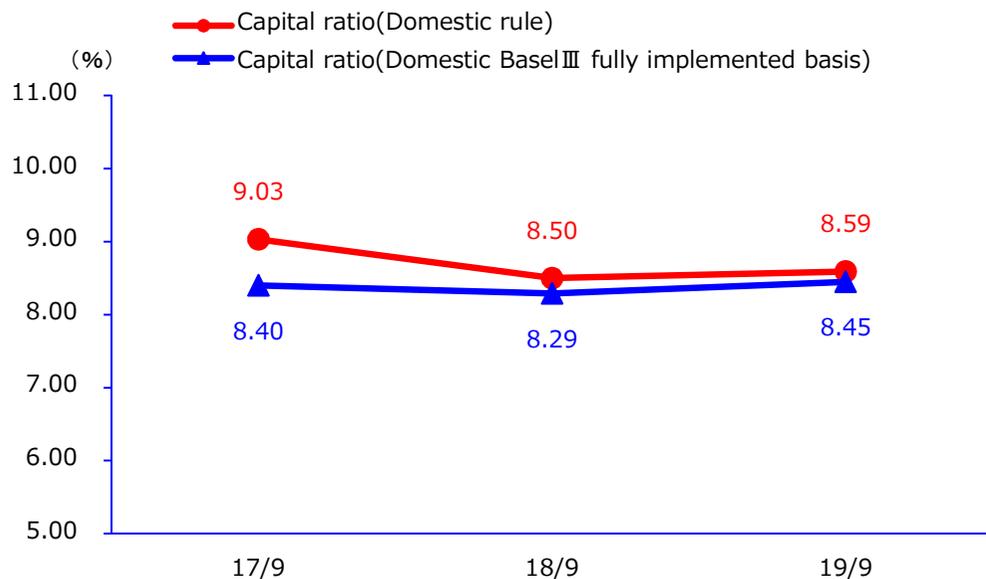
(100 million yen)

	2015/9	2016/9	2017/9	2018/9	2019/9
Credit Cost (①+②-③-④)	△8	9	△11	8	17
① Provision of allowance for doubtful accounts	—	△0	—	△5	△0
② Net performing loan disposal amount	1	10	1	14	17
Loan amortization	—	—	—	(*)2	(*)3
Individual allowance for doubtful accounts	—	6	—	12	15
Bulk sale	1	3	0	0	0
Others	0	0	1	1	1
③ Reversal of allowance for doubtful accounts	9	—	(*)1	12	—
④ Gain on collection amortized claims	0	0	0	0	0

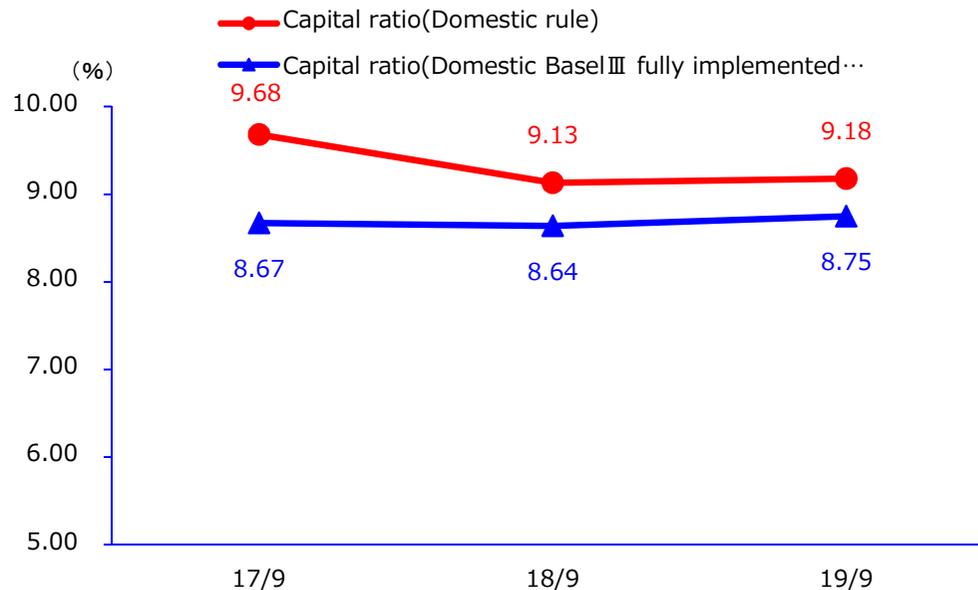
## Factors to increase or decrease loan-loss reserves

- 2017/9 (\*1)  
Reversal in upgrade of large credit
- 2018/9 (\*2)  
Increase of individual allowance for doubtful accounts
  - decrease of upgraded customer
  - increase of CF subtraction customer
  - decrease of collection
- 2019/9 (\*3)  
Increase of individual allowance for doubtful accounts
  - increase of CF subtraction customer
  - decrease of collection

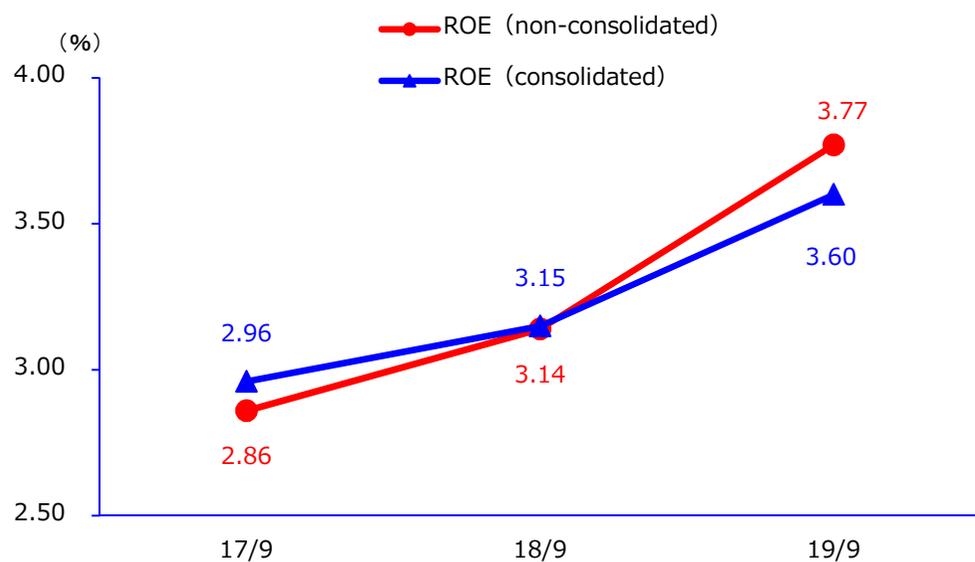
## Capital ratio(non-consolidated)



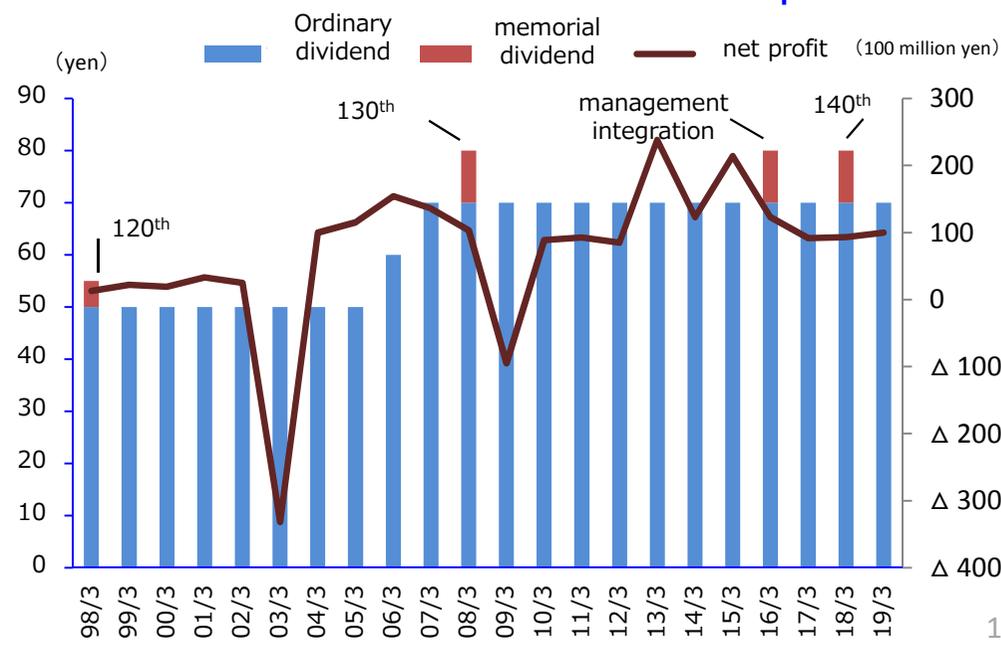
## Capital ratio(consolidated)



## ROE



## Dividend status (Annual dividend per share)



(Included in annual dividend after share consolidation for comparison(2017.10))

# 14<sup>th</sup> Medium-term Management Plan

# 14<sup>th</sup> Medium-term Management Plan : Current status



Start April 2017

September 2019

End March 2020

## 14<sup>th</sup> Medium-term Management Plan

### Major actions since the start of the plan

Sales structure reform	<b>Establishment of customer-oriented business operation</b> Introduced "Branch Activity Process Evaluation System" which evaluates efforts to establish long-term relationships with customers instead of seeking short-term profits
	<b>Improvement of profitability    Enhancement of financial intermediaries function</b> Promoting loans to SMEs based on "evaluation of customers' business potentials", promoting corporate solution sales, promoting deposit asset sales, preparing for launch of joint venture subsidiary for securities business
Business process reform	<b>Promotion of business process re-engineering    Efficient branch operation</b> Promoting "Branch Reform Project", slimming down Headquarter functions, expanding replacement of large scale full-banking type branches with less human compact branches
	<b>Actions aiming at achieving core OHR 60% level</b> Reducing costs through proper placement of human resources, cutting advertising expenses and software development expenses etc.

### Numerical targets of 14<sup>th</sup> medium-term management plan

Contents		Before the plan (2017/3 Actual)	2019/3 (Actual)	2019/9 (Actual)	Targets for final FY (2020/3)
Earning capability	Net profit (consolidated)	10 billion yen	10.6 billion yen	6.5 billion yen	10 billion yen
Growth potential (Customer base)	Presence in local economy (deposit average balance + loan average balance)	9,350.1 billion yen	9,822 billion yen	9,906.9 billion yen	10 trillion yen
	Deposit average balance	5,410.8 billion yen	5,550 billion yen	5,603.5 billion yen	5,700 billion yen
	Loan average balance	3,939.3 billion yen	4,272 billion yen	4,303.4 billion yen	4,300 billion yen
Financial soundness	Capital ratio (consolidated) Domestic Basel III fully implemented basis	8.84%	8.71%	8.75%	Around 8.7%

### Long-term target

Contents		Before the plan (2017/3 Actual)	2019/3 (Actual)	2019/9 (Actual)	Long-term target
Earning capability	ROE (consolidated)	3.00%	3.05%	3.60%	5.00% or above

## Non-consolidated

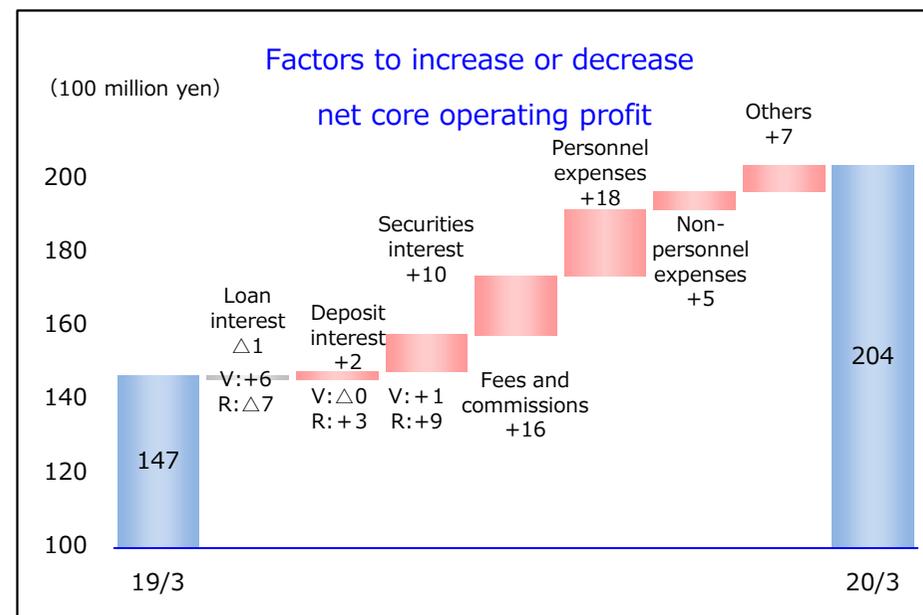
(Unit 100 million yen)

	2019/3 (Actual)	2020/3 (Forecast)	YoY
<b>Core gross operating profit</b>	590	625	35
Net interest income	498	511	13
Fees and commissions	96	112	16
Other operating profit (except profit on JGBs and other debt securities)	△ 4	2	6
<b>Expenses</b>	443	421	△ 22
Personnel expenses	242	224	△ 18
Non-personnel expenses	174	169	△ 5
<b>Net core operating profit</b>	147	204	57
Profit related to securities investment	20	4	△ 16
Profit on JGBs and other debt securities	△ 0	△ 2	△ 2
Profit on equities	21	6	△ 15
Credit costs	21	40	19
<b>Ordinary profit</b>	146	174	28
<b>Net profit</b>	99	120	21

## Consolidated

(Unit 100 million yen)

	2019/3 (Actual)	2020/3 (Forecast)	YoY
Ordinary profit	162	185	23
Net income attributable to shareholders of the parent company	106	122	16



The target of 14th Medium-term Management Plan (Net income attributable to shareholders of the parent company) is expected to 12.2 billion yen.

Core OHR(Non-consolidated) as a objective reference is also expected to 67.3%

# Recent business activities



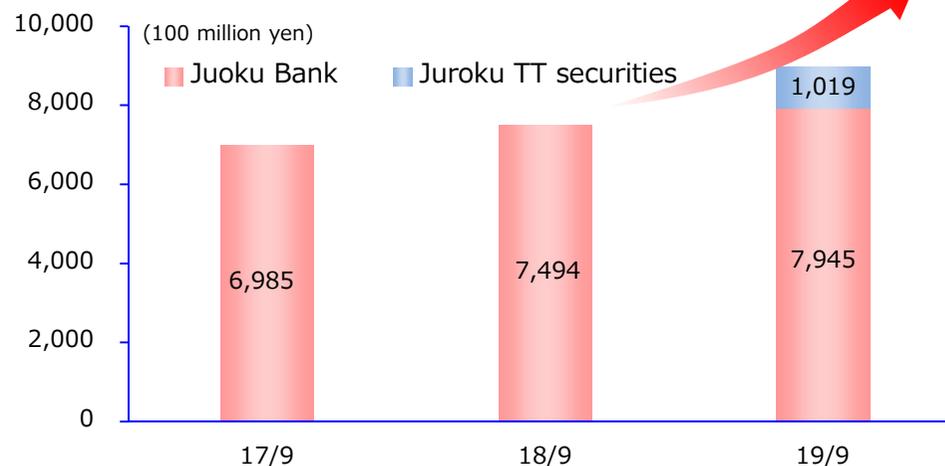
## Launch of joint venture subsidiary for securities

Juroku Tokai Tokyo securities has started operation based on a comprehensive partnership signed in March, 2018.



Opening Ceremony

## Assets deposited (ex individual deposit)



**The Juroku Bank**  
Strong customer relationship

teamed up with

**Juroku TT securities**  
Various products and know-how

Bonds

Fund Investment

ETF

REIT

Equity securities

Market Info

Realize added value

About 11,000 accounts  
(as of Sep 2019)

New added customer  
About 1,000 accounts  
(+10%)

Assets deposited  
About 1,019 million yen  
(as of Sep 2019)

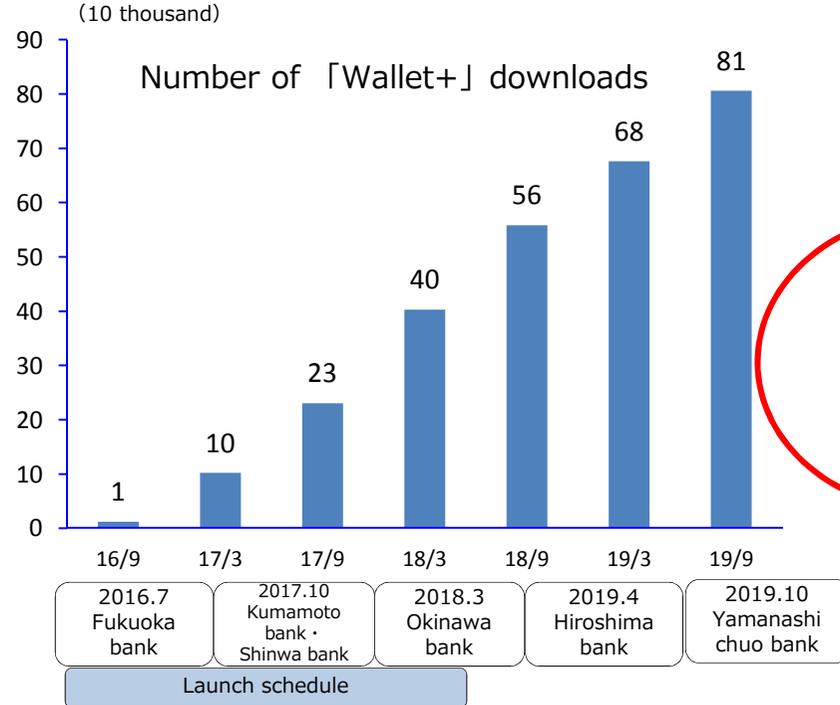
New opportunity for growing

Based on Juroku TT Securities' wide range of product and bespoke capabilities, we can respond to the various needs of customers. We will continue to pursue growth for the entire group based on optimal proposals, including products handled by Juroku Bank.

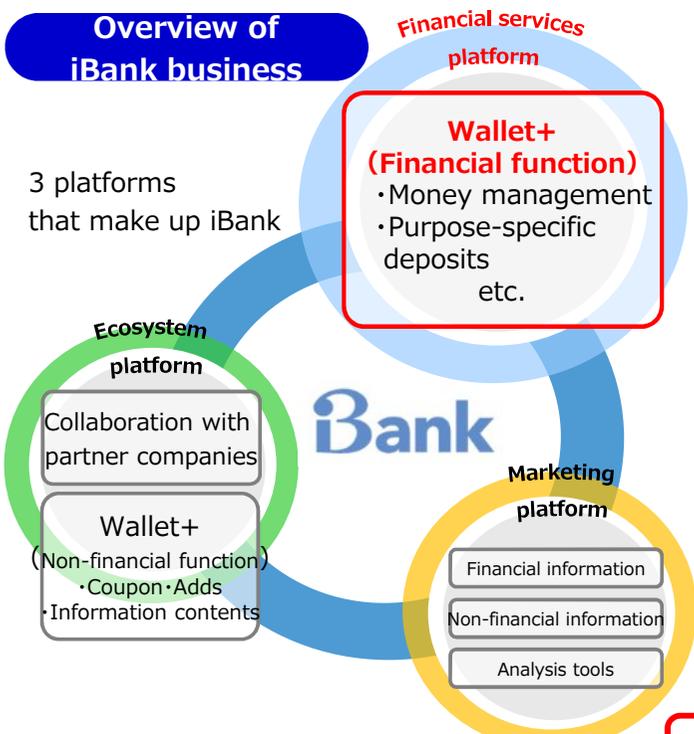


**Launch of 「Wallet+」 service  
(17, Dec 2019)**

**Approach to mobile first generation**  
New customer experience and value will offer to mobile first generation.



**Juroku Bank starts in Dec 2019**

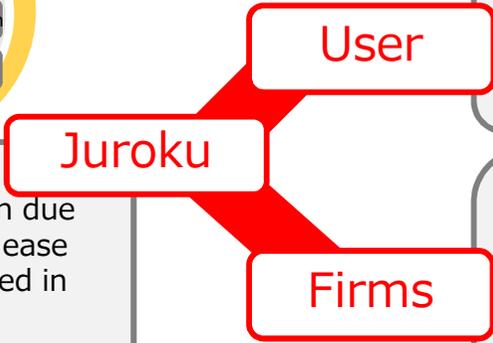


**Approach to mobile first generation**

- ✓ Effective approach to the mobile first generation due to the ease of use of smartphone apps and the ease of approach to various financial products included in content

**Activate local economy**

- ✓ Revitalizing the local economy by providing solutions to partner advertising needs



**Solid appeal**

- ✓ Since the launch by Fukuoka Bank in July 2016, the number of app downloads on the 6 released banks has steadily increased to over 800,000.

**Effective advertisement**

- ✓ Targeted advertising can be implemented based on customer data that reflects customer preferences such as target deposits created by users on Wallet + in addition to customer attribute information.

**Access to various industry**

- ✓ Comprehensive support for advertising strategies through the provision of media and information to Web media and advertising agencies



## Asset succession business

Toward proper asset management and smooth asset succession in old age, we've strengthened initiatives in the area of asset succession by collaboration and partnership with external specialized agencies.

### ■ Testament substitute trust

(as an agent of Sumitomo Mitsui Trust Bank)

In Oct 2019, we launch the original product (じゅうろく遺言代用信託<想族あんしんたく>) with the support of Sumitomo Mitsui Trust Bank

【Unique factor】

First in regional bank

In addition to family, applicant can bequeath their money to various groups such as local government, university.

As of Nov 2019, 「Gifu Prefecture」 「Gifu city」 「Takayama city」 「Gifu University」 ,above four group is applicable.



First in regional bank

### ■ Commencement of handling of guardianship support deposits

In October 2018, with the background that illegal use by guardians has become a social issue among the users of the guardianship system, the handling of "Juroku Guardianship Support Deposits" started.

In all transactions such as account opening and refund, the "written instructions" issued by the family court with jurisdiction are sought, and through the judgment of the family court, misuse by a guardian in bad faith is prevented.

In consideration of the cost burden involved in the administrative procedures unique to this product, fees are set as follows.

- Account open fee : 11,000yen (Inc Tax)
- Account maintenance fee(After 2nd year) : 3,300yen (Inc Tax)

By providing high quality products and services at the top of the region, we will support the inheritance and asset succession for customers to connect the feelings towards the family.

## ○Supplier search service

A service that identifies the needs of buyer companies and matches them with supplier companies who want to have an interview.

[Advantages of Buyer Companies]

A network of banks in Gifu, Aichi and Mie can efficiently search for suppliers with brilliant technology.

[Benefits of Suppliers]

Provide opportunities for individual interviews with leading companies.

[Juroku Bank collects interview fees]

As a result of the evaluation of the effective implementation of the interview by avoiding the information mismatch between buyer and seller, the total number of the total number of times of the interview was 284 and the number of the interview was 4,307 by September 2019.



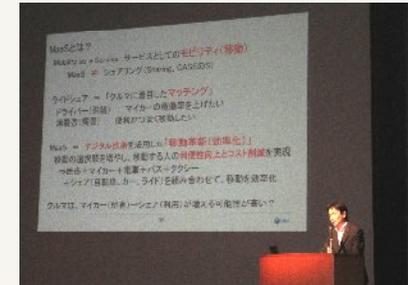
## Efforts to support local industries

In order to support major local industries such as the manufacturing industry, we are improving our supplier search services and analyzing the impact of innovation, and are working to support local companies.



## ○Next-generation mobility service "MaaS" seminar held in July

The seminar was divided into two parts. The first part of the seminar was entitled "The Current Situation and Prospects of MaaS," and introduced domestic issues related to MaaS and examples of service deployment in Finland.



In the second part, Toyota Motor Corporation held briefings for individual investors.

- Part 1: [Organizer] Juroku Bank, Juroku TT Securities  
[Sponsor] Tokai Tokyo Securities, Development Bank of Japan
- Part 2: [Organizer] Toyota Motor Corporation



## ○The first regional bank to participate in the MONET Consortium

First in regional bank

The first regional bank to participate in the MONET Consortium established in March 2019 by MONET Technologies, Inc. (a joint venture between SoftBank Corp. and Toyota Motor Corporation).

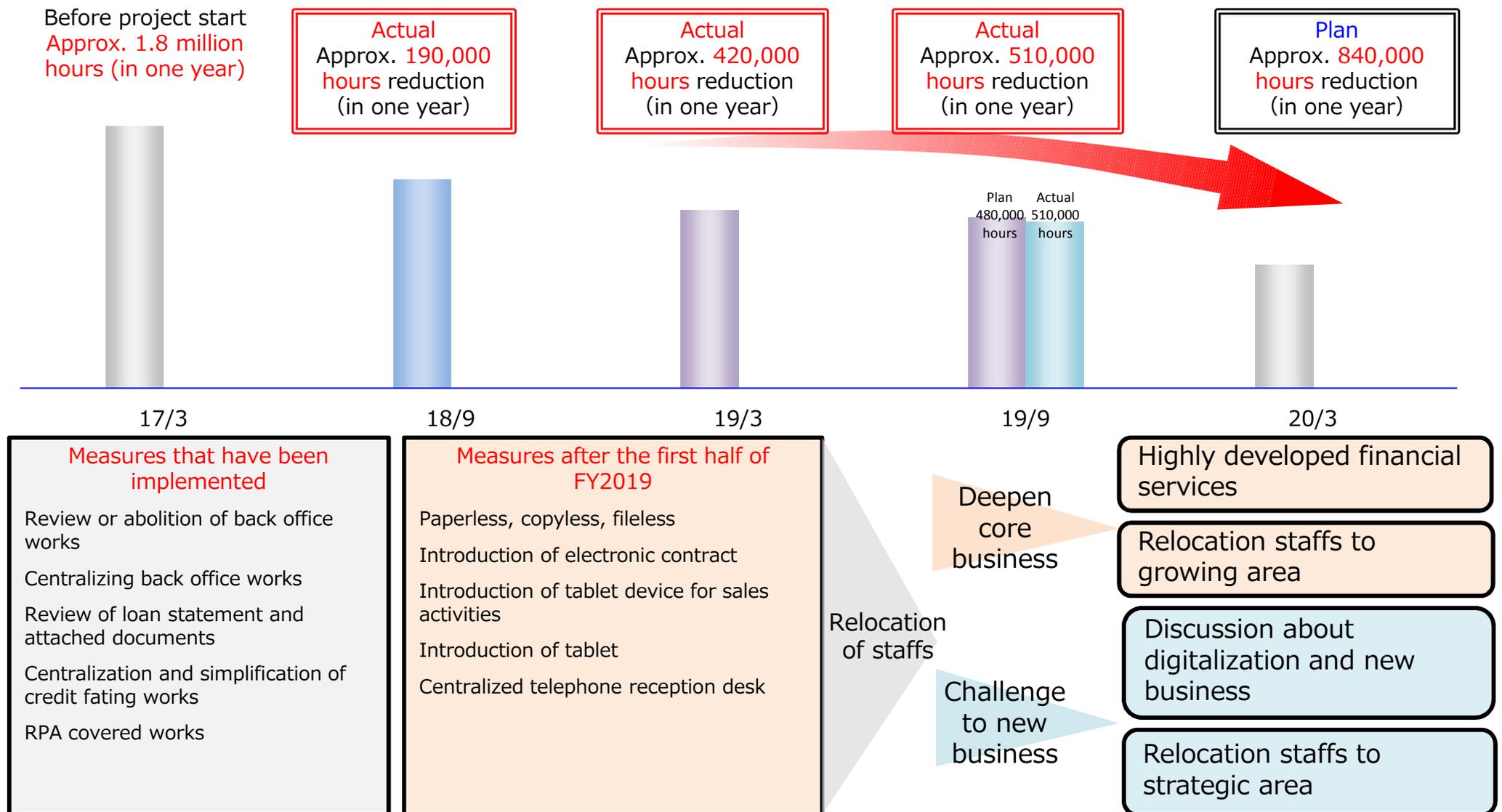
## ○Launched "MaaS Strategy Team" in Aichi Sales Headquarters in May

Launched "Maas Strategy Team" to promote new value creation, such as solving social issues in mobility and realizing seamless finance with many service providers participating in the MONET Consortium.

## Branch reform project

By centralizing back office works at branches to headquarter, reviewing complicated work procedures and documents, utilizing IT, etc., eliminate back office operations from branches to create time for branch staffs to consult with customers

## Changes in time required for back office works at branches by "Branch reform project"



**Social** **Regional revitalization**  
 (Juroku teamed up with Chamber of Commerce)  
**Cashless activate seminar**

**Seminar on cashless payments in anticipation of reduced tax rate due to consumption tax hike**

- Latest trends in cashless payments
- Provision of information on QR code settlement
- Introduction of service contents by payment business



Support the improvement of settlement environment on a regional basis by stimulating cashless needs of local businesses

**Social** **Regional revitalization**  
 (Juroku teamed up with Tokyomarine)  
**Gifu product and tourism PR event held**

**"Gifu Host Town Festival & Tourism & Product Fair" Held**

- In cooperation with Tokio Marine & Nichido Fire Insurance Co., Ltd., a gold partner of the Tokyo Olympic and Paralympic Games, the "Gif Host Town Festival & Tourism & Product Fair" will be held at our Nagoya Building.
- People working in the surrounding office districts came and went to the Nagoya Host Town Festival held at the adjacent Tokio Marine & Nichido Nagoya Building and picked up products.



**Social** **Community development**  
**Investment to Trip Base Michi no Eki Project**

**Trip Base Michi no Eki Project**

○Sekisui House Co., Ltd. and Marriott International collaborate with local governments in Japan to help local revitalization that proposes a "trip through local attractions" using "Michi-no-Eki" as a hub.

There are plans to develop accommodation facilities with approximately 1,000 rooms at 15 locations in 6 prefectures nationwide, including 4 locations in Gifu, with a total of 11 organizations including us.



**Social** **Dissemination of local attractions**  
 (Juroku teamed up with NagoyaMitsukoshi and Nagoya University of Arts)  
**「GIFU・AICHI・MIE Spring Marche」 was held**

**GIFU・AICHI・MIE Spring Marche**

Held in collaboration with Nagoya Mitsukoshi to promote the appeal of Gifu, Aichi and Mie prefectures, which have many high value-added regional products (4th time)

By helping our cutomers expand their sales channels, we are revitalizing the region.

In addition, the creation of the logo flyer design is handled by Nagoya University of Arts, and it is a community-based effort that adds regional revitalization to industry-academia-financial institution collaboration.



**Social** Regional revitalization  
 (Juroku teamed up with Takayama)  
 Use of corporate version of hometown tax payment

Donate to Takayama City to promote the “Child Dream Creation Business” utilizing the corporate version of hometown tax payment  
 <Child dream creation business>  
 Providing a high level of hands-on learning that local children cannot easily experience, and this is an opportunity for children to cultivate big dreams

「Culture/Art」 ・ ・  
 workshop in culture/art by professor in art.  
 「Science」 ・ ・ Facility tours and science lectures with state-of-the-art technology  
 「Sports」 ・ ・ Sports classroom with top athletes



**Social** Regional revitalization  
 “Seiryu no Kuni Gifu” food and agriculture business meeting 2019  
 (Juroku teamed up with Gifu and JA group in Gifu)

Held the first business meeting in corporation with Juroku, Gifu prefecture, JA Gifu.  
 This business meeting, which had been held in cooperation with Gifu Prefecture since 2010, was held for the first time in addition to the cooperation of the JA Gifu Group.

On the day, 16 buyer and 39 supplier in Gifu Prefecture participated and held 111 business talks. In advance two seminars were held for suppliers, such as “How to fill out an interview sheet”.

In addition, as a follow-up, we will provide total support such as sales promotion, product enhancement, and sales channel expansion.



**Social** Community development  
 Approach to town development in Gifu city central area

Composition of “Juroku Gifu city Town Development Fund”  
 ○ Limited liability business association, “Juroku Gifu city Town Development Fund” has formed by joint investment with the General Public Private Corporation Urban Development Promotion Organization.

Through the financing to restaurant and café, we enhance the value of the central area in Gifu.



**Social** Promotion of the attractiveness of our region  
 (Juroku Group teamed up with ANA Strategic Research Institute Co.,Ltd.)  
 Cooperation for ONSEN • Gastronomy walking

ONSEN • Gastronomy walking  
 It is a new tourism aimed at enjoying the charm of local foods, local nature and local history etc. by walking through ONSEN full of Japanese charm.

When held in Okuhida/Hirayu we treated the participants enjoying local specialties, local sake and tomato juice under the fine weather.



**Social** Support for Asian students

Contribute to legal system of Asia

**Social** scholarship

Juroku Regional Promotion Foundation scholarship

### Juroku Bank's Scholarship for Asian students

The Juroku Bank

↔ Collaboration

Nagoya University Graduate School of Law

Support Asian students      Support Asian legal system

Contribute to reduction of legal risks by supporting human resources on legal system of Asia where many of our customers are engaged in business

FY 2019 scholarship students

Nagoya University Graduate School of Law

2 students(Uzbekistan,Vietnam)  
(total 11 students since 2014)



### Scholarship to university student from Gifu

The scholarship program started in 2008 and was held for the 12th time in FY2019

- This fiscal year, 10 new scholars was hired, bringing the total number of scholars to 184.

In addition to this year's scholarship students, some scholarship OBs also participated in the award ceremony in August, providing a valuable exchange opportunity.



**Social** Contribution to local activities

Support to various sports activities

**Social** Enhancement to culture/art

Alliance to enhancement in local culture/art

### Support to various sports activities



Sponsored to  
「Nenrinpic Gifu 2 0 2 0」  
(第33回全国福祉祭ぎふ大会)  
(2019.10.18)



Sponsored to  
「ぎふ清流都市対抗駅伝競走大会  
(2019.10.16)」

### Juroku Regional Promotion Foundation 「Clarazar Juroku Music Hall」

- The Juroku Regional Promotion Foundation manages “Clarazar Juroku Ongakudo” and uses it as a concert hall for local residents.
- This time, we have concluded an agreement with Comprehensive Cooperation for Promotion of Local Cultural Arts with the manager contact facility of Samaranka Hall, a concert hall in Gifu Prefecture.



**Environment** **Environmental conservation activities**  
 Contribute to development of sustainable society through our environmental conservation activities, aiming to grow with the local society.

**Environment** **Award to environment activities**  
 Awarded Gifu city environment activities

**Participated in local volunteer activities**  
 Nagara River clean up project (Gifu)



**Forest protection activity**  
 Activity at "Juroku Bank's Forest MITAKE"



**Awarded Gifu city environment activities**

<Awarded main activities>

- Environment keep activities
  - Environment activities based on Alliance in environment with Gifu university.
  - Hydro automotive 「MIRAI」 was launched first in Gifu.



**Governance** **Management Advisory Council**  
 Ensure transparency and fairness of the Board of Directors

**Governance** **AML/CFT**  
 Strengthen anti-money laundering and combating the financing of terrorism

**Management Advisory Council (Since November 2015)**

Human Resource Advisory Committee	Compensations and Others Advisory Committee
<p><b>Chairman</b> Outside Director</p> <p><b>Member</b> Outside Director 1                      Inside Director 2                      Outside Expert 1</p> <p><b>Advisory matters</b></p> <ul style="list-style-type: none"> <li>• Matters concerning candidates for directors</li> <li>• Matters concerning candidates for auditors</li> <li>• Matters concerning selection of executive directors</li> </ul>	<p><b>Chairman</b> Outside Director</p> <p><b>Member</b> Outside Director 1                      Inside Director 2                      Outside Expert 1</p> <p><b>Advisory matters</b></p> <ul style="list-style-type: none"> <li>• Matters concerning compensation etc. of directors</li> <li>• Matters concerning evaluation of effectiveness of the Board of Directors</li> <li>• Other management matters</li> </ul>

- Actions so far**
- Established "Anti-Money Laundering Desk" in Risk Management Division (June 2018)
  - Identified and evaluated risks (July to September 2018)
  - Tighten up overseas remittance (Stop cash handling) (August 2018)
  - Established "Anti-Money Laundering Policy" (October 2018)
  - Formulated risk reduction measures (November 2018)
  - Amended Risk Assessment Report (November 2018)
- Actions hereafter**
- educate employees
  - Establish "Anti-Money Laundering Committee" where management members participate
  - Evaluate effectiveness regularly by PDCA cycle

# All For Your Smile

こころにひびくサービスを



2nd Stage

