

The Juroku Bank 30th Financial Results Briefing

[First half of the fiscal year ending
in March 2018]

All For Your Smile

140th
Anniversary



Head Office
(1896)



Head Office
(1931)



Head Office
(Today)

November 30, 2017



Established on October 1, 1877

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-Business model for sustainable growth-		

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.

Section 1:
Overview of Results for FY2017/9

Overview of results for FY2017/9 (non-consolidated and consolidated)

■ Non-consolidated

(Unit: 100 million yen)

No	Calculation formula	FY2016/9	FY2017/9	Change (year-on-year)
1	Gross operating profit [3+4+5]	344	285	△59
2	(Core gross operating profit) [1-6]	(317)	(279)	(△38)
3	Net interest income	280	239	△41
4	Fees and commissions	25	38	13
5	Other operating profit	38	8	△30
6	Gains / losses on JGBs and other debt securities	26	6	△20
7	Expenses	259	252	△7
8	Personnel expenses	144	140	△4
9	Non-personnel expenses	98	95	△3
10	Taxes	16	16	0
11	Net business profit [1-7]	84	33	△51
12	Net core operating profit [2-7]	57	26	△31
13	Net operating profit [11-15]	85	33	△52
14	Credit costs [15+16-17-18-19]	9	△11	△20
15	Provision of general loan-loss reserves	△ 0	-	0
16	Write-downs of nonperforming loans	10	1	△9
17	Gain on reversal of loan loss reserves	-	12	12
18	Gain on collection of written-off loans	0	0	0
19	Gain on reversal of contingent loss	-	-	-
20	Gains / losses on equities	△ 0	12	12
21	Other extraordinary gains / losses	12	4	△8
22	Investment trust financing expenses	0	0	0
23	Ordinary profit [11-14+20+21-22]	86	62	△24
24	Extraordinary gains / losses	△ 1	△2	△1
25	Interim net income before taxes [23+24]	85	60	△25
26	Total income taxes	23	13	△10
27	Interim net income [25-26]	61	46	△15

■ Consolidated

FY2017/9
317
(310)
239
59
18
6
273

Breakdown of change of gross operating profit

- Domestic gross operating profit △348 million yen
(including gains / losses on cancellation of investment trust reflected to net interest income △977 million yen)
⇒Excluding special factors +629 million yen
- International gross operating profit △5,476 million yen

Overview of non-consolidated results

■ Gross operating profit

Gross operating profit fell due to a decline in "net interest income" and "gains / losses on JGBs and other debt securities" despite an increase in "fees and commissions"

■ Ordinary profit

Ordinary profit decreased by 2.4 billion yen year-on-year to 6.2 billion yen despite a decline in "credit costs" and an increase in "gains / losses on equities."

■ Interim net income

Interim net income fell 1.5 billion yen year-on-year to 4.6 billion yen.

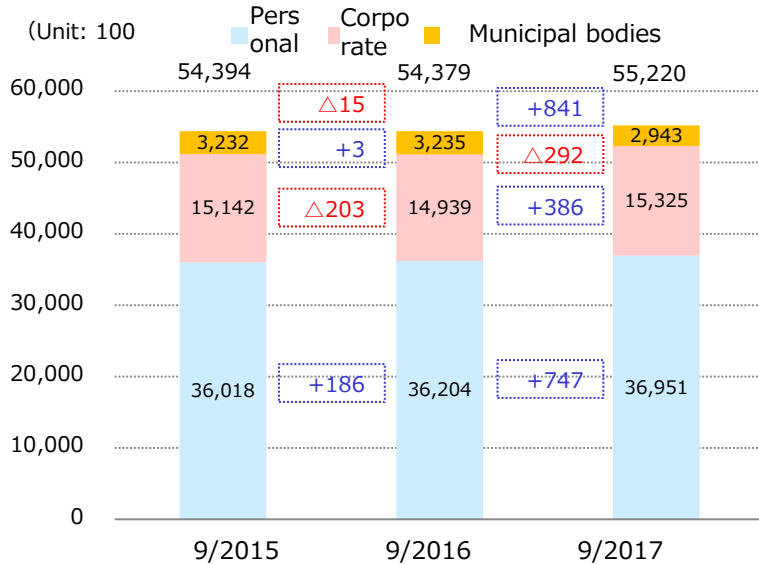
43
37
43
△11
-
1
12
0
-
12
4
0
72
△2
70
17
※49

※Interim net income attributable to shareholders of the parent company

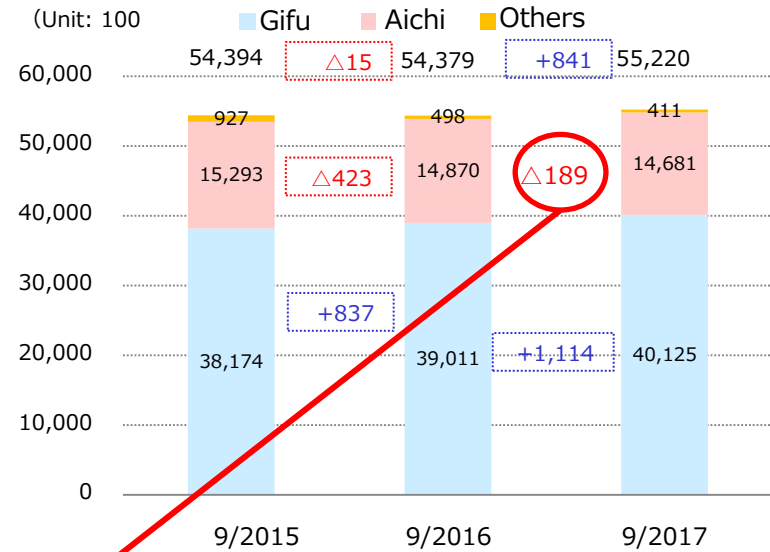
Key data(deposits)

The deposit balance increased 84.1 billion yen (1.5%) year-on-year, while the monthly average interest rate dropped to 0.028%.

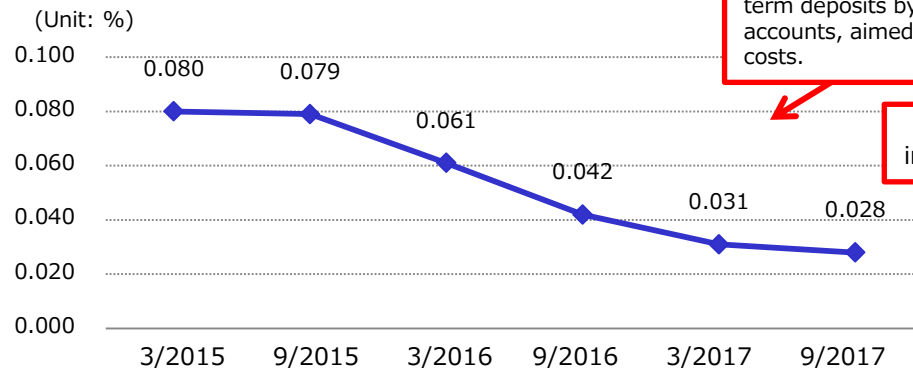
Deposit balance (by sector)



Deposit balance (by region)



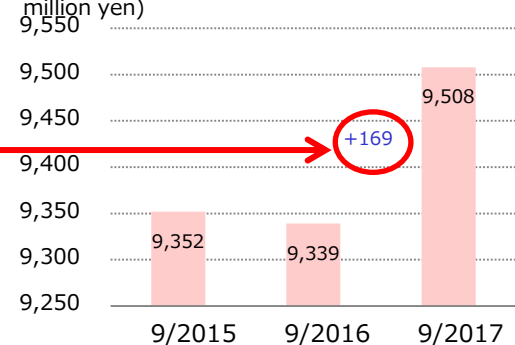
The monthly average interest rate for yen deposits



Decline in deposits in Aichi Prefecture is attributable to interest rate review on term deposits by large corporate accounts, aimed at reducing funding costs.

Personal deposits increased in contrast.

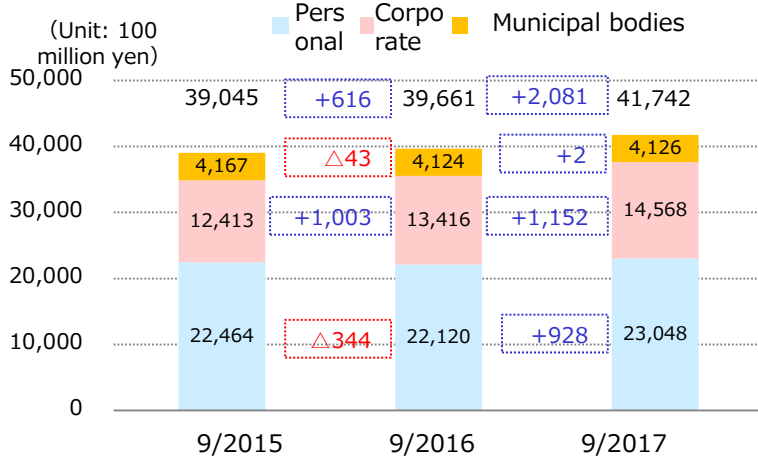
Personal deposit balance in Aichi Prefecture



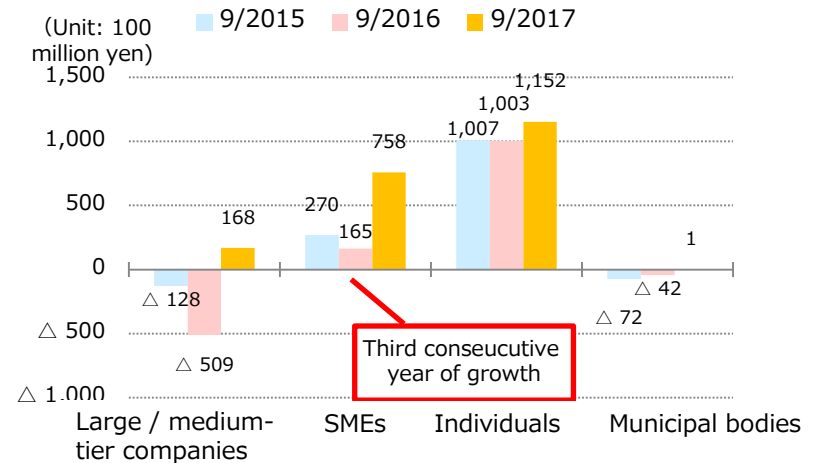
Key data (loans)

The rate of increase in SME loans expanded, accelerating in both Gifu and Aichi Prefectures.

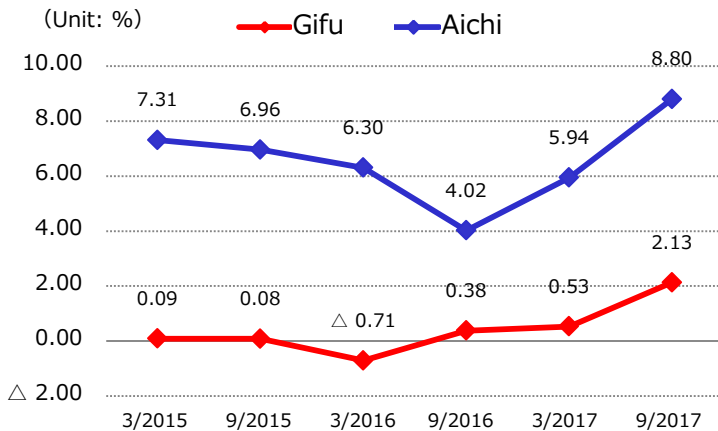
Loan balance (by sector)



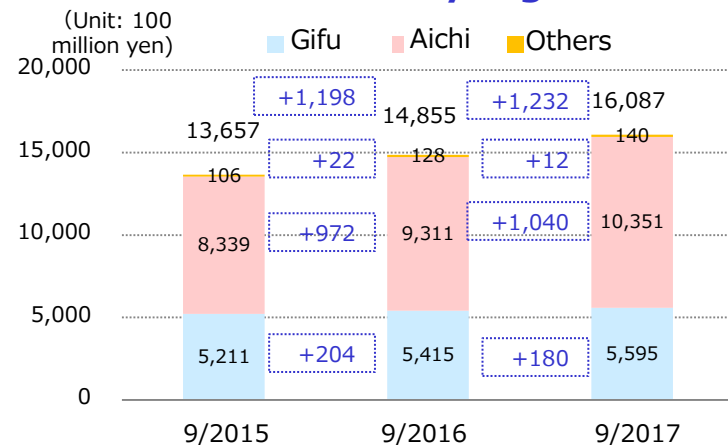
Loan balance changes by company size



Rate of loan balance changes by region



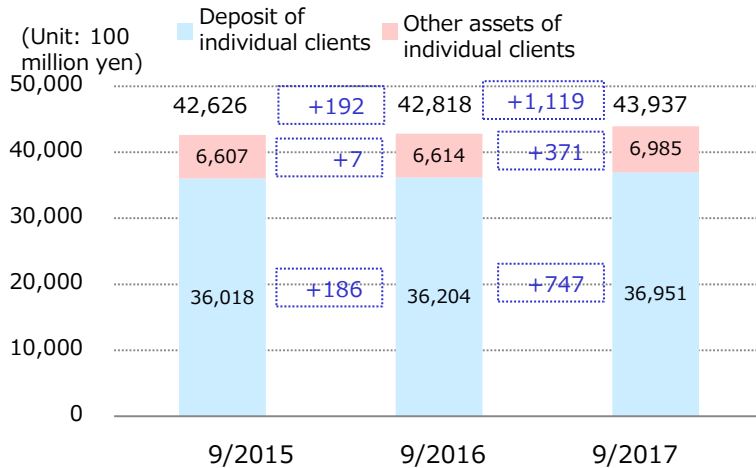
Home loan balance by region



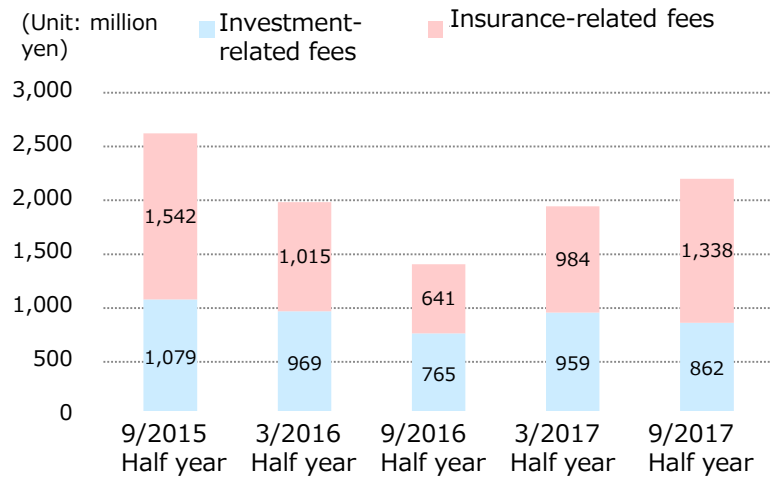
Key data (fees and commissions)

The balance of individual client assets increased steadily, boosting revenues from fees and commissions.

■ The balance of individual client assets



■ Fees and commissions associated with investment trusts and insurance products

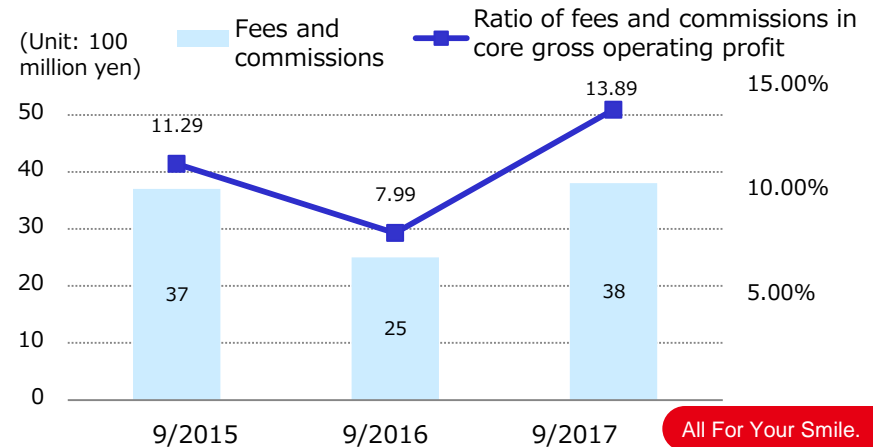


■ The balance of other assets of individual clients

(Unit: 100 million yen)

	FY2015/9	FY2016/9	FY2017/9	Year-on-year
	(A)	(B)	(C)	(C)-(B)
Investment trust	1,745	1,672	1,594	△78
Personal annuity-type insurance, etc.	4,542	4,774	5,218	444
Public bonds	319	166	172	6
Total	6,607	6,614	6,985	371

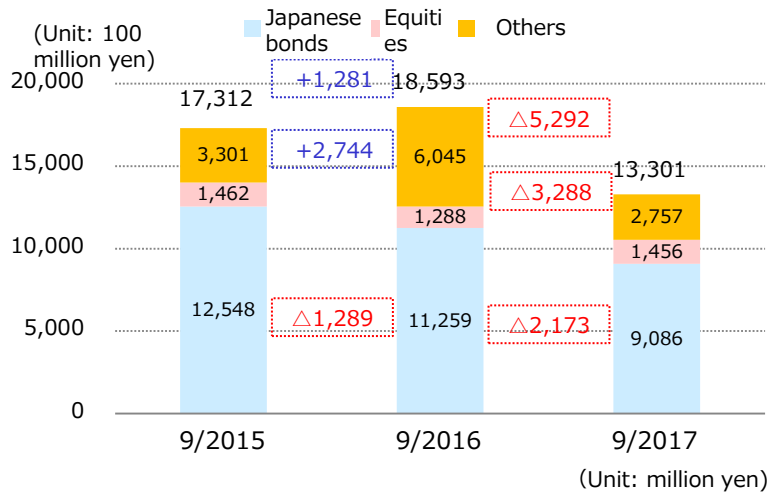
■ Fees and commissions



Key data (securities investment)

The balance of securities investment declined due to the disposal by sale of long-term Japanese bonds and foreign bonds.

■ The balance of securities investment

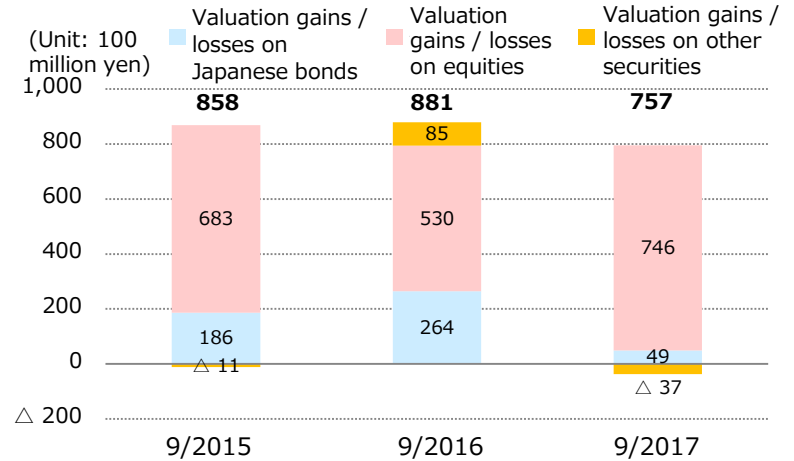


■ Gains / losses related to securities investment

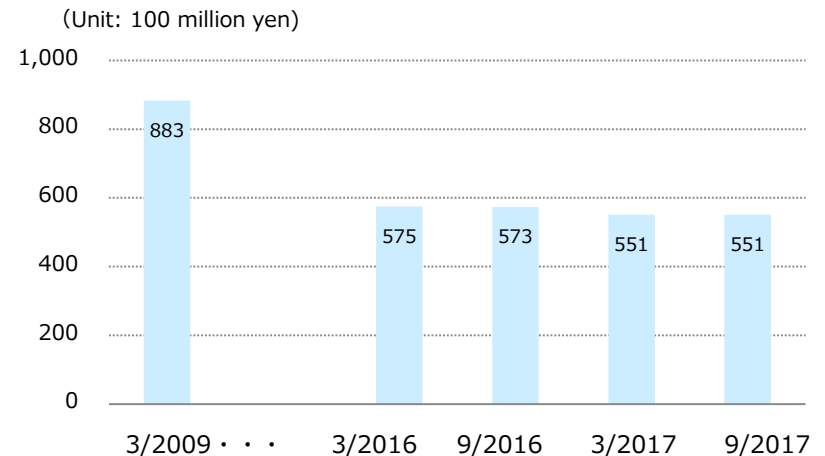
	FY2016/9	FY2017/9	Change
Gains / losses on JGBs and other debt securities	2,679	664	△2,015
Gains on sale	2,848	1,614	△1,234
Gains on redemption	6	7	1
Losses on sale (△)	171	813	642
Amortization (△)	4	142	138

	△10	1,252	1,262
Gains / losses on equities	△10	1,252	1,262
Gains on sale	790	1,442	652
Losses on sale (△)	752	83	△669
Amortization (△)	47	106	59

■ Valuation gains / losses of securities investment



■ The balance of shares on relationship policy (book value basis)



Credit costs and non-performing loans

Credit costs remained low, while the ratio of non-performing loans declined to 1.80% as of the end of September 2017.

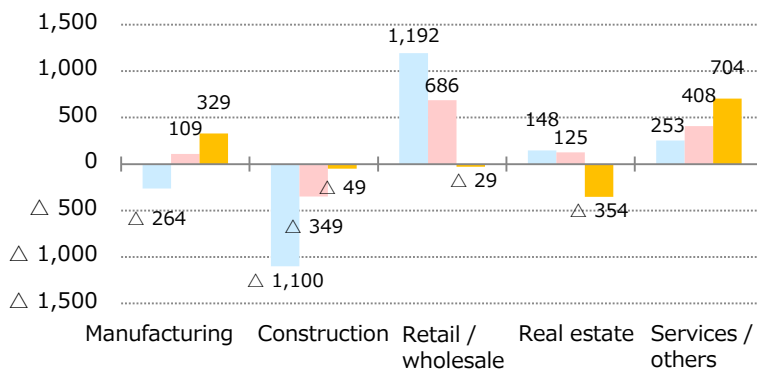
■ Credit costs

(Unit: 100 million yen)

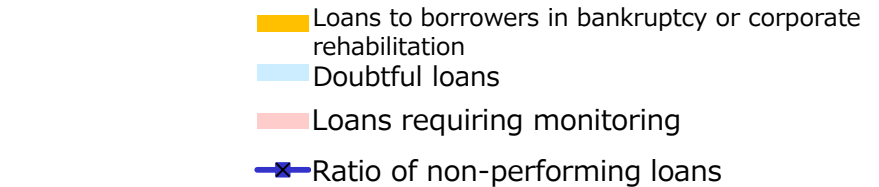
	FY2015/9	FY2016/9	FY2017/9
Credit costs (①+②-③-④-⑤)	△8	9	△11
①Provisions of general loan-loss reserves (△gain on reversal)	-	△0	-
②Write-downs of nonperforming loans	1	10	1
Loans written off	-	-	-
Provisions for specific loan-loss reserves	-	6	-
Losses on bulk sale	1	3	0
Other	0	0	1
③Gain on reversal of loan loss reserves	9	-	12
④Gain on collection of written-off loans	0	0	0
⑤Gain on reversal of contingent loss	-	-	-

■ Write-downs of non-performing loans by industry

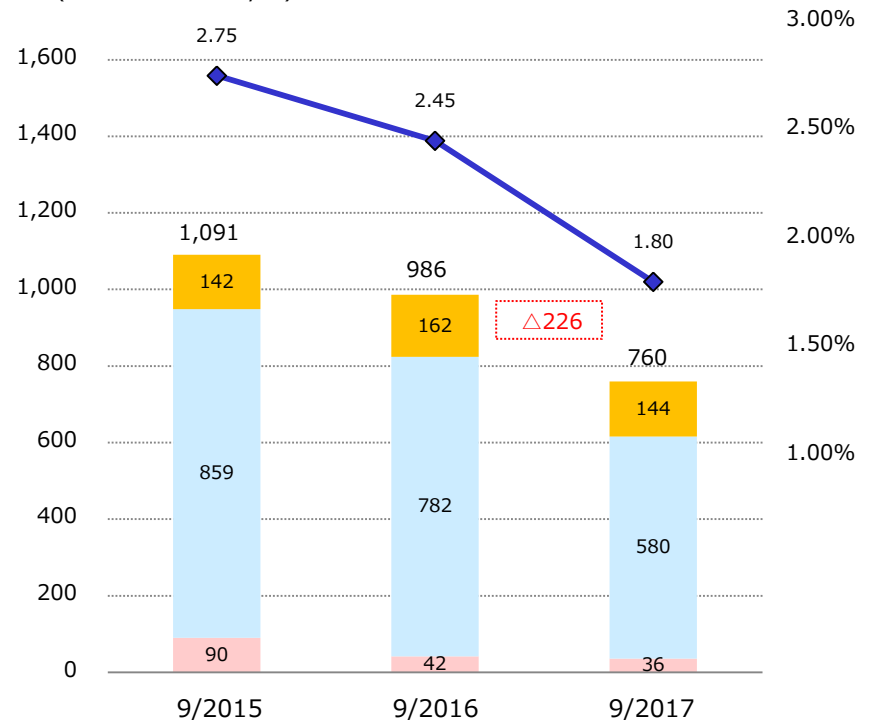
(Unit: million yen) 9/2015 9/2016 9/2017



■ Non-performing loans (Financial Revitalization Act basis)



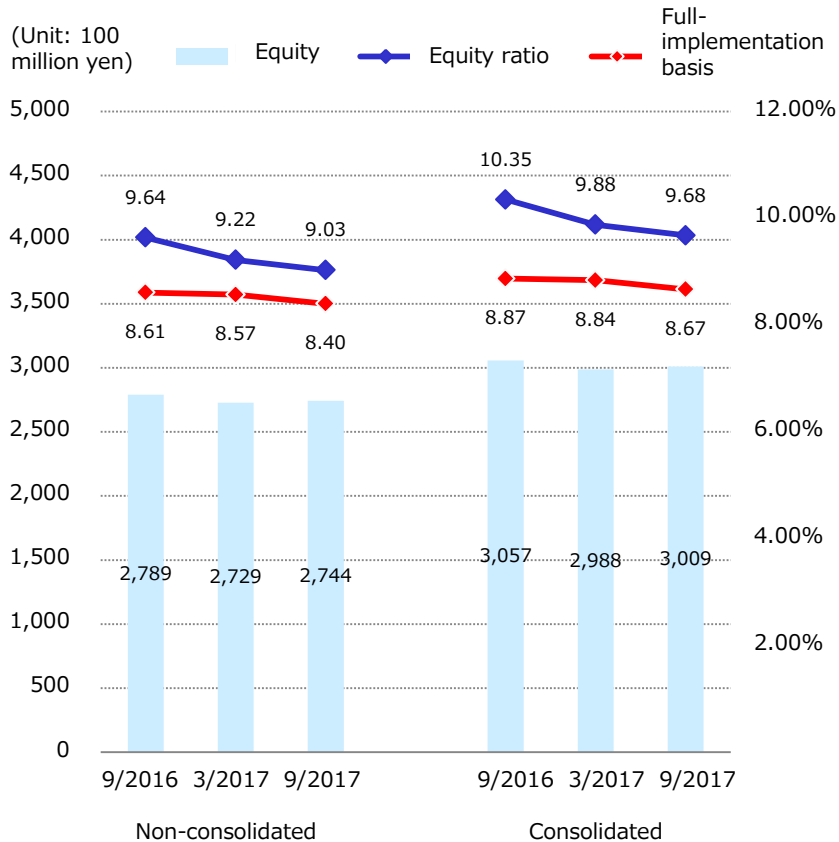
(Unit: 100 million yen)



Capital policy

The equity ratio is 9.03% non-consolidated and 9.68% consolidated.

Equity



Improvement in capital quality



Capital quality improved in December 2017 when the subordinated financing of 10 billion yen was repaid in full prior to maturity.

14th Medium-Term Management Plan: Progress

■ Numerical targets for FY2020/3

Item		Start of plan (Actual figures for FY2017/3)	FY2017/9 results	Final year of plan (Targets for FY2020/3)
Earning capability	Net income (consolidated)	10 billion yen	4.9 billion yen	10 billion yen
Growth potential (Customer base)	Community presence (deposit balance + loan balance)	9,350.1 billion yen	9,568.1 billion yen	10 trillion yen
	Deposit balance	5,410.8 billion yen	5,507.2 billion yen	5,700 billion yen
	Loan balance	3,939.3 billion yen	4,060.9 billion yen	4,300 billion yen
Financial soundness	Core equity ratio (consolidated) on the full-implementation basis	8.84%	8.67%	Around 8.7%

■ Long-term target

Item		Start of plan (Actual figures for FY2017/3)	FY2017/9 results	Target
Earning capacity	ROE (consolidated)	3.0%	2.86%	5% or above

FY3/18 business forecasts (non-consolidated and consolidated)

■ Non-consolidated

(Unit: 100 million yen)

No	Calculation formula	FY2017/3 (results)	FY2018/3 (forecasts)	Change (year-on-year)
1	Gross operating profit [3+4+5]	567	578	11
2	(Core gross operating profit) [1-6]	(616)	(568)	△48
3	Net interest income	550	483	△67
4	Fees and commissions	56	81	25
5	Other operating profit	△39	14	53
6	Gains / losses on JGBs and other debt securities	△49	10	59
7	Expenses	511	488	△23
8	Personnel expenses	285	274	△11
9	Non-personal expenses	197	186	△11
10	Taxes	28	28	0
11	Net business profit [1-7]	55	90	35
12	Net core operating profit [2-7]	105	80	△25
13	Net operating profit [11-15]	55	90	35
14	Credit costs [15+16-17-18-19]	△28	△4	24
15	Provision of general loan-loss reserves	-	-	-
16	Write-downs of nonperforming loans	8	3	△5
17	Gain on reversal of loan loss reserves	37	7	△30
18	Gain on collection of written-off loans	0	0	0
19	Gain on reversal of contingent loss	-	-	-
20	Gains / losses on equities	27	19	△8
21	Other extraordinary gains / losses	8	7	△1
22	Investment trust financing expenses	0	0	0
23	Ordinary profit [11-14+20+21-22]	119	120	1
24	Extraordinary gains / losses	△2	△2	0
25	Net income before taxes [23+24]	117	118	1
26	Total income taxes	26	33	7
27	Net income [25-26]	91	85	△6

■ Consolidated

FY2018/3 (forecasts)

Full-year business forecasts

■ Non-consolidated

Ordinary profit 12 billion yen

Net income 8.5 billion yen

Reduction of 2.3 billion yen in expenses through the promotion of business reform

■ Consolidated

Ordinary profit 13.5 billion yen

Net income attributable to shareholders of the parent company 9 billion yen

135

※90

※Net income attributable to shareholders of the parent company

Juroku Bank's initiatives

-Business model for sustainable growth-

Current status

Juroku Bank's challenges

Improving profitability

Revitalizing local economy to create a positive cycle of growth

Reinforcing commission-based business

Exerting Juroku Bank Group's comprehensive capabilities

Improving productivity

Implementing business reform for streamlining operations

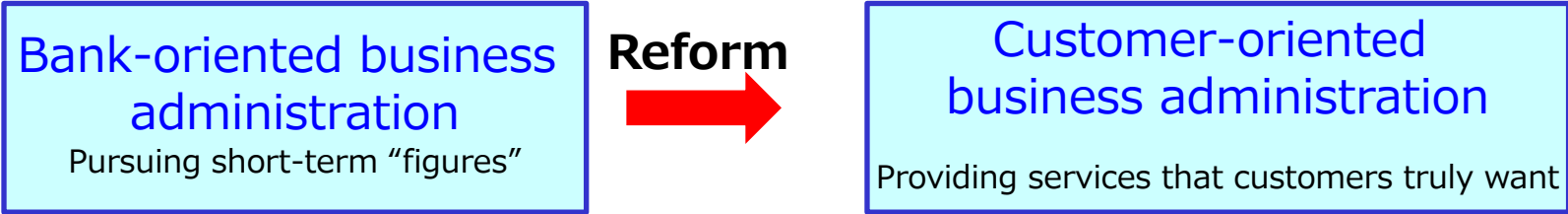
Reducing the cost of running branches

Optimizing workforce allocation

Transformation of sales structure

■ Enhancing engagement with local economy

Introducing the “Activity Process Evaluation System” in a major overhaul of the previous performance evaluation system since April 2016



Overview of the Activity Process Evaluation System

- Defining the “Sales Activity Guidelines” as the basic principles for all sales activities
- Conducting qualitative evaluation of branches according to the “Evaluation Criteria for Branch Activities”
- Conducting quantitative evaluation on sales blocks according to “Numerical Targets”
- Evaluating the Head Office according to the “Evaluation Criteria for Head Office Activities” regarding its assistance for branches’ activities

Previous performance evaluation

Issues

- Too much weight on quantitative evaluation
- Short-term (6 months) evaluation
- Targets imposed by the Head Office
- Too much emphasis on volume reinforcement
- Pursuit for point scores only



Activity Evaluation

Branches

Evaluated qualitatively according to the “Evaluation Criteria for Branch Activities”, which examine whether branches’ activities are customer-oriented

Blocks

Evaluated based on “Numerical Targets” (The number of “Numerical Targets” items has been substantially reduced from those used in previous performance evaluation)

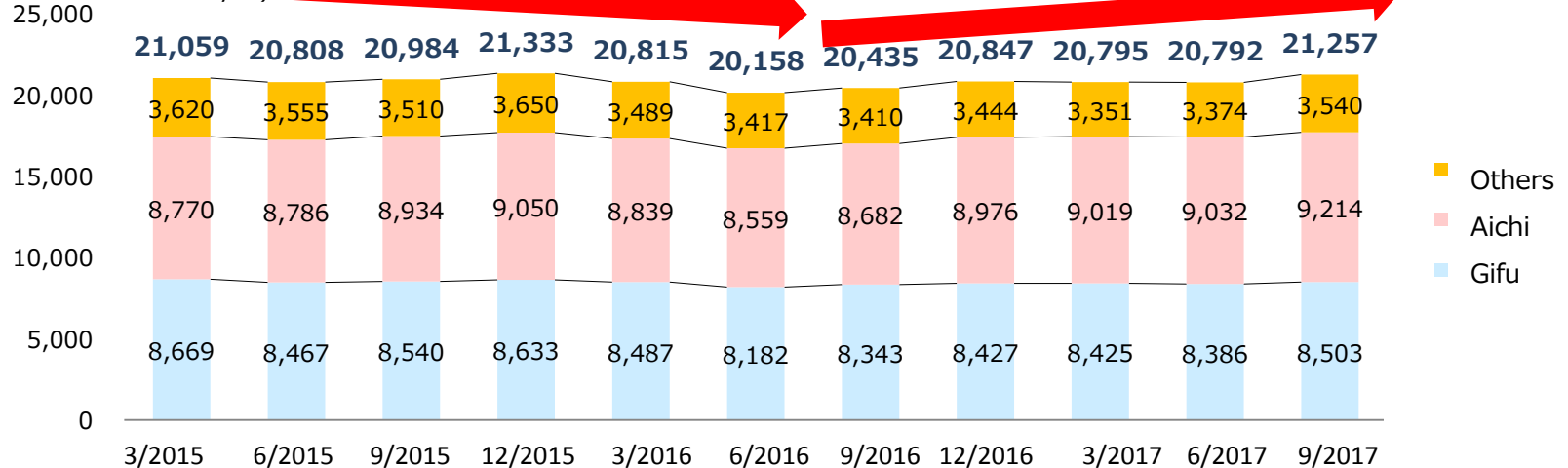
Head Office

Assisting and supporting branch activities based on the “Evaluation Criteria for Head Office Activities”

Revitalizing local economy ①

■ The balance of business loans

Bottoming out in June 2016 after the introduction of the Activity Process Evaluation System in April 2016
(Unit: 100 million yen)



■ Initiatives for business evaluation

- Introducing a new business evaluation method
- Loans that do not rely on collateral / credit guarantee

Japanese FSA's benchmark	Data	
	FY2016/3	FY2017/3
Loan balance based on business evaluation	198.6 billion yen	210.5 billion yen
Ratio of unsecured loans to local SMEs	31.8%	34.2%

Revitalizing local economy ②

■ Active risk-taking

- Introducing the strategic loan product “Active Loan” targeting the middle risk group in December 2016

Number of Active Loan contracts signed (from launch to the end of September 2017)

Number of cases	Total loan amount	Average rate
668 cases	17.3 billion yen	1.571%

■ Business creation support

- Organizing seminars in partnership with local governments and local chambers of commerce and industry

Status of business creation support

	FY2015/3	FY2016/3	FY2017/3	FY2017 1H
Number of business creation enquiries	17	145	260	120
Number of loans extended	-	56	94	44
Amount of loans extended	-	293 million yen	1,061 million yen	619 million yen

“Business Creation Support Seminar”



■ Business succession support

- Assigning dedicated support officers

Status of business succession support

	FY2015 2H	FY2016 1H	FY2016 2H	FY2017 1H
Support cases	161	110	152	216

Strengthening commission-based business

■ Handling syndicated loans as arranger / agent

- Branches and Head Office staffs in charge working together to promote syndicated loans in order to increase the number of such loans formed

Syndicated loans formed

	FY2016/3	FY2017/3	FY2017 1H
Formation value	800 million yen	2 billion yen	4.6 billion yen
Commissions earned	20 million yen	27 million yen	69 million yen

■ Promoting privately-placed bond business

- Launch of Juroku Bank CSR privately-placed bond “Tsunagaru Kokoro” (January 2017)

Commissioning of privately-placed bonds

	FY2016/3	FY2017/3	FY2017 1H
Cases / value commissioned	29 cases worth 4.4 billion yen	33 cases worth 2.8 billion yen	136 cases worth 8.8 billion yen
CSR privately-placed bonds included in above	-	9 cases worth 900 million yen	103 cases worth 6.8 billion yen
Commissions earned	80 million yen	53 million yen	132 million yen



One of our customers donated a clock to an elementary school by issuing CSR privately-placed bonds

■ Offering M&A solutions

- Support structure with dedicated staff, increasing the number of companies opting to M&A in business succession

M&A cases formed

	FY2015/3	FY2016/3	FY2017/3	FY2017 1H
Number of cases	4	3	21	11
Commissions earned	72 million yen	39 million yen	301 million yen	140 million yen

■ Handling derivative transactions for customers

- Identifying customer needs for foreign exchange hedging and investment-type saving products under the current environment of low interest rate

Derivative transactions

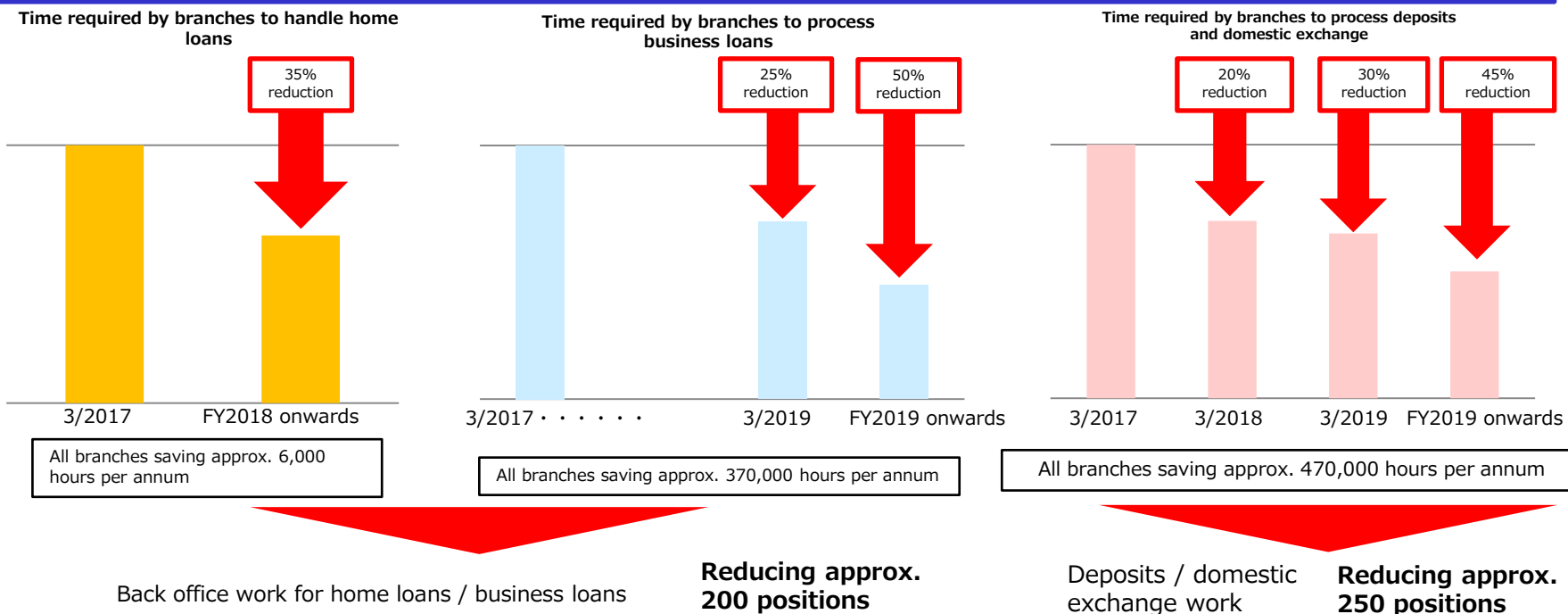
	FY2015/3	FY2016/3	FY2017/3	FY2017 1H
Number of cases	505	505	482	392
Commissions earned	593 million yen	551 million yen	269 million yen	244 million yen

Business reform

- Conducting business reform on branches and Head Office to boost productivity
- Reinforcing workforce in frontline operations at branches and Group companies to strengthen sales capacity

Branch reform project

- Centralizing back office work at branches to the Head Office
- Reviewing document-based / administrative procedures
- Streamlining loan / public relations duties for faster processing
- Reviewing document-based / administrative procedures



Slimming down Head Office functions

- Reforming the Head Office structure
- Cutting back duties
- Reviewing work processes

Workers from eliminated positions are reassigned to frontline duties at branches and Group companies.

**Reducing approx. 200 positions
(100 positions already cut in FY2017 1H)**

Efficient branch operation

■ Strategy for Gifu Prefecture (106 branches at present)

Turning from “full banking branches” into “general financial services sites for individual customers”

- To be applied to branches, starting from branches in Gifu Prefecture from January 2018 (to be expanded to around 40 branches)
- Personal customer branches to specialize in “consultation services for home loans, investment trusts and insurance products”
- Concentrating loan / currency exchange operations to full banking branches nearby

Model case for individual customer branches

Turning full banking branches into individual customer branches to reduce the number of workers from the current 10 to six

	Now	Individual customer branch	Effect
Branch manager	Senior manager	Manager	Personnel cost Δ 35 million yen
Assistant branch manager	3	1	
Personnel in charge of loans and currency exchange	2	0	
Personnel in charge of public relations and internal duties	4	4	

■ Rebuilding existing branches

Concentrating duties to the Head Office and running branches with a smaller number of workers for downsizing
 Considering effective use of branches at premium sites, e.g. in front of railway stations, for community revitalization

■ Introducing flexible business hours

Expanding holiday operations for enhanced customer convenience
 Shortening business hours at sub-branches, etc. to reduce staff size even further

Opening branches at areas of potential growth

■ Strategy for Aichi Prefecture (52 branches at present)

Opening individual customer branches specializing in "consultation services for home loans, investment trusts and insurance products"

- Reducing staff size at branches to establish a low-cost operation structure

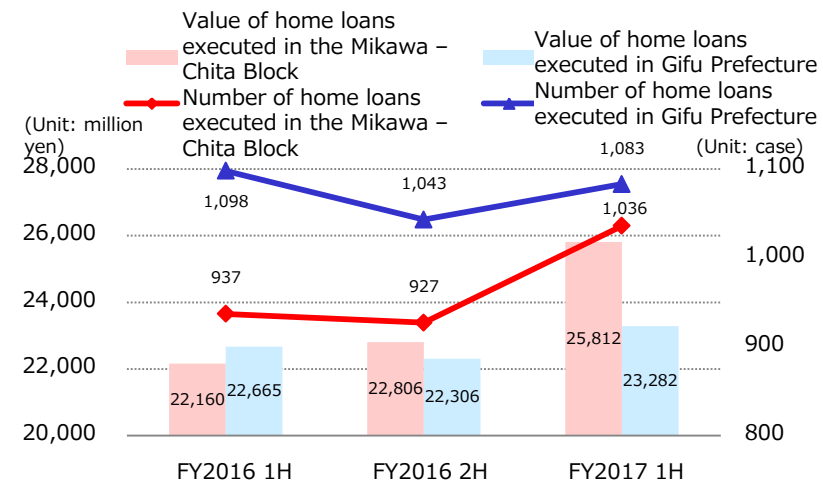
Yamanote Branch (53rd branch in Aichi Prefecture, 2nd branch in Toyota City)
Operated with 5 workers
Also serving as a "Loan Service Center" (home loan center)

Appeal of the high-growth market in Nishi-Mikawa, Aichi Prefecture

- Strong rate of population increase
Nishi-Mikawa's rate of population increase outstrips that of Aichi Prefecture as a whole.
- Number of building certification applications lodged in FY2016 is 8,563 in Nishi-Mikawa, representing 23.9% of Aichi Prefecture
(market scale equivalent to the entire Gifu Prefecture)
- Juroku Bank's home loan balance for Nishi-Mikawa is recording a particularly strong growth.
The area's ratio of the balance of individual client assets to the deposit balance is also high compared to other districts.



Yamanote Branch (to be newly built and opened in March 2018)
Status of home loans



Strategies for affiliates

Boosting earning capacity in growth areas

■ Juroku Research Institute Co., Ltd.

Additionally opened a satellite office in Takayama City with one staff stationed

Working on offering information and resolving issues in order to revitalize the Hida region



■ Juroku Card Co., Ltd.

Relocated to the 21st floor of the Dai-Nagoya Building to increase corporate card members and reinforce member sales

■ Juroku Lease Co., Ltd.

Adding about 10 members to the sales team of the Nagoya Sales Department, and expanding / relocating the Nagoya Sales Department to the 18th floor of the Juroku Nagoya Building to reinforce sales operations across Aichi Prefecture

■ Juroku Credit Guarantee Co., Ltd.

Expanding / relocating the Nagoya Sub-Branch to the 15th floor of the Juroku Nagoya Building to strengthen partnership with "Loan Service Centers" (home loan center) across Aichi Prefecture and reinforce home loan operations

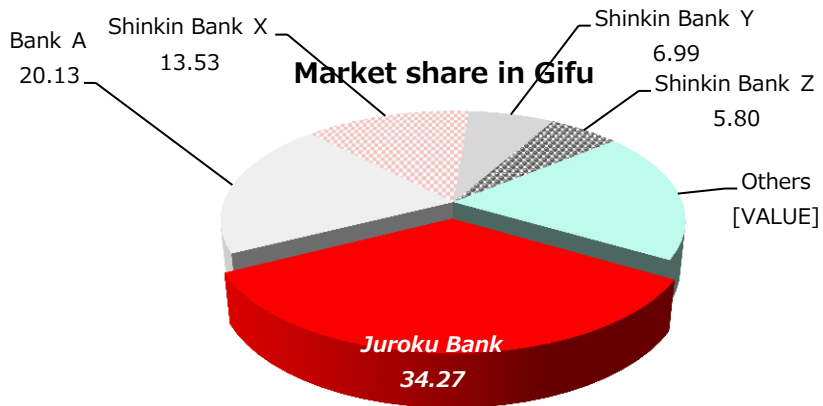
■ Juroku Computer Service Co., Ltd.

Setting up a Nagoya office on the first floor of the Imaike Branch to step up approach to new clients



Market share by region

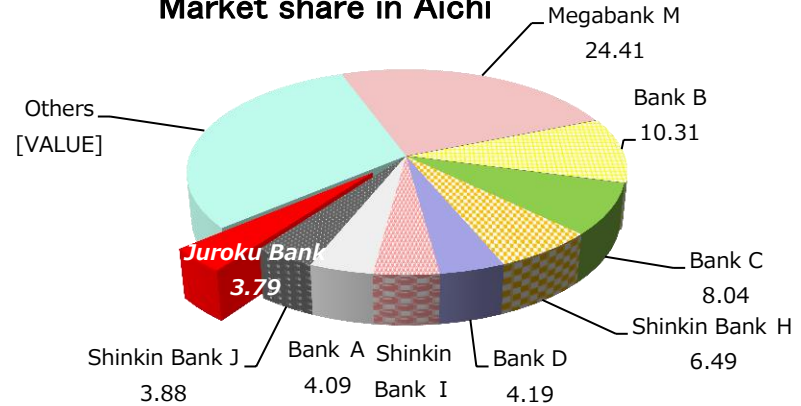
■ "Main bank" research (Tokyo Shoko Research)



Juroku Bank has a dominant market share in Gifu, more than 10 points ahead of the second largest bank.

Boost commitment to local economy and contribute to its revitalization as a leading bank.

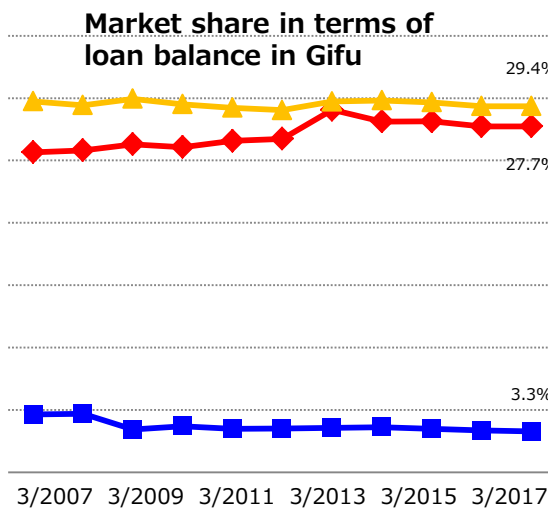
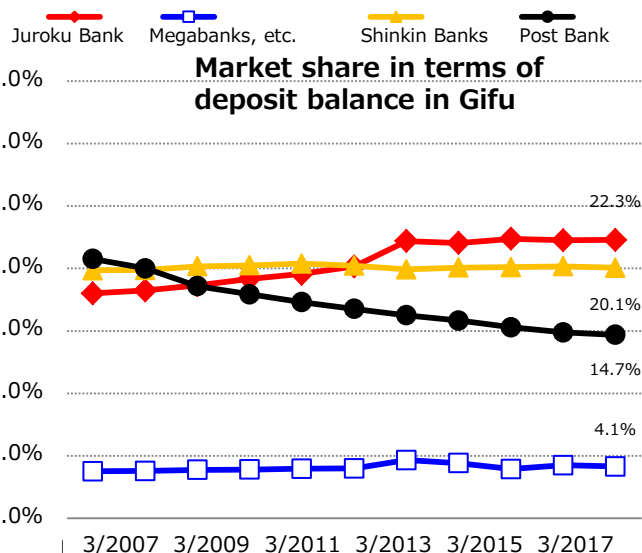
Market share in Aichi



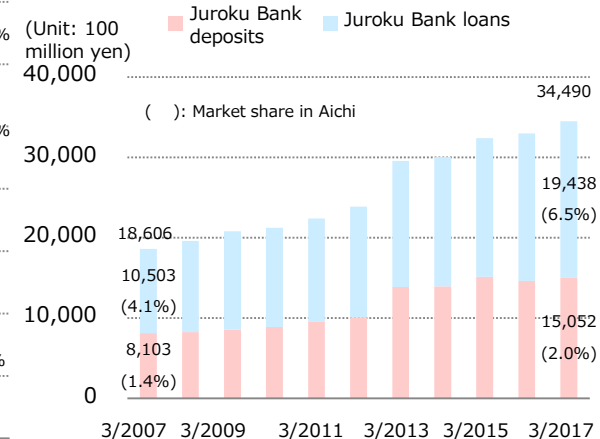
Juroku Bank has the 9th market share in Aichi.

With the Aichi Sales HQ as the command center, inject management resources primarily to the expansion of its presence in the region.

■ Market share in terms of deposits and loans



Local presence in Aichi



(Compiled by Juroku Bank based on the "Financial Mapping" published by the Financial Journal Co., Ltd.)

■ Work style reform

Trial introduction of work-from-home program

- Work-from-home program introduced to the Head Office in November 2016 on a trial basis
- The trial expanded to all branches in May 2017

Expansion of the Fresh Up Week

- Fresh Up Week, in which overtime is prohibited every day over a week, expanded to a monthly initiative (previously three times a year) in October 2017
- Aims to reduce monthly overtime hours by at least 20% year-on-year in FY2018 2H
- Overtime reduction rate for FY2018 1H: 8.7%

■ Parenting support

Introduction of “Spousal Maternity Leave”

- Spousal Maternity Leave introduced in April 2017 for male workers at the time of their spouse’s childbirth
- 51 male workers have claimed the leave as of the end of September 2017.

■ HR education reform

Orientation training period expanded from 2 weeks to 3 months

Benefits include

- Helping new recruits acquire basics of being a worker
- Giving knowledge that is “immediately” useful after assignment to branches
- Reducing branches’ training burden
- Boosting new recruits rate of passing qualification exams

■ Women’s empowerment support

Numerical targets in women’s promotion

Numerical targets

- ① Doubling the number of women in assistant manager positions or higher from 87 as of the end of FY3/15 to 174 as of the end of FY3/21
- ② Bringing the female ratio of workers in leader positions or higher to 20% as of the end of FY3/21

※ “Leader positions” refer to “assistant manager positions or higher” as well as administrative leaders and FA leaders.

Progress (as of the end of September 2017)

- ① 116 women in assistant manager positions or higher
- ② Female ratio of leader positions or higher at 14.9%

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