

The Juroku Bank

33rd Financial Results Briefing

[Fiscal year ended March 2019]

June 7, 2019



TSE • NSE partial listing (8356)

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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 FY 2019/3

Overview of Results for FY 2019/3



Non-consolidated

(Unit: 100 million yen)

	2017/3	2018/3 A	2019/3 B	B-A
Core gross operating profit	616	581	584	3
Net interest income	550	486	498	12
Fees and commissions	56	84	90	6
Other operating profit (except profit on JGBs and other debt securities)	10	10	4	14
Expenses	511	487	443	44
Personnel expenses	285	270	243	27
Non-personnel expenses	197	189	174	15
Net core operating profit	105	93	140	47
Net business income	55	61	139	78
Profit related to securities investment	22	22	20	2
Profit on JGBs and other debt securities	49	32	0	32
Profit on equities	27	55	21	34
Credit costs	28	5	21	26
Ordinary profit	119	122	146	24
Net income	91	93	99	6

Overview of non-consolidated results
Significant improvement of net core operating profit

Core gross operating profit
(+0.3 billion yen YoY)
 • Fund profit reversal
 • Fees and commissions remained steady

Expenses (- 4.4 billion yen YoY)
 Cost control from the previous term contributes over the full year

Profits
 Ordinary profit + 2.4 billion yen (YoY)
 Net profit + 0.6 billion yen (YoY)

Both increased in two consecutive terms

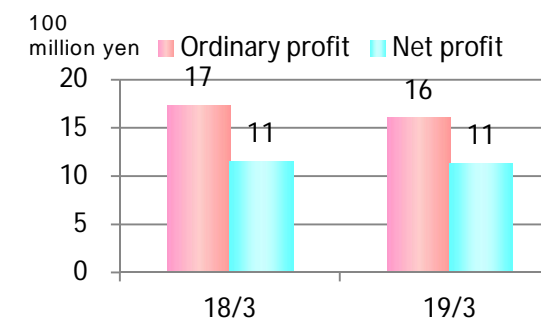
Consolidated

(Unit: 100 million yen)

	2017/3	2018/3 A	2019/3 B	B - A
Core gross operating profit	683	645	650	5
Expenses	547	532	494	38
Net core operating profit	135	113	155	42
Ordinary profit	145	139	162	23
Interim net income attributable to owners of the parent	100	99	106	7

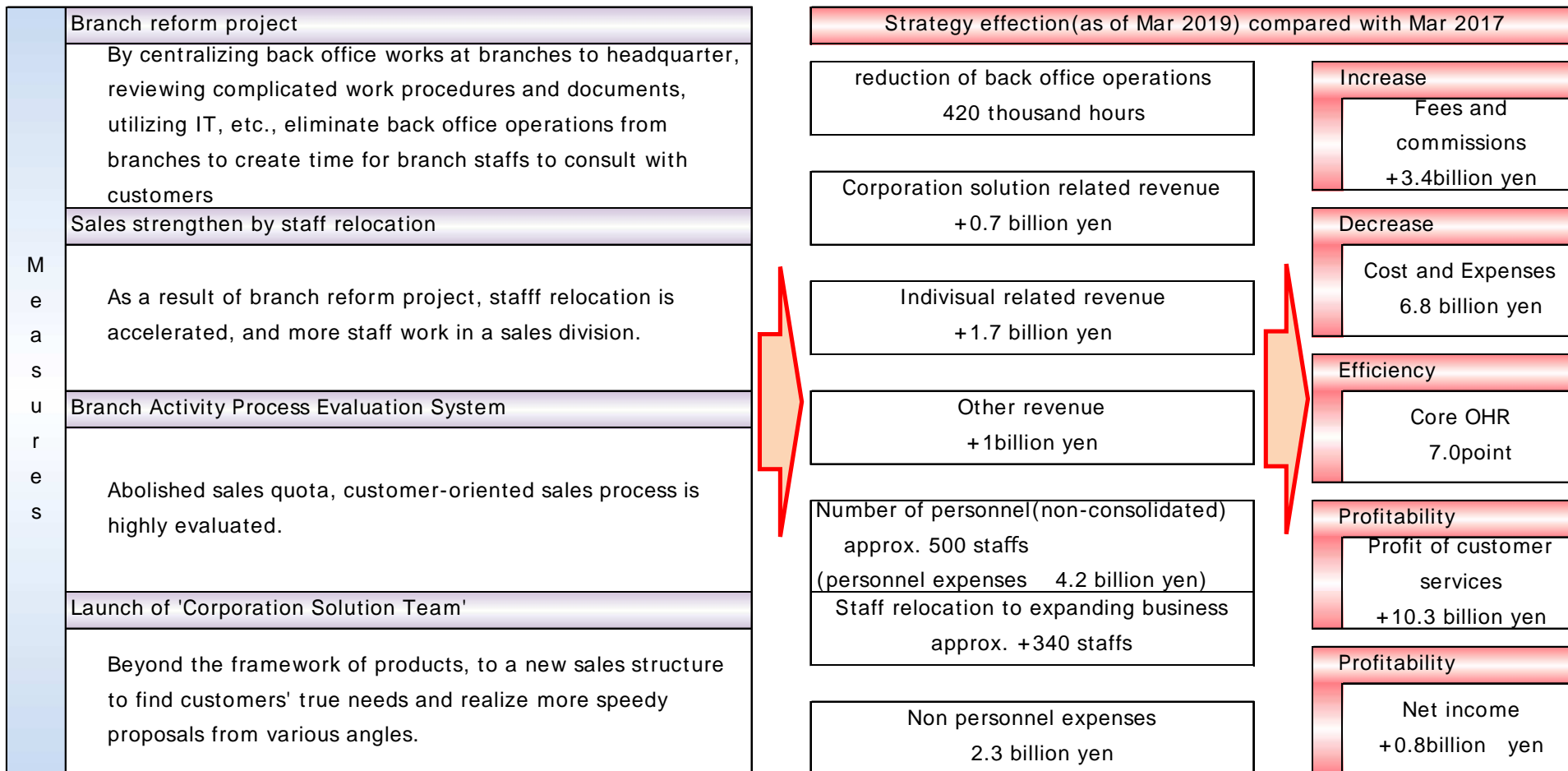
Overview of consolidated results
Increase both in sales and profits

【6 major group companies Total profit amount】

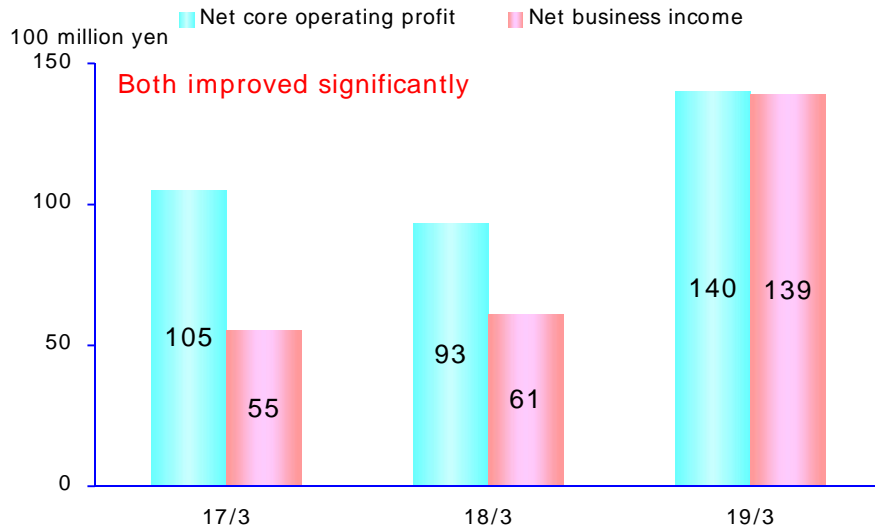


Main measures implemented during the medium-term management plan

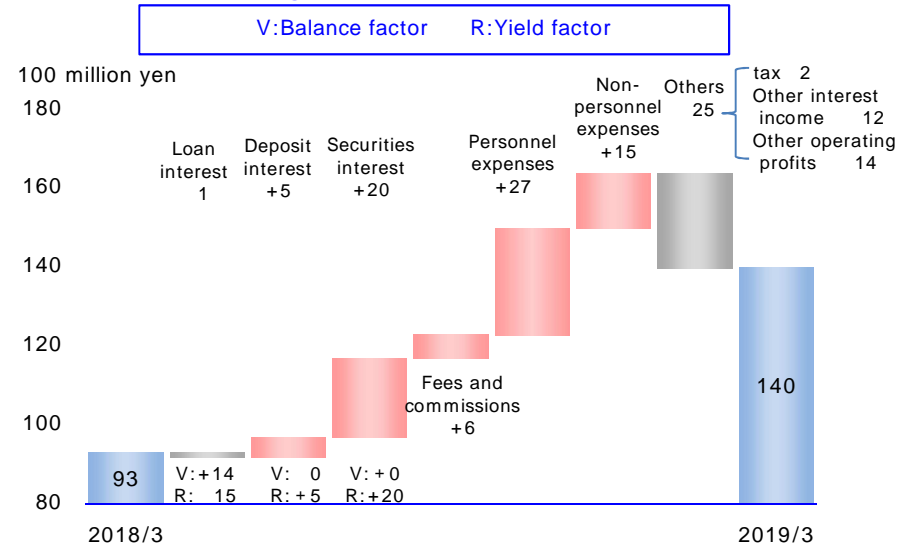
14th Medium-term Management Plan (2017/4~2020/3)



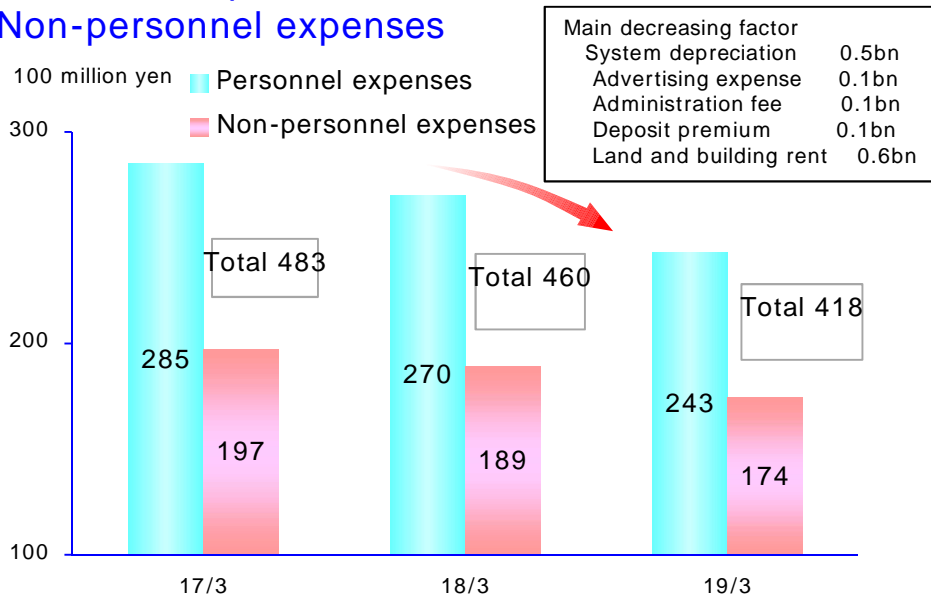
Net core operating profit Net business income



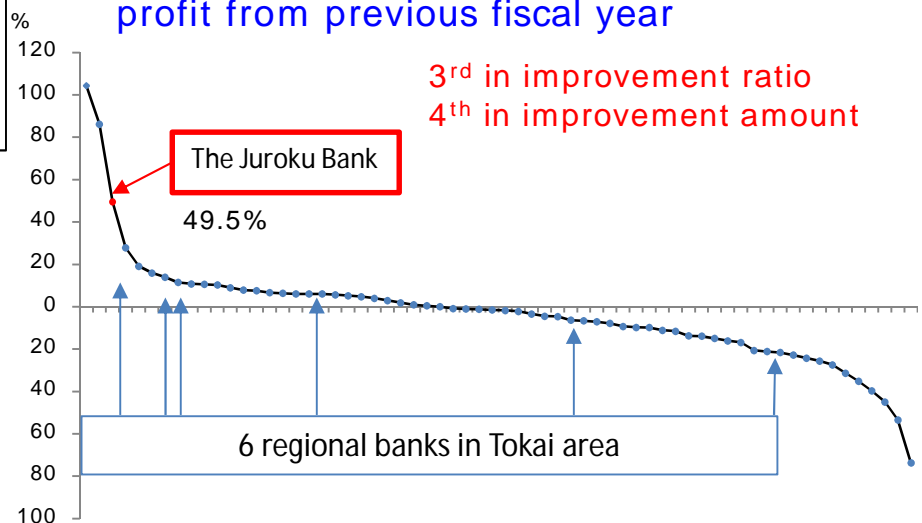
Factors to increase or decrease of net core operating profit



Personnel expenses Non-personnel expenses



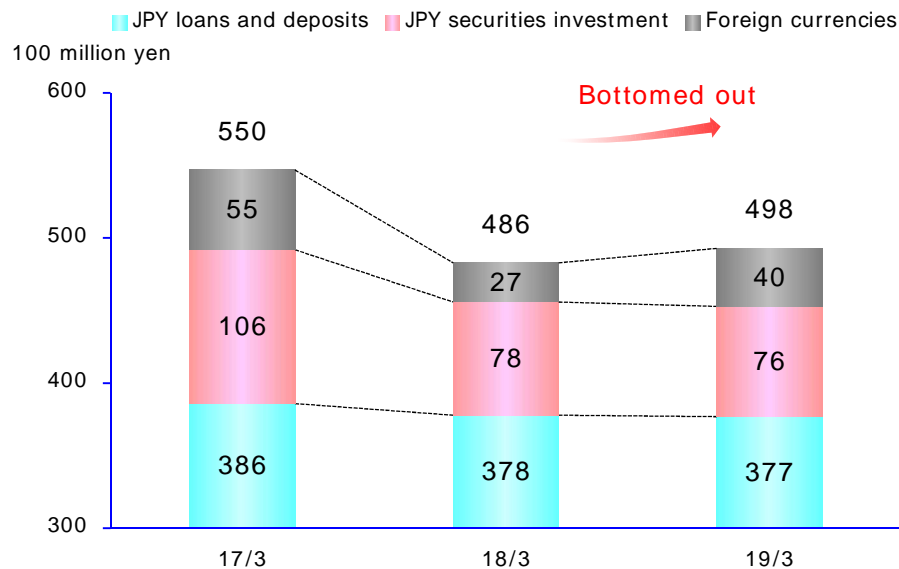
Change of regional bank net core operating profit from previous fiscal year



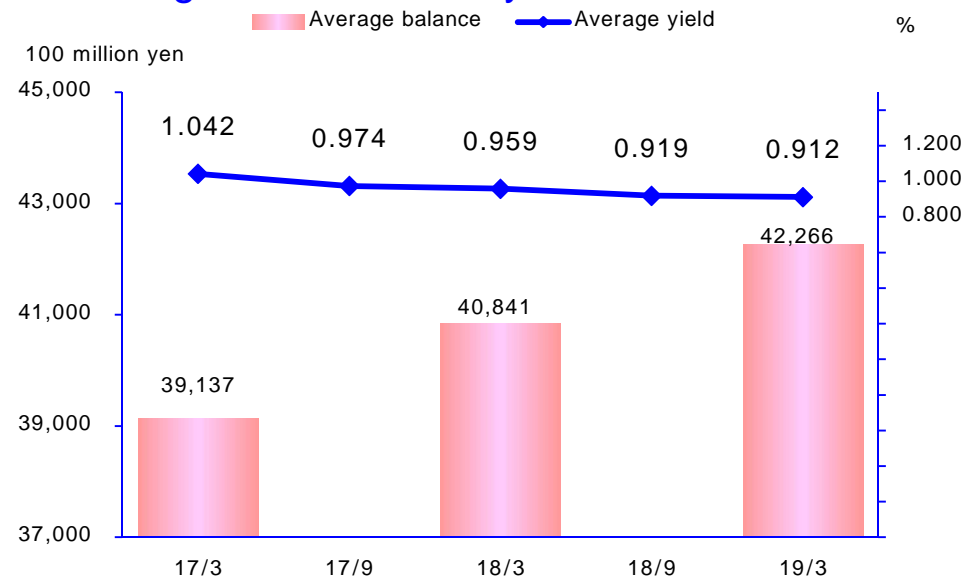
Overview of Results for FY 2019/3 (non-consolidated)



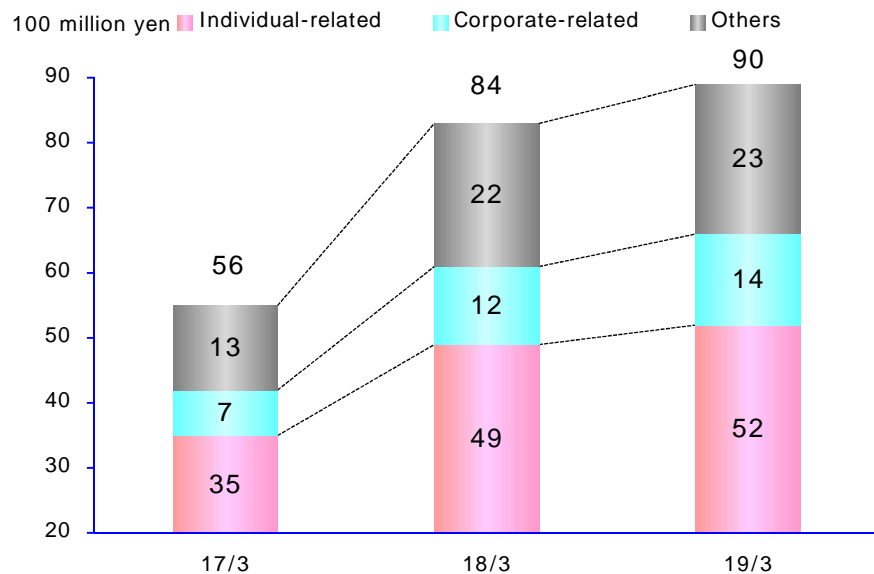
Net interest income



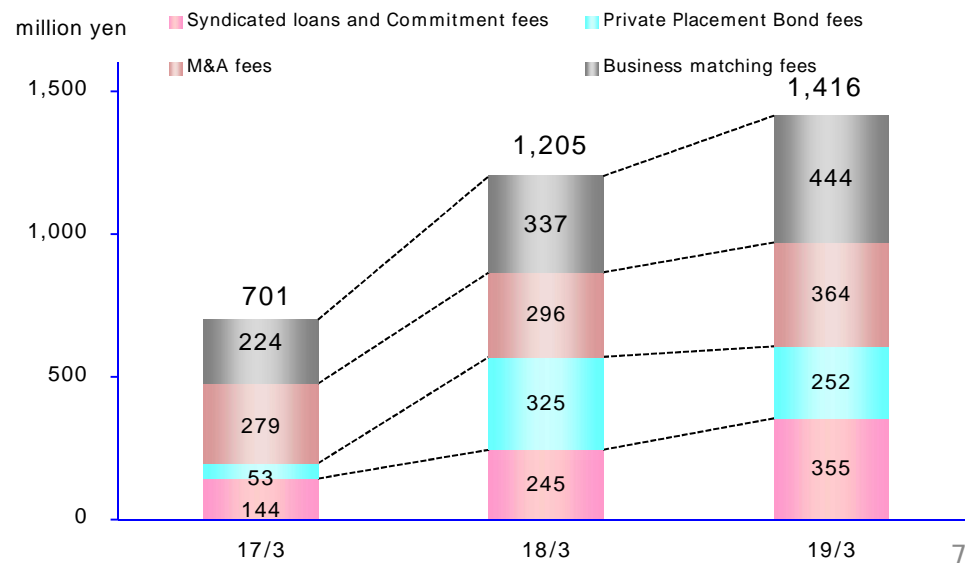
Average balance and yield of JPY loan



Fees and commissions



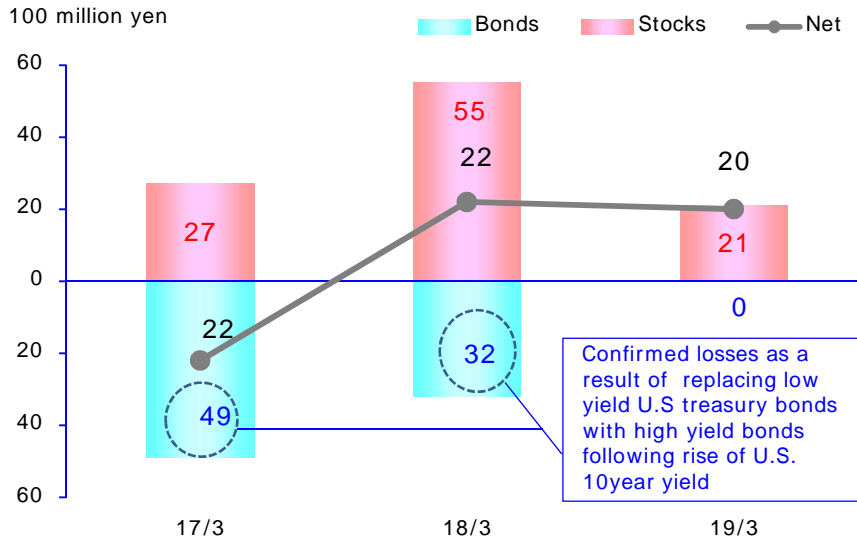
Corporate solution related revenue



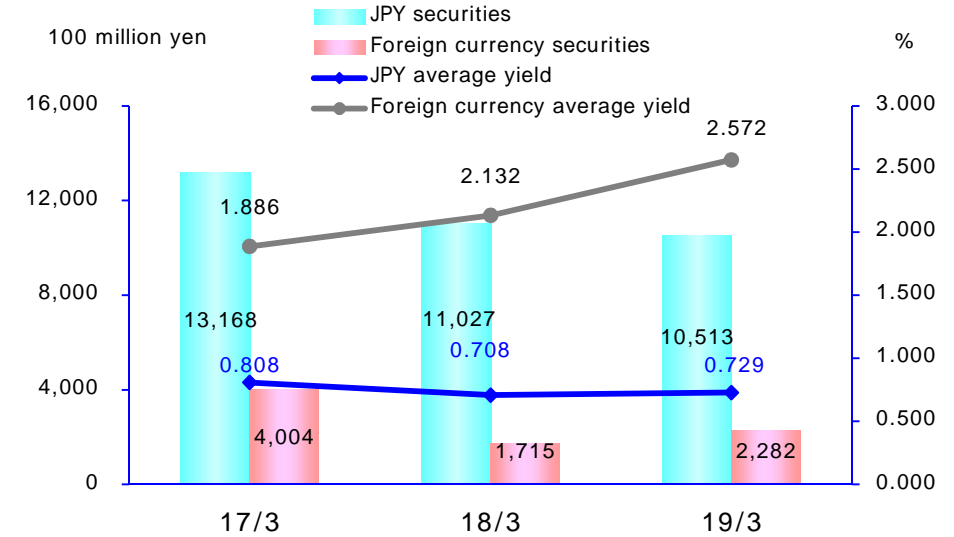
Overview of Results for FY 2019/3 (non-consolidated)



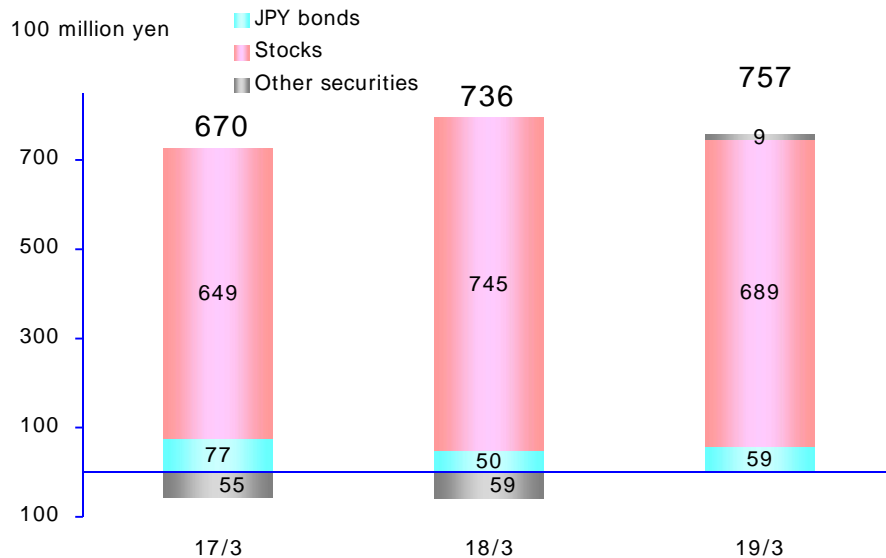
Profit related to securities investment



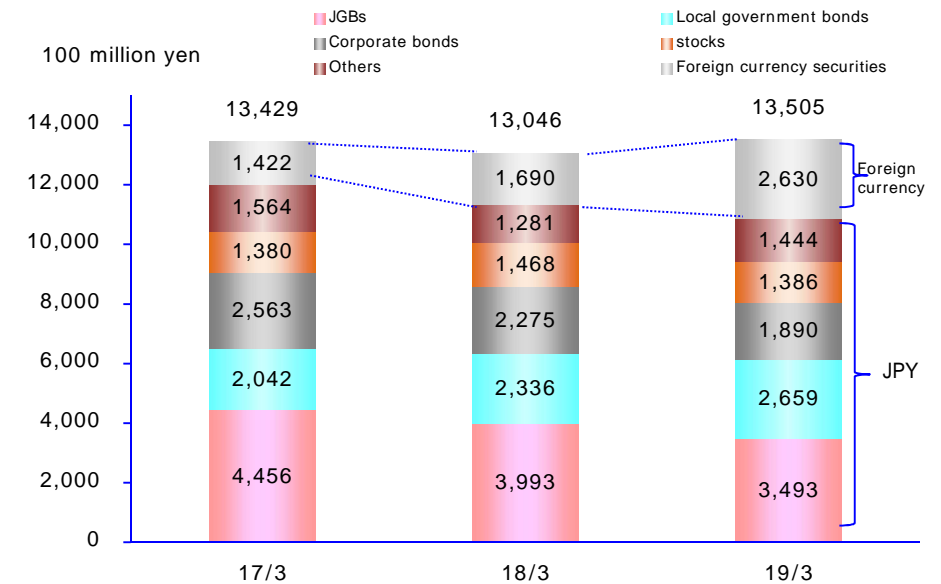
Average balance and yield of securities investment



Valuation gains and losses of securities

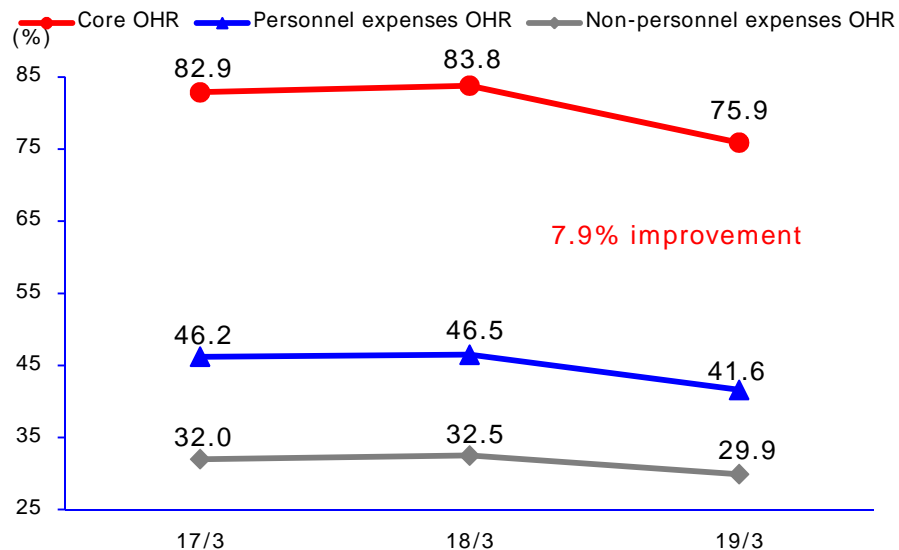


Balance of securities investment



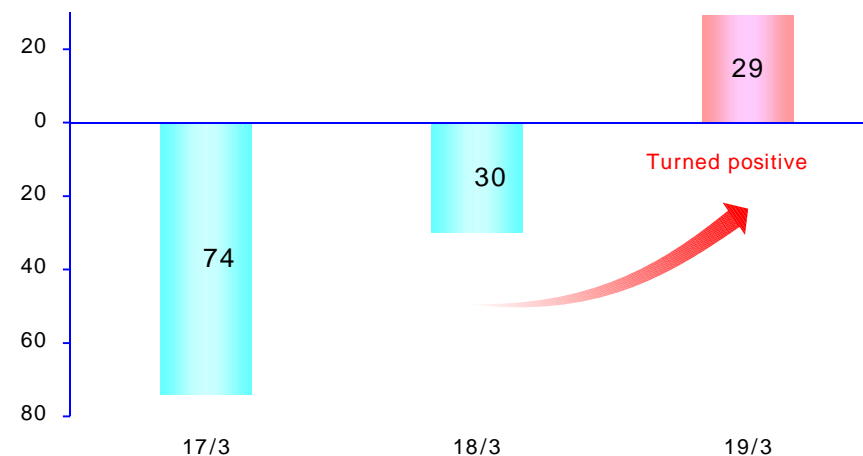


Core OHR

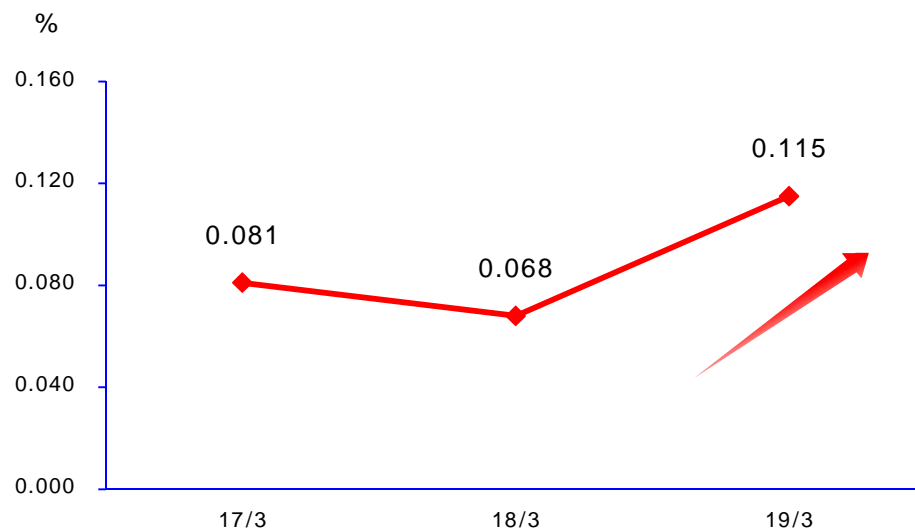


Profit of customer services

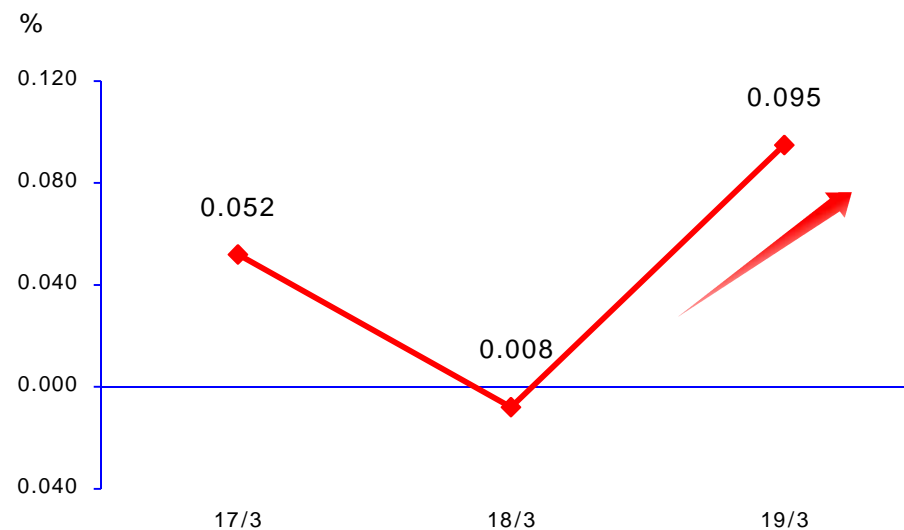
Profit of customer services = loan average balance × difference in interests rates for depositors and borrowers + net income from fees and commissions - operating costs
100 million yen



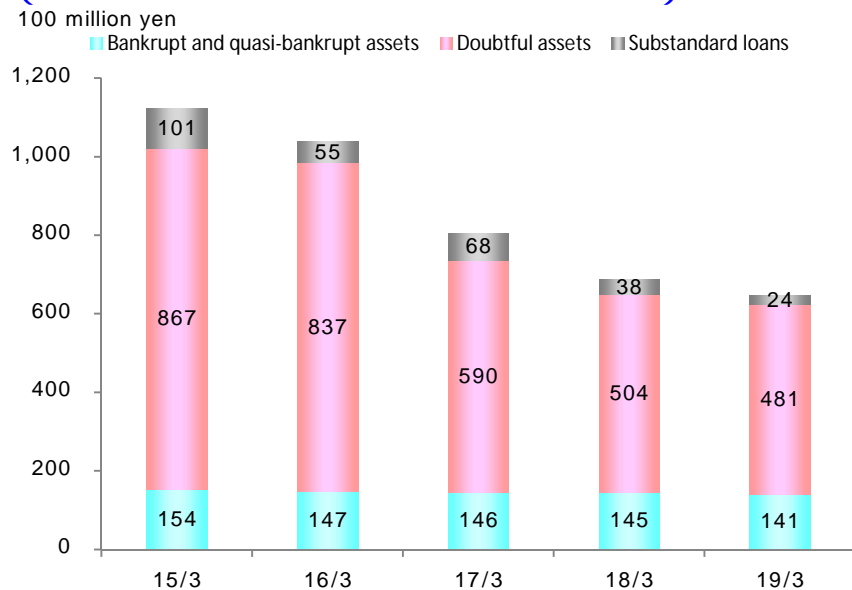
Loan-deposit Interest margin



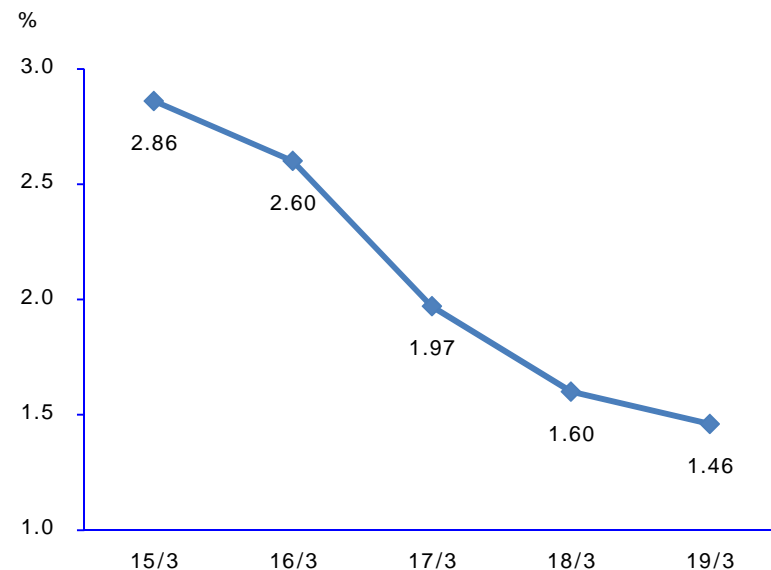
Net interest margin



Non-performing loans (Financial Revitalization Act basis)



Ratio of non-performing loans



Credit costs

100 million yen

	2015/3	2016/3	2017/3	2018/3	2019/3
Credit Cost (①+②-③-④)	28	28	△28	△5	21
①Provision of allowance for doubtful accounts	△15	△11	-	-	△8
②Non performing loan disposal amount	43	39	8	2	29
Loan amortization	-	-	0	-	0
Individual allowance for doubtful accounts	35	29	-	-	27
Bulk sale	4	4	5	0	0
Others	3	6	2	2	2
③reversal of allowance for doubtful accounts	-	-	37	7	-
④Gain on collection of amortized claims	0	0	0	0	0

Factors to increase or decrease loan-loss reserves

2017/3

Reversal in upgrade of large credit

2018/3

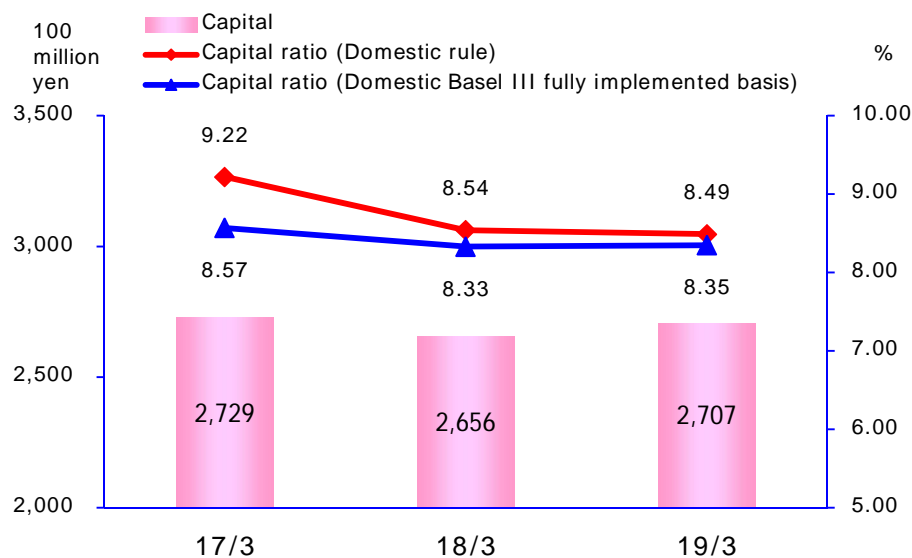
Reversal in upgrade of large credit

2019/3

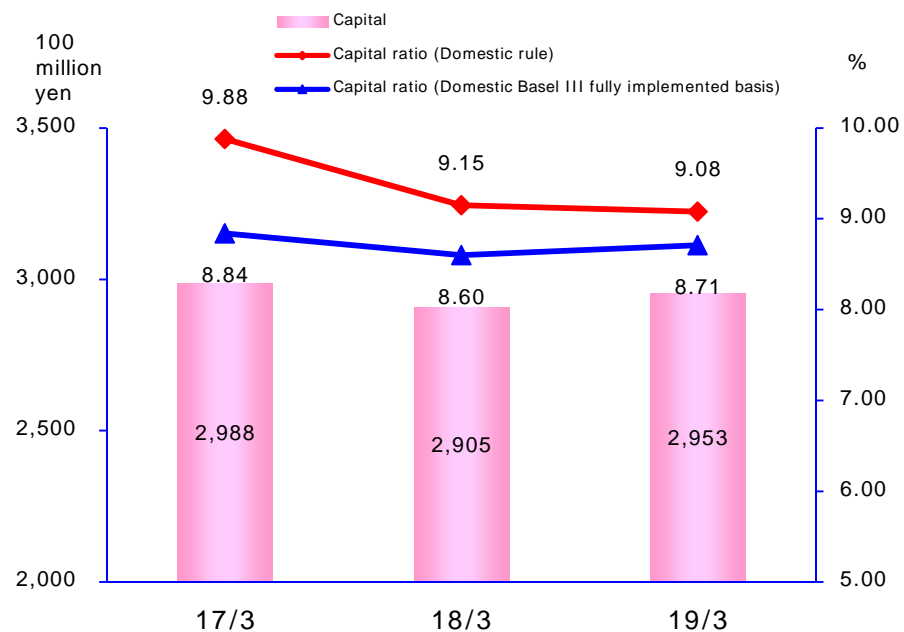
Increase of individual allowance for doubtful accounts

- decrease of upgraded customer
- increase of CF subtraction customer
- decrease of collection

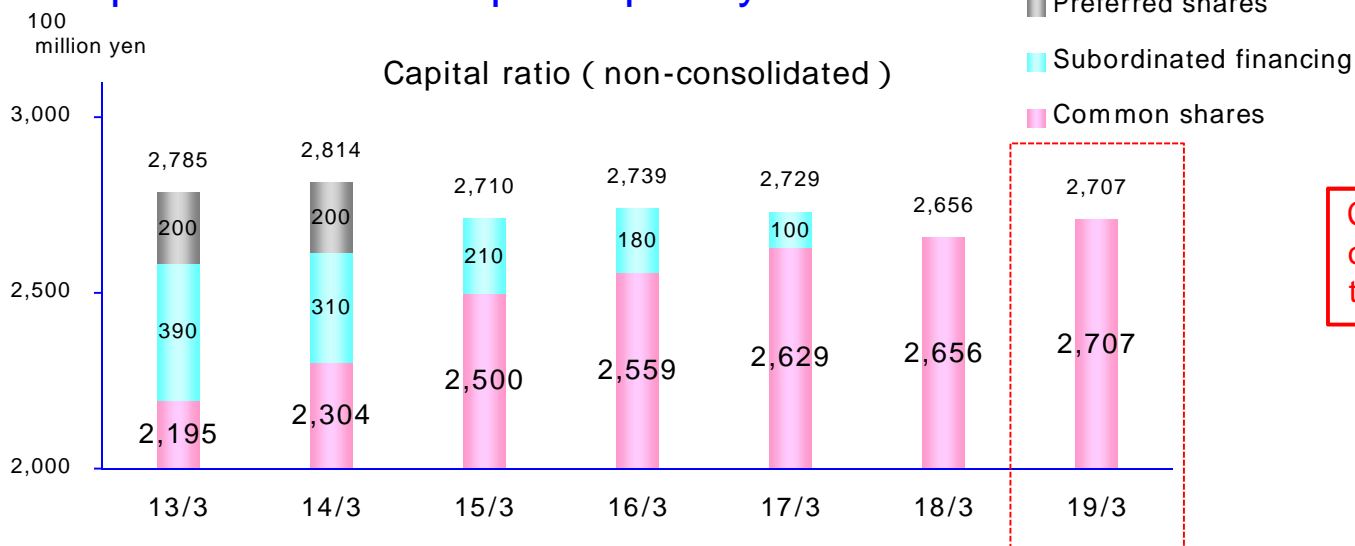
Capital ratio (non-consolidated)



Capital ratio (consolidated)



Improvement in capital quality



Core capital consists of only Tier1 capital as of the end of March 2018

14th Medium-term Management Plan

14th Medium-term Management Plan : Current status



Start April 2017

(March 2019)

Current Position

End March 2020

14th Medium-term Management Plan

Major actions since the start of the plan

Sales structure reform	Establishment of customer-oriented business operation Introduced “Branch Activity Process Evaluation System” which evaluates efforts to establish long-term relationships with customers instead of seeking short-term profits
	Improvement of profitability Enhancement of financial intermediaries function 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	Promotion of business process re-engineering Efficient branch operation Promoting “Branch Reform Project”, slimming down Headquarter functions, expanding replacement of large scale full-banking type branches with less human compact branches
	Actions aiming at achieving core OHR 60% level Reducing costs through proper placement of human resources, cutting advertising expenses and software development expenses etc.

Numerical targets of 14th medium-term management plan

Contents		Before the plan (2017/3 Actual)	2018/3 (Actual)	2019/3 (Actual)	Targets for final FY (2020/3)
Earning capability	Net profit (consolidated)	10 billion yen	9.9 billion yen	10.6 billion yen	10 billion yen
Growth potential (Customer base)	Presence in local economy (deposit average balance + loan average balance)	9,350 billion yen	9,624 billion yen	9,822 billion yen	10 trillion yen
	Deposit average balance	5,410 billion yen	5,501 billion yen	5,550 billion yen	5,700 billion yen
	Loan average balance	3,939 billion yen	4,123 billion yen	4,272 billion yen	4,300 billion yen
Financial soundness	Capital ratio (consolidated) Domestic Basel III fully implemented basis	8.84%	8.60%	8.71%	Around 8.7%

Long-term target

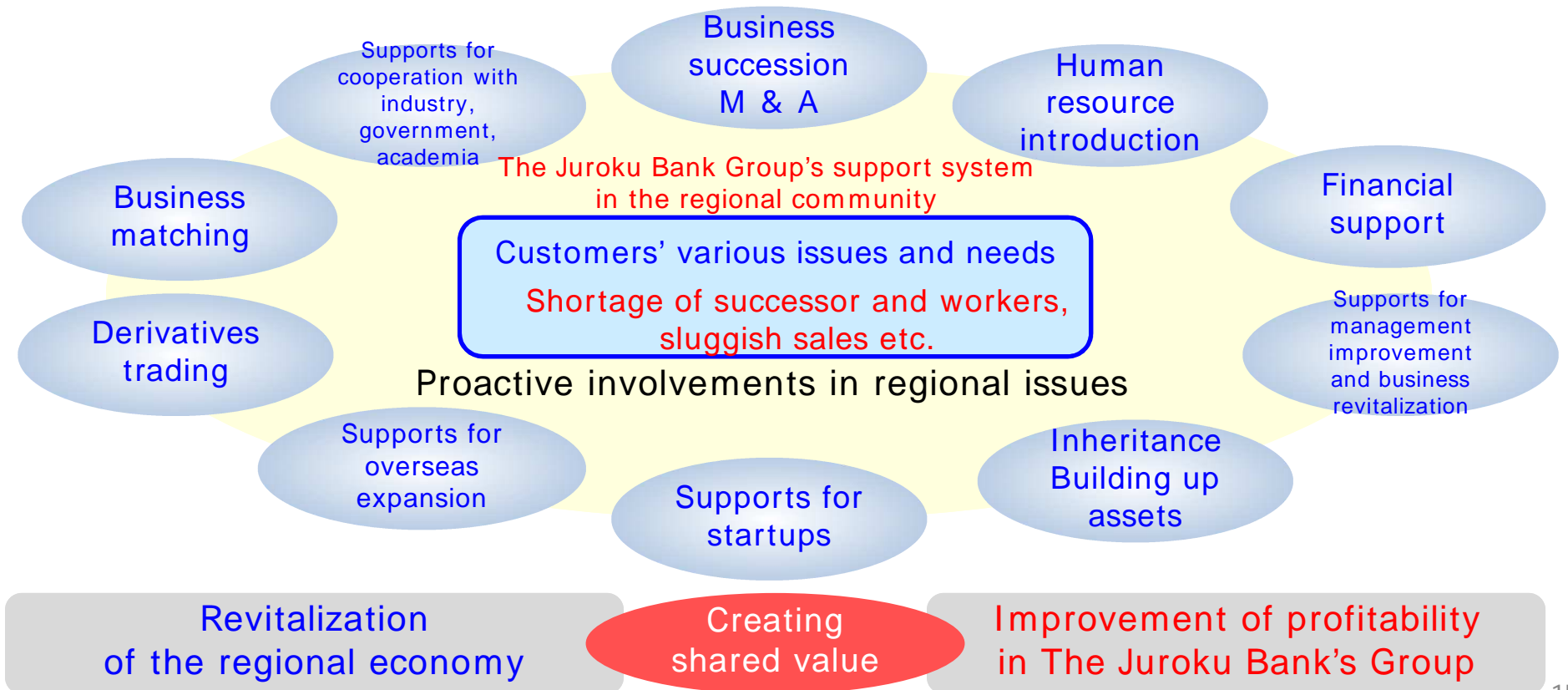
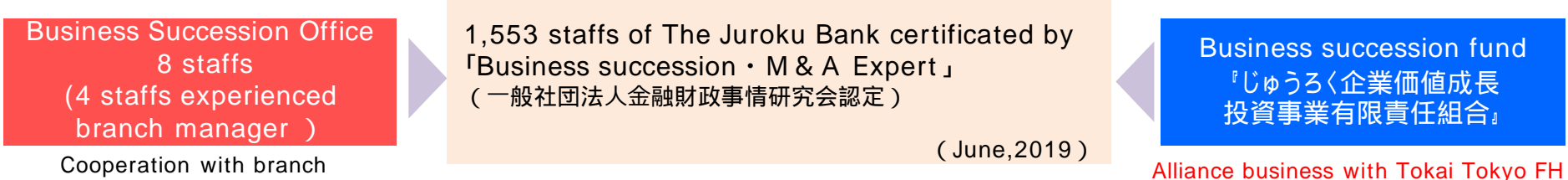
Contests		Before the plan (2017/3 Actual)	2018/3 (Actual)	2019/3 (Actual)	Long-term target
Earning capability	ROE (consolidated)	3.00%	2.94%	3.05%	5.00% or above

Recent business activities

Proactive involvements in regional issues



Business succession problems shared by wide range of staffs
 All branch managers are involved in this matter and lead the regional improvement and business chance.



Launch of Juroku Tokai Tokyo securities



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

June 3rd, 2019 Start-up



Capital
3 billion yen

Shareholder composition

The Juroku Bank 60%
Tokai Tokyo FH 40%

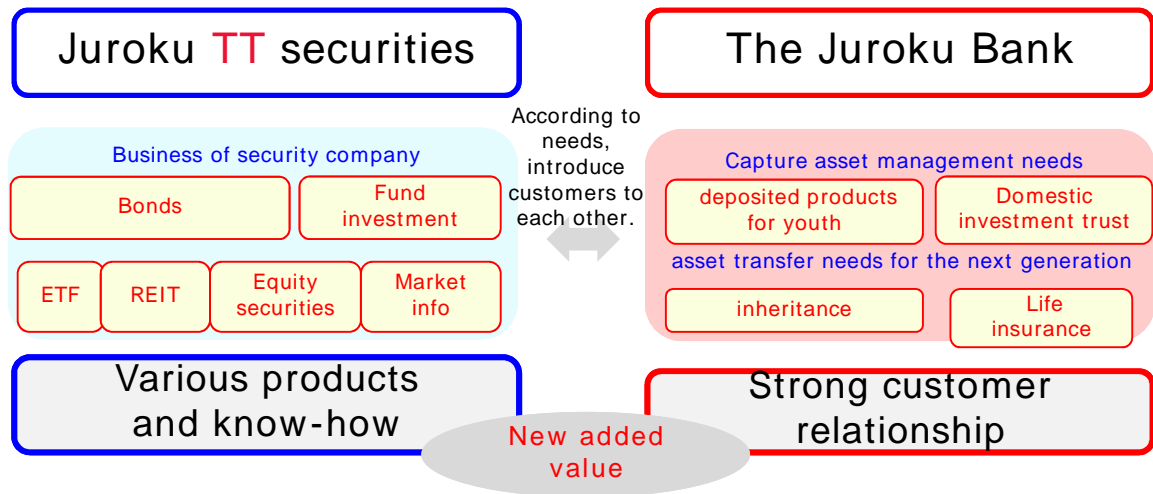
Business area Gifu prefecture

(Office: Gifu Ogaki Tajimi Nakatsugawa) 110 Staffs

about 10,000 accounts about 100 billion yen assets deposited



Joint store of bank and securities
(Ogaki office)





Realizing synergy effect through the tie-up

With the launch of joint venture subsidiary for securities business as a first step, we will improve the presence in each business area by making the best use of both companies' resources.

1 . Composition of funds

Joint investment in funds that supports business succession of customers (1 billion yen in total , in April)

Investment ratio

The Juroku Bank	45%	Tokai Tokyo Investment	45%
Others	10%		

2 . Product development

Released a dedicated management product for our group in commemoration of the launch

- Juroku TT securities Opening Commemorative Fund (Mutual fund)

3 . Cooperation in the seminar etc.

Co-hosting of joint briefing session for job hunting students (February)

Support for the Asian Business Seminar sponsored by the Juroku (April)

Communications between both companies' trainees (September, December, January)

【 Asian Business Seminar 】
『 Juroku Asia Latest Report 2019 spring 』



【 Dedicated management product 】
『 Juroku TT securities Opening Commemorative Fund 』



External collaboration in asset succession



Strengthen business area of the inheritance and asset succession

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.

Commercial trust

First in Japanese regional bank

■ Testament substitute trust

As an agent of Sumitomo Mitsui Trust Bank, we are involved from the product development stage about our original products scheduled to be handled and have considered unique products.

■ Testament trust, inheritance arrangement business

Started handling as an agent of Sumitomo Mitsui Trust Bank.

■ Supporting gift tax

Under the advisory of Sumitomo Mitsui Trust Bank, we organize the products.



Domestic
No.1
trust bank

Civil trust

■ Opening of trust accounts for trustees

Sharing of know-how, examination of account opening by cooperation with a civil trust officer etc.

■ Trustee loans • Support for trust formation

Under consideration in the future.

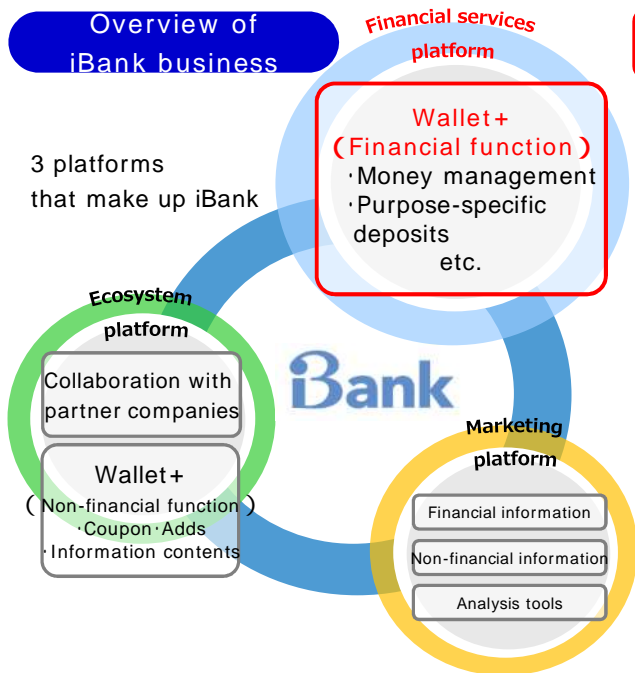


Professional
group of
lawyers and
judicial
scriveners

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.



Participation in "iBank" alliance
to provide new customer experiences and values in line with the smartphone / mobile first era.



「Wallet+」



First in the Chubu area

Service linkage via iBank business

To provide 「Wallet+」, smartphone dedicated application developed by iBank marketing company, for our account holders, we've sent our staffs to iBank marketing company since April in 2019.
Plan to start providing services in winter 2019.
Capital business partnership (Investment) has completed in May, 2019.



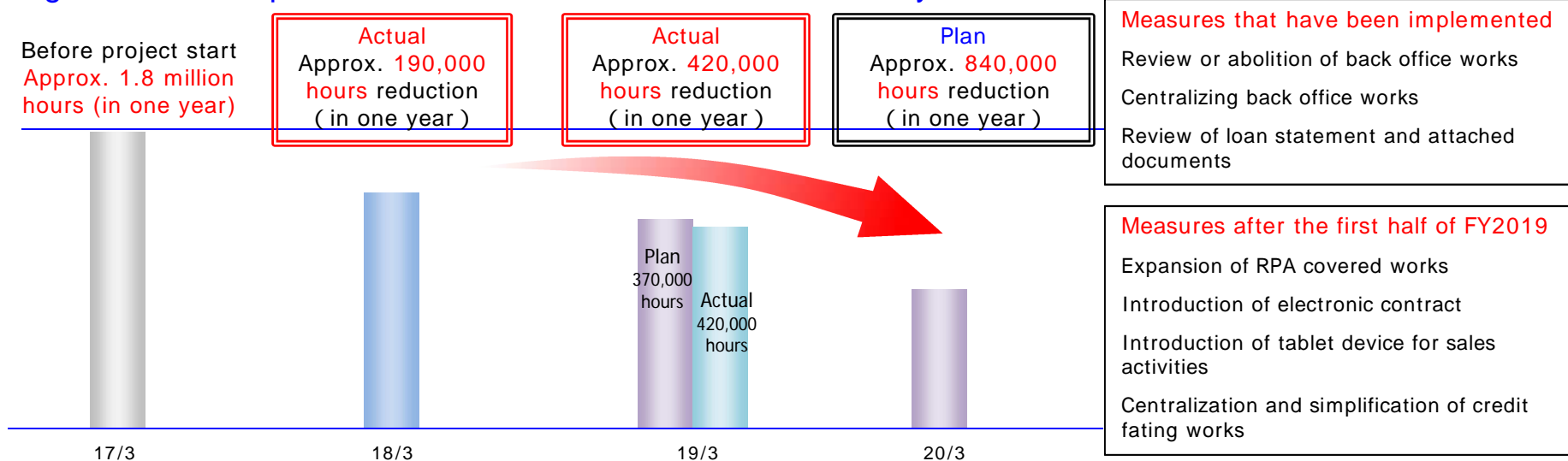
Business process reform



Branch reform project

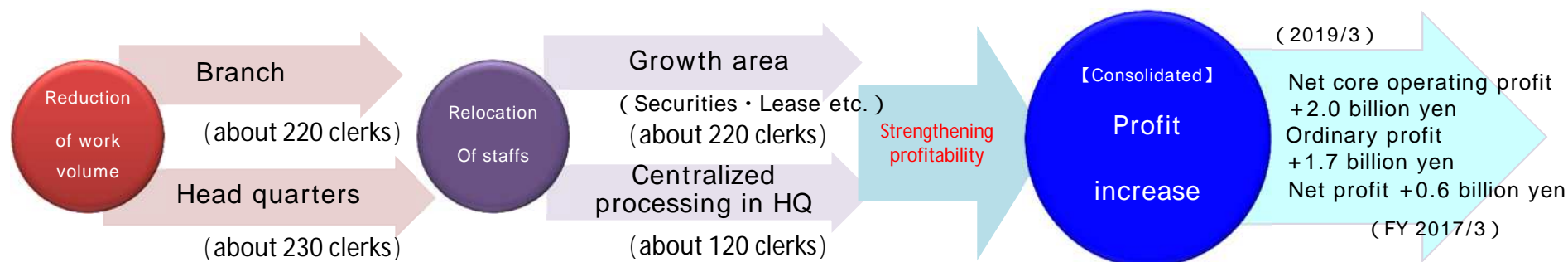
By centralizing back office works at branches to headquarter, reviewing complicated work procedures and documents, utilizing IT, etc., eliminate back office operations from branches to create time for branch staffs to consult with customers

Changes in time required for back office works at branches by “Branch reform project”



Strengthening of group-wide earning capacity by replacement of staffs

Staffs created by the above efforts are relocated properly for various business area.



Social Regional revitalization
(Juroku × Curio Inc. × H.I.S.)
Barrier-free tour 「4 days-trip through Gifu」

Holding a new sightseeing tour where major travel agency and regional bank and local business operator have collaborated.

H.I.S has recruited as a plan of “Universal Tourism” where people with disabilities and the elderly can enjoy travel without hesitation.

Curio Inc., a local business operator who has developed electric wheel chair “SCOO” provided test rides to the participants during the trip over sightseeing spots in the prefecture (Gifu City, Gujo City, Gero City, Takayama City, etc.)

We have appealed “barrier-free acceptance in Gifu” and the attraction of “SCOO”.



Social Sharing issues in the community
Start of staffing business

Juroku Research Institute Company Ltd. has started 「staffing business」

- Local SMEs, our business partner, have important management issues such as securing human resources who should play a central role in management, like managers, engineers and professionals.
- By the entry into this business, we can provide comprehensive consulting services for the issues and suggest specific solutions, etc.



Social Community development
Approach to town development of 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 of renovations etc. for idle real estate in the central area of Gifu city where hollowing out, we aim to improve local value and create medium- and long-term bustling



Social Promotion of the attractiveness of our region
(Juroku Group × 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 a hot spring area full of Japanese charm.

When held in Nakatsugawa in May, 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

Juroku Bank's Scholarship for Asian students

The Juroku Bank

↔

Nagoya University Graduate School of Law

Collaboration

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 2018 scholarship students

Nagoya University Graduate School of Law

2 Vietnamese students
(total 9 students since 2014)



Social Improvement of humanity

SDGs for a newly hired employee

Spread SDGs knowledge to a newly hired employee

Cooperation with JICA(business tie-up in 2017),

- experience school meals in Uganda.
- attend SDGs business support course in SME




Social Support of entrepreneur


(Juroku x Nomura securities x Deloitte Touche Tohmatsu)

NOBUNAGA21 ; Business plan Grant system

NOBUNAGA21 ; Private initiative venture support network

Two type of grant system

- 「 NOBUNAGA21 first stage 」 for entrepreneur
- 「 New business plan grant system 」 for business development



For the past 14 contests, 50 companies became a prize winner, it leads the increase of customers staged in start up.

	2016/3	2017/3	2018/3	2019/3
start up customers	853	889	979	982

Social Regional revitalization

Reserch of local municipalities, and transmission of information

Juroku Reseach Institute Company Limited assigned senior resercher to the Hidatakayama satellite office in Sep 2017.

Since then, he has approached to engagement with administration and private.

As a result of his effort, he has got commissioned as "Takayama Economis and Policy adviser" from Takayama city in May 2019.

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

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



Forest protection activity
 Activity at “Juroku Bank's Forest MITAKE”



Environment **Enlightenment activities**
 Let's protect the global environment through ecological activities.

Poster contest to raise awareness regarding ecological activities



Investment in Green Bond
 First investment for us.

Investment amount in 2018
 0.9 billion yen
 (2 bonds)

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

Management Advisory Council <small>(Since November 2015)</small>	
Human Resource Advisory Committee	Compensations and Others Advisory Committee
<p>Chairman Outside Director</p> <p>Member Outside Director 1 Inside Director 2 Outside Expert 1</p> <p>Advisory matters</p> <ul style="list-style-type: none"> • Matters concerning candidates for directors • Matters concerning candidates for auditors • Matters concerning selection of executive directors 	<p>Chairman Outside Director</p> <p>Member Outside Director 1 Inside Director 2 Outside Expert 1</p> <p>Advisory matters</p> <ul style="list-style-type: none"> • Matters concerning compensation etc. of directors • Matters concerning evaluation of effectiveness of the Board of Directors • Other management matters

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

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

2020/3 business forecasts

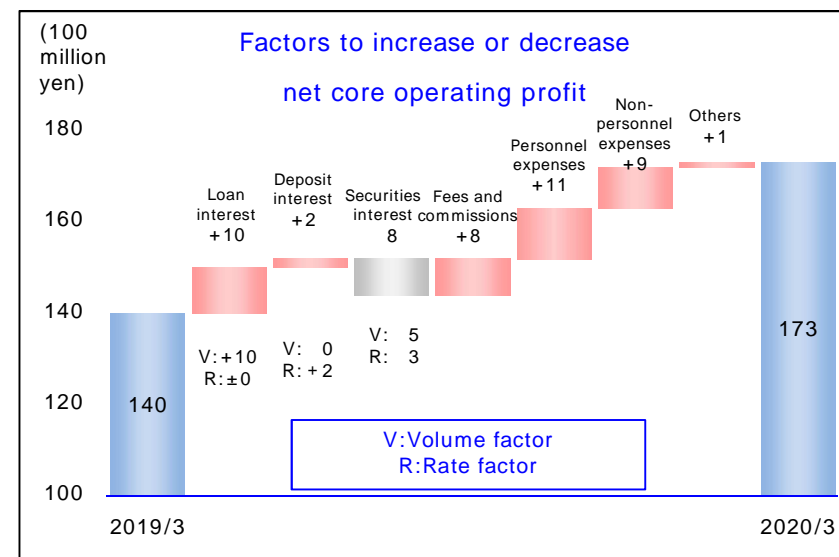
2020/3 business forecasts



Non-consolidated

(unit : 100 million yen)

	2019/3 (actual)	2020/3 (forecast)	YoY
Core gross operating profit	584	597	13
Net interest income	498	504	6
Fees and commissions	90	98	8
Other operating profit (except profit on JGBs and other debt securities)	4	5	1
Expenses	443	424	19
Personnel expenses	243	232	11
Non-personnel expenses	174	165	9
Net core operating profit	140	173	33
Profit related to securities investment	20	10	10
Profit on JGBs and other debt securities	0	0	0
Profit on equities	21	10	11
Credit costs	21	40	19
Ordinary profit	146	147	1
Net profit	99	100	1



Consolidated

(unit : 100 million yen)

	2019/3 (actual)	2020/3 (forecast)	YoY
Ordinary profit	162	163	1
Net income attributable to owners of parent	106	107	1

All For Your Smile

こころにひびくサービスを



2nd Stage

