

Operational and Financial Highlights



The Juroku Bank
Akihide Ishiguro, President
 (Deputy President, Juroku Financial Group, Inc.)

Performance for FY2022

While the Japanese economy in the current fiscal year continued to be constrained in its economic activities by the COVID-19 global pandemic, in the corporate sector, capital investment, which had stalled amid the pandemic, picked up due to expectations for economic normalization and other factors. In addition, as we look toward living with COVID-19, personal consumption picked up moderately due to the return of flows of people across the first major national holidays and New Year's period without restrictions on activities in three years.

In both Gifu and Aichi prefectures, which make up the main business base of the Group, there have been signs of recovery in production and capital investment since the beginning of the calendar year. However, the increased cost of purchased goods due to high prices could not be fully passed on to sales prices, which affected corporate earnings, especially those of small and medium-sized enterprises. Personal consumption, on the other hand, showed signs of recovery mainly in the lodging and dining services industry due to increased human flow resulting from the easing of restrictions on activities.

In such an economic environment, the Group demonstrated its comprehensive capabilities and made efforts to provide a broad range of support to its customers amid the COVID-19 pandemic, including cash flow support and core business support, while engaging in high-value-added consulting activities, among others.

As a result, consolidated core gross operating profit decreased by ¥3.7 billion year on year to ¥74.5 billion, as net interest income and other operating profit (excluding profit on JGBs and other debt securities) decreased due to increased foreign currency funding costs at The Juroku Bank, despite an increase in fees and commissions.

In addition, expenses including personnel expenses and non-personnel expenses decreased by ¥2.1 billion year on year to ¥43.9 billion. As a result, consolidated core net operating profit, which is

profits from our main business, amounted to ¥30.6 billion, remaining at the ¥30.0 billion level as in the previous fiscal year.

Due to an increase in profit on JGBs and other debt securities, a decrease in credit-related costs, and other factors, ordinary profit increased by ¥0.5 billion year on year to ¥27.2 billion, and net income attributable to owners of the parent increased by ¥1.5 billion year on year to ¥18.6 billion, both representing increases in profits for the fifth consecutive term.

Summary of Consolidated Financial Results of the Juroku Financial Group		(Billions of Yen)	
	March 2023	(Year-on-year)	
Consolidated core gross operating profit	74.5	(3.7)	
Net interest income	51.1	(3.2)	
Fees and commissions	18.7	1.6	
Other operating profit (Excluding profit on JGBs and other debt securities)	4.7	(2.0)	
Expenses	43.9	(2.1)	
Personnel expenses	23.5	(1.2)	
Non-personnel expenses	17.4	(0.9)	
Consolidated core net operating profit	30.6	(1.5)	
Profit on JGBs and other debt securities	(7.7)	3.1	
Consolidated net business profit	22.9	1.6	
Credit-related costs	1.6	(1.2)	
Profit on equities	3.6	(2.9)	
Ordinary profit	27.2	0.5	
Net income attributable to owners of the parent	18.6	1.5	

The Juroku Bank, the core company of the Group, reported record-high fees and commissions of ¥12.6 billion, an increase of ¥1.5 billion year on year, due to continued expansion in individual-related revenues and corporate-related revenues. However, core gross operating profit decreased by ¥2.7 billion year on year to ¥65.7 billion due to an increase in foreign currency funding costs and other factors.

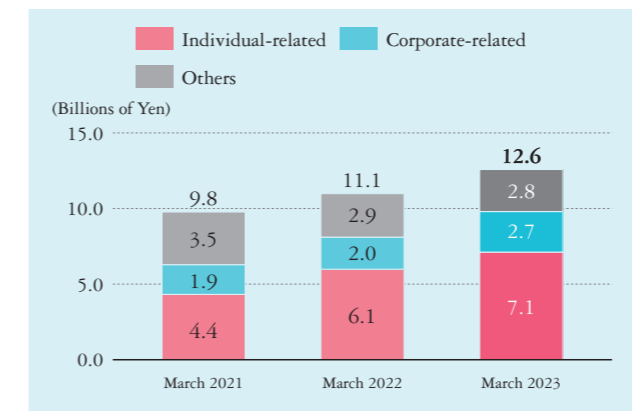
Additionally, due to a decrease in expenses of ¥2.3 billion year on year to ¥37.1 billion, core net operating profit decreased by ¥0.4 billion year on year to ¥28.5 billion, second only to the previous fiscal year's record high.

Due to an increase in profit on JGBs and other debt securities, a decrease in credit-related costs, and other factors, ordinary profit increased by ¥1.0 billion year on year to ¥25.5 billion, and net income increased by ¥0.6 billion year on year to ¥17.9 billion, both representing increases in profits for the sixth consecutive term.

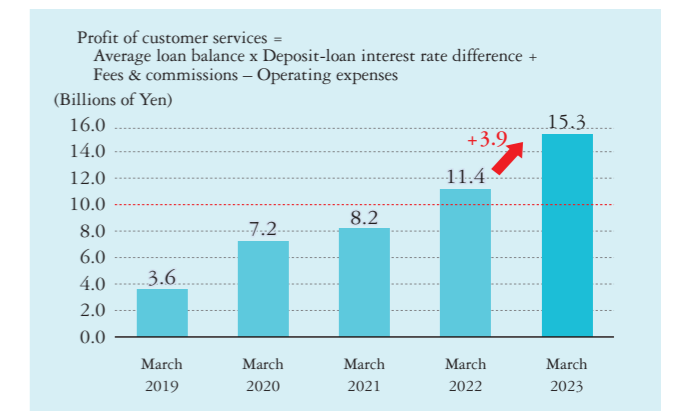
Profit of customer services, one of the Group's key performance indicators for profits from the Bank's main business, is also increasing significantly. In FY2022, it stood at ¥15.3 billion, well above the previous fiscal year's ¥11.4 billion, reaching levels exceeding ¥10 billion.

The Juroku Bank Summary of non-consolidated results		(Billions of Yen)	
	March 2023	(Year-on-year)	
Core gross operating profit	65.7	(2.7)	
Net interest income	51.8	(2.7)	
Fees and commissions	12.6	1.5	
Other operating profit (Excluding profit on JGBs and other debt securities)	1.1	(1.5)	
Expenses	37.1	(2.3)	
Personnel expenses	18.1	(1.4)	
Non-personnel expenses	16.3	(0.8)	
Core net operating profit	28.5	(0.4)	
Profit on JGBs and other debt securities	(7.7)	3.1	
Net business profit	20.8	2.8	
Credit-related costs	1.4	(1.1)	
Profit on equities	3.6	(3.1)	
Ordinary profit	25.5	1.0	
Net income	17.9	0.6	

Trends in fees and commissions of the non-consolidated Juroku Bank



Trends in profit of customer services of the non-consolidated Juroku Bank



Business Projections for FY2023

In FY2023, although the earnings environment remains uncertain due to the persistently high funding rates of foreign currencies, we expect loan interest and fees and commissions to remain generally firm as in FY2022. Meanwhile, due to a decrease in profit on equities and an increase in credit-related costs, we expect ordinary profit of ¥24.5 billion, a decrease of ¥2.7 billion year on year, and net income attributable to owners of the parent of ¥17.0 billion, a decrease of ¥1.6 billion year on year.

Juroku Financial Group Consolidated Business Projection		(Billions of Yen)	
	March 2024 (Projected)	(Year-on-year)	
Consolidated core gross operating profit	71.0	(3.5)	
Net interest income	50.0	(1.1)	
Fees and commissions	18.4	(0.3)	
Other operating profit (Excluding profit on JGBs and other debt securities)	2.6	(2.1)	
Expenses	44.0	0.1	
Consolidated core net operating profit	27.0	(3.6)	
Ordinary profit	24.5	(2.7)	
Net income attributable to owners of the parent	17.0	(1.6)	

Shareholder Returns



The Company's basic policy is to pay stable dividends continuously while striving to further improve its fiscal robustness in the face of diversifying risks surrounding financial transactions. In view of the business environment and income levels, the Company has determined that shareholder returns will aim to achieve a total payout ratio of at least 25%.

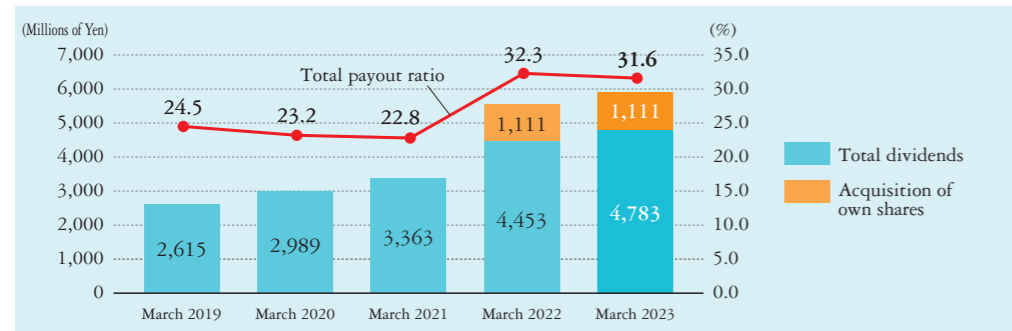
In FY2022, based on this approach, the Company paid an annual dividend of ¥130, an increase of ¥10 from the previous fiscal year. In addition, the Company acquired treasury shares in November 2022. Together with this, the total payout ratio reached 31.6%.

Dividends

		March 2019	March 2020	March 2021	March 2022	March 2023	March 2024 (Projected)
Annual dividends		¥70	¥80	¥90	¥120	¥130	¥130
Interim	Ordinary dividend	¥35	¥35	¥35	¥50	¥50	¥60
	Other	—	—	—	—	¥10 (Commemorative dividend)	—
End-of-year	Ordinary dividend	¥35	¥35	¥45	¥50	¥70	¥70
	Other	—	¥10 (Special dividend)	¥10 (Commemorative dividend)	¥20 (Commemorative dividend)	—	—

(*) Figures before the interim of FY2021 are the actual dividends paid by The Juroku Bank

Trends in total dividends and total payout ratio



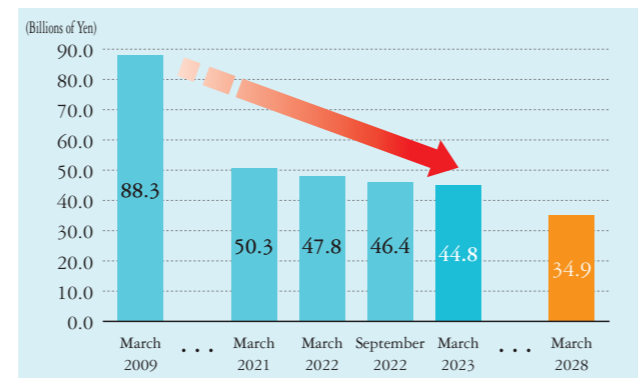
Reduction Policy of Cross-shareholdings

The Group, since FY2009, has been engaged in efforts to reduce its cross-shareholdings. Accordingly, the balance of cross-shareholdings (book value) including listed and unlisted stock decreased from ¥88.3 billion as of March 31, 2009, to ¥44.8 billion as of March 31, 2023.

In addition, we intend to further strengthen governance by reducing our cross-shareholdings (book value) based on the end of September 2022 by approximately 25% by the end of March 2028.

Going forward, we will continue to promote dialogue with all customers who hold listed cross-shareholdings, aligning with the purpose of the Corporate Governance Code, and will continue to reduce our cross-shareholdings, taking into consideration the environment surrounding each of them.

Trends in cross-shareholdings (book value)



Review of the 1st Management Plan

The Group commenced the 1st Management Plan from October 2021.

Under the Plan, we have engaged in three management strategies of the "Customer-first marketing strategy" to further leverage our problem-solving power, the "DX strategy" to improve usability and productivity, and the "Regional commitment strategy" to handle regional total design, thereby aiming to become a "comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies."

As a result, all numerical targets were achieved in FY2022, the final year of the Plan.

Additionally, "consolidated ROE," which has been set as a long-term indicator, has also expanded significantly, and the Group's profitability, fiscal integrity, and efficiency have also been steadily improving.

