Operational and Financial Highlights

The Juroku Bank
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Performance for FY2023

The Japanese economy in the current fiscal year saw progress in normalization of socioeconomic activities, as COVID-19 was reclassified as a Class 5 infectious disease under the law and human flow recovered. This led to solid corporate performance primarily owing to a recovery in consumption of services such as the lodging and dining, an increase in inbound demand, as well as increased production of automobiles, which has a broad base of related industries, as the impact of shortages of materials such as semiconductors mitigated. In the financial environment, the Bank of Japan decided to end its negative interest rate policy in March 2024 and took steps to normalize monetary policy, thus marking a major turning point for the Japanese economy.

In both Gifu and Aichi prefectures, which make up the main business base of the Group, production and exports picked up, mainly in transportation machinery, one of the main industries, despite temporary downward pressure caused by quality fraud issues in automobiles. While personal consumption continued to pick up as human flow recovered to pre-COVID levels, there has been a growing tendency to refrain from consumption due to inflation exceeding wage increases.

In such an economic environment, the Group demonstrated its comprehensive capabilities and made efforts to provide a broad range of support to its customers, 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 ¥1.2 billion year on year to ¥73.3 billion due to a decrease in other operating profit associated with increased foreign currency funding costs and other factors, despite an increase in net interest income.

Consolidated core net operating profit decreased by ¥1.4 billion year on year to ¥29.2 billion, as expenses increased by ¥0.2 billion year on year to ¥44.1 billion mainly due to strategic DX investments.

Due to a decrease in credit-related costs and an increase in profit on equities, ordinary profit increased by ¥0.7 billion year on year to ¥27.9 billion and net income attributable to owners of the parent increased by ¥0.7 billion year on year to ¥19.3 billion, both representing increases in profits for the sixth consecutive term.

The Juroku Bank, the core company of the Group, reported core gross operating profit of ¥64.2 billion, a decrease of ¥1.5 billion year on year, mainly due to a decrease in other operating profit associated with increased foreign currency funding costs, despite an increase in net interest income caused by increases in loan interest and interest and dividends from securities. Expenses increased by ¥0.2 billion year on year to ¥37.3 billion, and core net operating profit decreased by ¥1.7 billion year on year to ¥26.8 billion. While profit on JGBs and other debt securities decreased due to write-offs of foreign bonds and investment trusts, profit on equities increased due to the sale of cross-shareholdings, resulting in ordinary profit of ¥26.0 billion, an increase of ¥0.5 billion year on year, and net income of ¥18.7 billion, an increase of ¥0.8 billion year on year, both representing increases in profits for the seventh consecutive term.

As for major account balances, loan balance increased by ¥145.4 billion year on year to ¥4,870.4 billion, and deposit balance, etc. increased by ¥126.0 billion year on year to ¥6,440.3 billion, both showing steady growth

Summary of Consolidated Financial Results of the Juroku Financial Group

(Billions of Yen)

	March 2024	(Year-on-year)
Consolidated core gross operating profit	73.3	(1.2)
Net interest income	52.8	1.7
Fees and commissions	18.5	(0.2)
Other operating profit (Excluding profit on JGBs and other debt securities)	1.8	(2.9)
Expenses	44.1	0.2
Personnel expenses	23.4	(0.1)
Non-personnel expenses	17.8	0.4
Consolidated core net operating profit	29.2	(1.4)
Profit on JGBs and other debt securities	(14.2)	(6.5)
Consolidated net business profit	14.9	(8.0)
Credit-related costs	0.9	(0.7)
Profit on equities	13.3	9.7
Ordinary profit	27.9	0.7
Net income attributable to owners of the parent	19.3	0.7

The Juroku Bank Summary of Non-consolidated Results

(Billions of Yen)

	March 2024	(Year-on-year)
Core gross operating profit	64.2	(1.5)
Net interest income	54.0	2.2
Fees and commissions	12.5	(0.1)
Other operating profit (Excluding profit on JGBs and other debt securities)	(2.3)	(3.4)
Expenses	37.3	0.2
Personnel expenses	17.8	(0.3)
Non-personnel expenses	16.9	0.6
Core net operating profit	26.8	(1.7)
Profit on JGBs and other debt securities	(14.2)	(6.5)
Net business profit	12.5	(8.3)
Credit-related costs	0.5	(0.9)
Profit on equities	13.3	9.7
Ordinary profit	26.0	0.5
Net income	18.7	0.8

Business Projections for FY2024

In FY2024, we expect consolidated core gross operating profit to increase by ¥2.5 billion year on year to ¥75.8 billion, taking into consideration future trends in monetary policy and foreign exchange rates following the Bank of Japan's lifting of negative interest rates and interest rate hike in March 2024. Meanwhile, we conservatively estimate credit-related costs, and expect ordinary profit of ¥27.5 billion, a decrease of ¥0.4 billion year on year, and net income attributable to owners of the parent of ¥19.0 billion, a decrease of ¥0.3 billion year on year, maintaining profit levels on par with last year.

Juroku Financial Group Consolidated Business Projection

(Billions of Yen)

	March 2025(Projected)	(Year-on-year)
Consolidated core gross operating profit	75.8	2.5
Net interest income	53.4	0.6
Fees and commissions	18.4	(0.1)
Other operating profit (Excluding profit on JGBs and other debt securities)	4.0	2.2
Expenses	44.7	0.6
Consolidated core net operating profit	31.1	1.9
Ordinary profit	27.5	(0.4)
Net income attributable to owners of the parent	19.0	(0.3)

Review of the 2nd Medium-Term Management Plan

As for the 2nd Medium-Term Management Plan, which began in April 2023, we engage in four basic strategies of "Transformation Strategy," "Human Innovation Strategy," "Customer-First Marketing Strategy," and "Region-Producing Strategy." under the theme of "Staying Ahead of the Curve to Always Serve the Region: First Stage."

As a result of activities during the first year of the 2nd Medium-Term Management Plan, consolidated net income increased for the sixth consecutive term and consolidated capital adequacy ratio grew to 10.81%, both figures showing solid progress toward the numerical targets for FY2027.

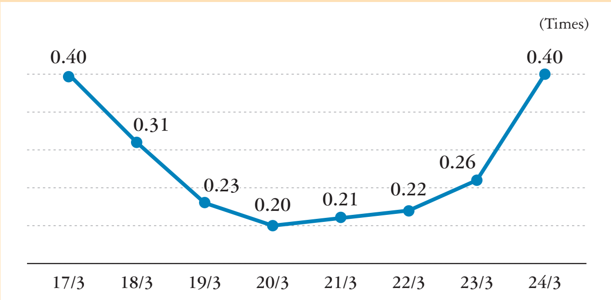
	Profitability		Efficiency	Fiscal integrity
	Consolidated net income	Consolidated ROE	Consolidated adjusted OHR	Consolidated capital adequacy ratio
Numerical target for FY2027	¥20.0 billion or higher	5% or higher	50% range	11% or higher
Results for FY2023 (first year of the plan)	¥19.3 billion	4.62%	60.20%	10.81%

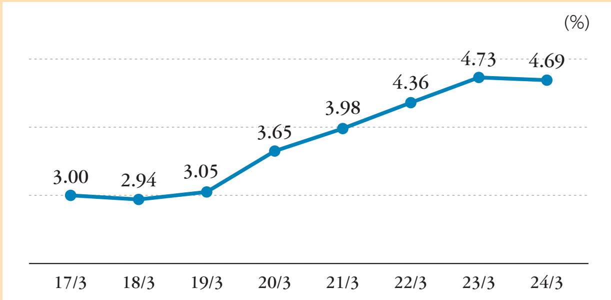
Initiatives for Enhancing Corporate Value

Trends in PBR and ROE

While PBR was low amid increasing headwinds in the financial business environment since the introduction of negative interest rates, the Company has been working to improve profitability and reform its cost structure through expansion of business areas, collaborations and joint ventures with different industries and other measures.

In addition to the recent improvement in ROE, PBR improved significantly in FY2023, partially due to rising expectations of improved earnings for the financial industry.

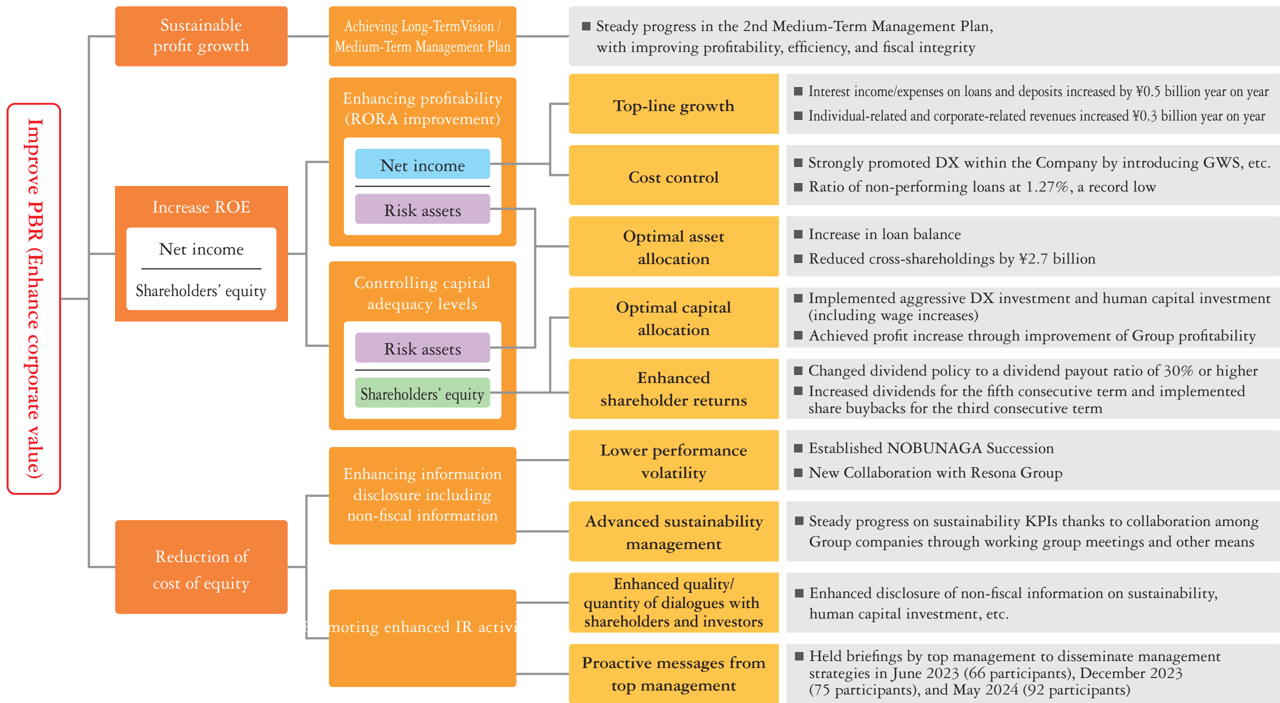




(*) Figures prior to the second quarter of the March 2022 term are based on the consolidated financial results of The Juroku Bank Group, the parent company of which is Juroku Bank

Approach to Improving PBR

Aiming to further increase corporate value, the Group is implementing initiatives to improve PBR, leading to "sustainable profit growth," "increasing ROE," and "reduction of cost of equity" based on the logic tree.



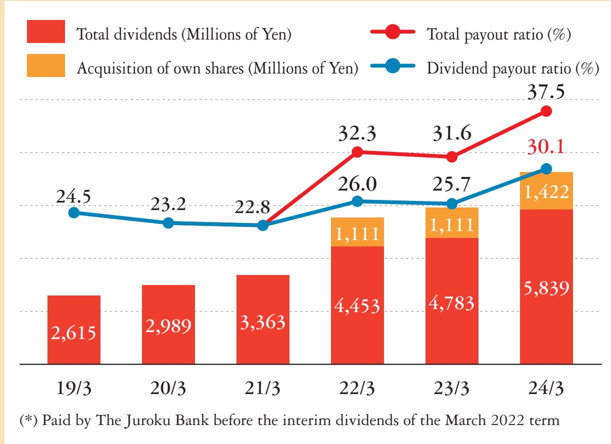
Shareholder Returns

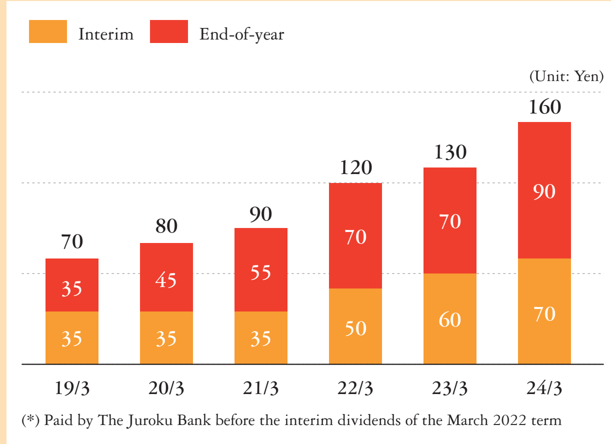
In order to further enhance the return of profits to shareholders, we have changed our shareholder return policy from a "total payout ratio of 25% or higher" to a "dividend payout ratio of 30% or higher," and since the March 2024 term, the Company has determined that shareholder returns will aim to achieve a dividend payout ratio of 30% or higher.

In FY2023, based on this approach, the Company paid an annual dividend of ¥160 per share, an increase of ¥30 from the previous fiscal year.

Before change Total payout ratio: 25% or higher
(Total payout ratio: dividends + share buybacks)

After change Dividend payout ratio: 30% or higher
(Dividend payout ratio: dividends only)
*Effective from the March 2024 term





Reduction Policy of Cross-shareholdings

The Group's reduction policy of cross-shareholdings is to aim to reduce the book value of cross-shareholdings by approx. 25% in five years from the end of September 2022 as base point.

The book value of cross-shareholdings steadily decreased to \42.1 billion as of March 31, 2024, a reduction of \4.2 billion on a cumulative basis from the base point, representing a progress rate of 36.7%.

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.

Cross-shareholdings (book value basis and market value basis)