

# JUROKU Financial Group

## FY2021 Interim Financial Results September 2021

December 2, 2021



# Table of Contents

## Section I: Interim Results for FY2021

Bank

Overview of results (9/2021)	4
Transition of top line and expenses	5
Net interest income and loans	6
Fees and commissions	7
Securities investment	8
Expenses and adjusted OHR	9
Credit costs and bad debt balance	10
Non-interest income ratio and profit	11
from customer services	
Capital adequacy ratio and shareholder return	
Business projection	12
(non-consolidated and consolidated)	13-14

## Section II: Initiatives for sustainability

FG

Promoting SDGs	16-18
Addressing climate change and	19-20
environmental issues	21
Promoting DX	

## Section III: First Management Plan

FG

Overview of the management plan	23
Group management philosophy	24
Exerting the Group's comprehensive capability	25
Management strategy	26
① Market-in approach strategy	27-28
② DX strategy	29-30
③ Local commitment strategy	31-32
Main initiatives:	
Expanding business categories	33-34
Response to COVID-19	35

Description of business projections and other future developments provided in this document is based on information currently available to Juroku Financial Group and some assumptions that is considered to be rational. Actual business performance, etc. could be significantly different due to a variety of factors.

# Section I: Interim Results for FY2021

(Juroku Bank)

# Overview of results (to September 2021)

- ◆ The non-consolidated core gross operating profit has risen by 2.5 billion yen year-on-year to 32.9 billion yen due to the increase of net interest income, feeds & commissions and other operating profit (Excluding profit on JGBs and other debt securities).
- ◆ Both non-consolidated and consolidated operating profits have grown for four consecutive terms, with interim net income topping 10 billion yen.

(Unit: 100 million yen)

Non-consolidated	9/2019	9/2020 A	9/2021 B	Year-on-Year B – A
Core gross operating profit	321	304	329	25
Net interest income	267	255	268	13
Fees and commissions	53	45	55	10
Other operating profit (Excluding profit on JGBs and other debt securities)	0	4	5	1
Expenses	214	207	197	△ 10
Personnel expenses	114	105	100	△ 5
Non-personnel expenses	85	85	80	△ 5
Core net operating profit	106	97	131	34
Net business income	105	111	135	24
Profit related to securities investment	△ 1	39	14	△ 25
Profit on JGBs and other debt securities	△ 1	14	3	△ 11
Profit on equities	0	25	10	△ 15
Credit costs	17	27	19	△ 8
Ordinary profit	91	112	138	26
Interim net income	65	75	100	25

## Core gross operating profit

Increase due to expanded net interest income and fees & commissions

Year-on-year difference  
(Non-consolidated) +2.5 billion yen  
(Consolidated) +3.3 billion yen

## Expenses

Decline in personnel and non-personnel expenses

Year-on-year difference  
(Non-consolidated) △1 billion yen  
(Consolidated) △0.9 billion yen

## Core net operating profit

Year-on-year difference  
(Non-consolidated) +3.4 billion yen  
(Consolidated) +4.2 billion yen

(Unit: 100 million yen)

Consolidated	9/2019	9/2020 A	9/2021 B	Year-on-Year B – A
Core gross operating profit	356	345	378	33
Expenses	243	240	231	△ 9
Core net operating profit	113	104	146	42
Ordinary profit	96	118	150	32
Interim net income attributable to owners of the parent company	65	75	103	28

## Interim net income

Progress in achieving projection  
(Non-consolidated) 64.5%  
(Consolidated) 64.3%

# Transition of top line and expenses

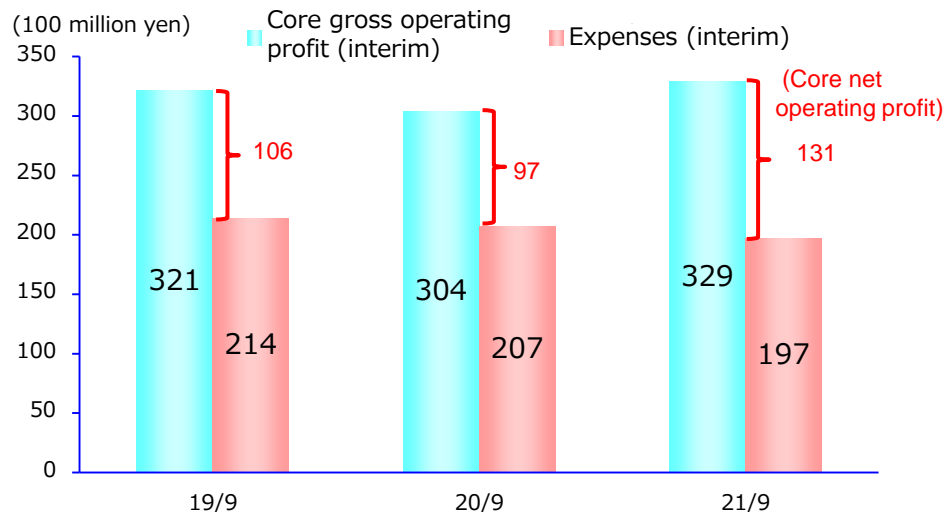
◆ The core net operating profit has risen by 3.4 billion yen year-on-year to 13.1 billion yen due to the increase of core gross operating profit and decline in expenses.

## Transition of core gross operating profit and expenses

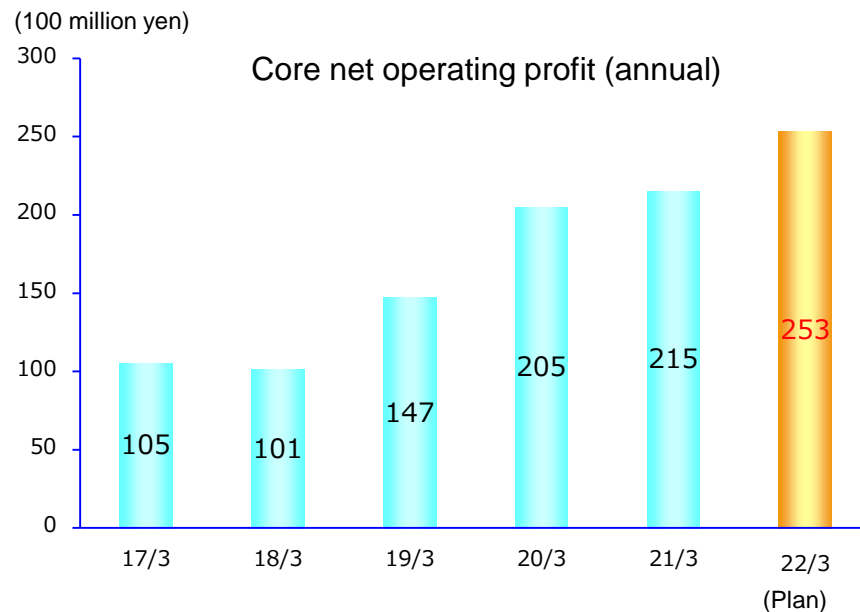
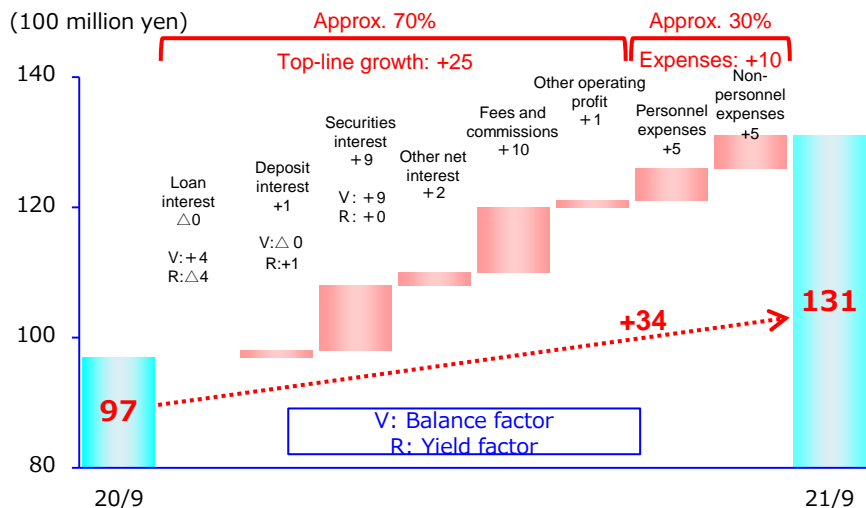
(Unit: 100 million yen)

	19/9	20/9 A	21/9 B	Difference B – A
Core gross operating profit	321	304	329	+ 25
Net interest income	267	255	268	+ 13
Fees and commissions	53	45	55	+ 10
Other operating profit (*)	0	4	5	+ 1
Expenses	214	207	197	△10
Core net operating profit	106	97	131	+ 34

\*Excluding profit on JBGs and other debt securities



## Factor and transition of core net operating profit



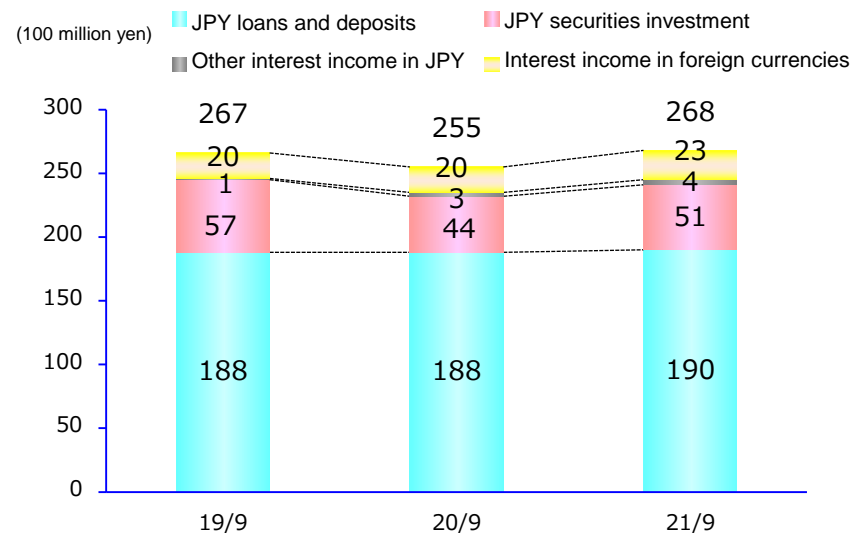
# Net interest income and loans

◆ The average balance of JPY loans has transitioned firmly, rising by 110.3 billion yen year-on-year to 4,481.2 billion yen.

## Breakdown of net interest income

(Unit: 100 million yen)

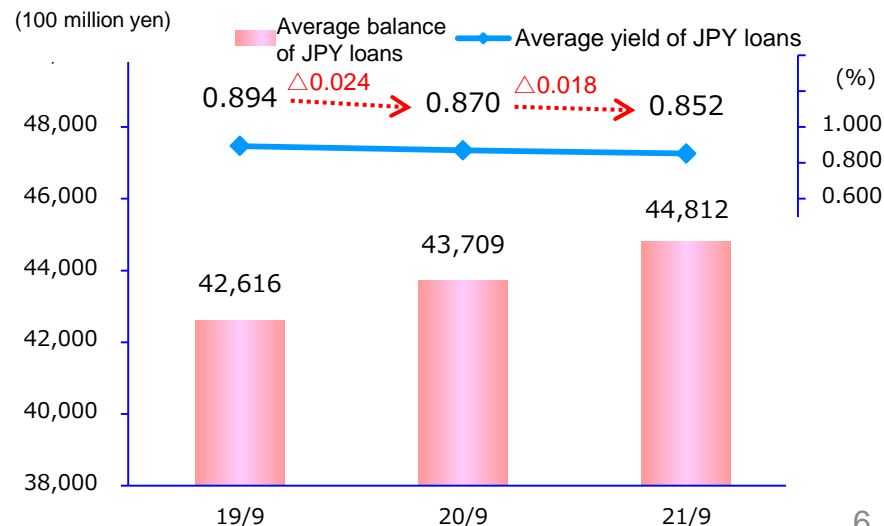
	19/9	20/9 A	21/9 B	Difference B – A
Net interest income	267	255	268	+ 13
Interest income in JPY	247	234	245	+ 11
JPY loans and deposits	188	188	190	+ 2
JPY securities investment	57	44	51	+ 7
Others	1	3	4	+ 1
Interest income in foreign currencies	20	20	23	+ 3



## Average balance and yield of JPY loans

(Unit: 100 million yen, %)

	19/9	20/9 A	21/9 B	Difference B – A
Average balance of JPY loans	42,616	43,709	44,812	+ 1,103
Average yield of JPY loans	0.894	0.870	0.852	△0.018



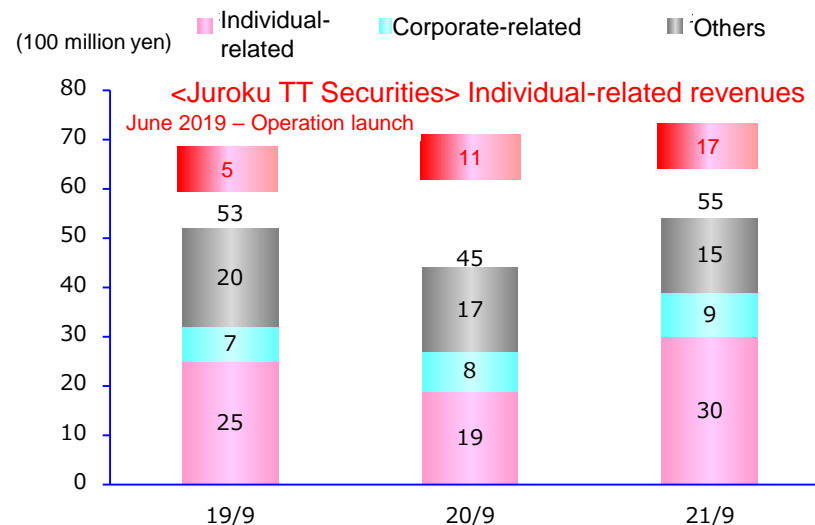
# Fees and commissions

◆ Fees and commissions have risen by 1 billion yen year-on-year to 5.5 billion yen due to a significant increase of individual-related revenues year-on-year by 1.1 billion yen to 3 billion yen.

## Breakdown of fees and commissions

(Unit: 100 million yen)

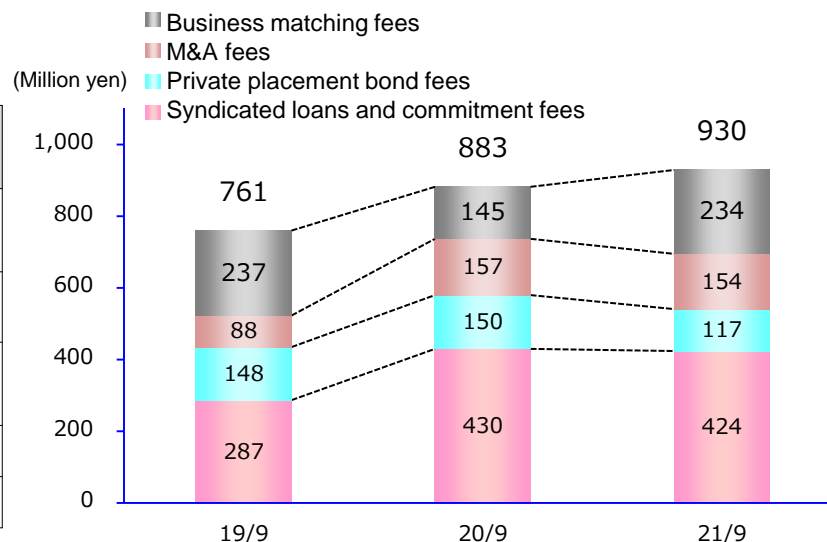
	19/9	20/9 A	21/9 B	Difference B – A
Juroku Bank	53	45	55	+ 10
Individual-related	25	19	30	+ 11
Corporate-related	7	8	9	+ 1
Others	20	17	15	△2
Juroku TT Securities	5	11	17	+ 6
(Juroku Bank + Juroku TT Securities)	(58)	(56)	(72)	(+ 16)



## Corporate solution-related revenues

(Unit: Million yen)

	19/9	20/9 A	21/9 B	Difference B – A
Corporate solution-related revenues	761	883	930	+47
Syndicated loans and commitment fees	287	430	424	△6
Private placement bond fees	148	150	117	△33
M&A fees	88	157	154	△3
Business matching fees	237	145	234	+89



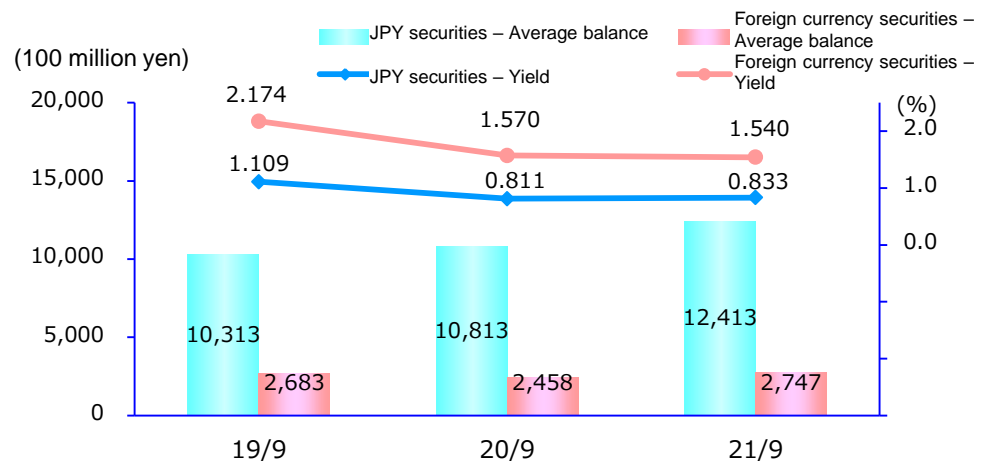
# Securities investment

◆ Valuation of securities has gained by 17.3 billion yen year-on-year to 93.2 billion yen due to the increase of valuation for stocks.

## Average balance and yield of securities investment

(Unit: 100 million yen, %)

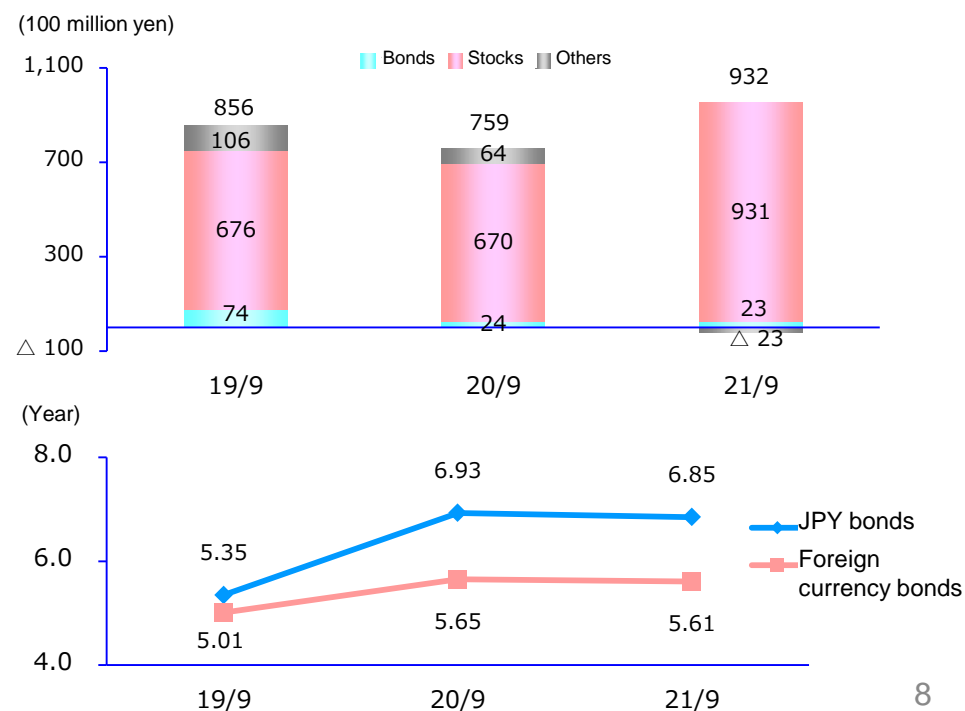
		19/9	20/9 A	21/9 B	Difference B – A
JPY	Average balance	10,313	10,813	12,413	+1,600
	Yield	1.109	0.811	0.833	+0.022
Foreign currencies	Average balance	2,683	2,458	2,747	+289
	Yield	2.174	1.570	1.540	△0.030



## Valuation gains and losses of securities

(Unit: 100 million yen)

	19/9	20/9 A	21/9 B	Difference B – A
Bonds	74	24	23	△1
Stocks	676	670	931	+261
Other securities	106	64	△23	△87
Total	856	759	932	+173



## Bond duration

	19/9	20/9 A	21/9 B	Difference B – A
JPY bonds	5.35	6.93	6.85	△0.08
Foreign currency bonds	5.01	5.65	5.61	△0.04

\*Excluding derivatives, and including JPY bonds for held-to-maturity purposes and for other retaining purposes



# Expenses and adjusted OHR

◆ The adjusted OHR has improved by 8.14 percentage points year-on-year to 59.90% (non-consolidated) and by 8.52 percentage points year-on-year to 61.20% (consolidated).

## Expenses

(Unit: 100 million yen)

	19/9	20/9 A	21/9 B	Difference B – A
Expenses	214	207	197	△10
Personnel expenses	114	105	100	△5
Non-personnel expenses	85	85	80	△5
Taxes	14	15	15	0

### Transition in main personnel expenses

- Retirement benefits      △2.0
- Workforce size            △2.7

### Transition in main non-personnel expenses

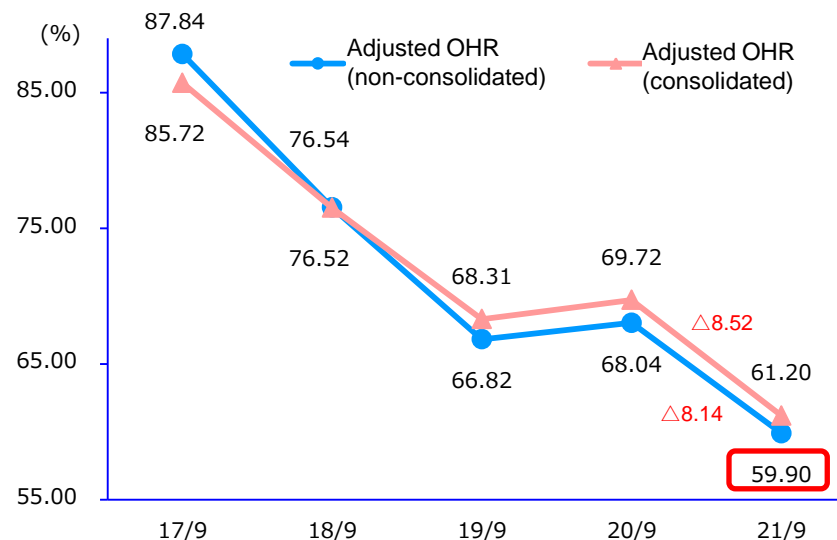
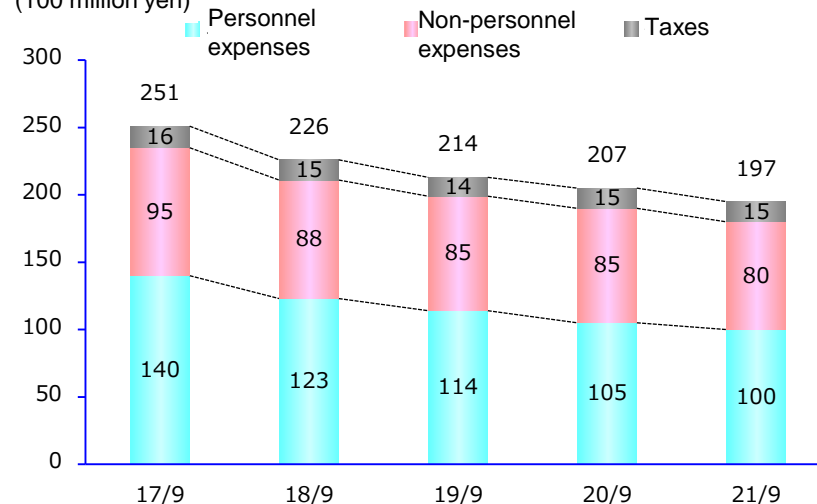
- Employee welfare          △3.3
- Depreciation                △1.4
- FG establishment-related   +1.2

## Adjusted OHR

(Unit: 100 million yen, %)

		19/9	20/9 A	21/9 B	Difference B – A
Non-consolidated	Core gross operating profit	321	304	329	+25
	Expenses	214	207	197	△10
	Adjusted OHR	66.82	68.04	59.90	△8.14
Consolidated	Core gross operating profit	356	345	378	+33
	Expenses	243	240	231	△9
	Adjusted OHR	68.31	69.72	61.20	△8.52

(100 million yen)



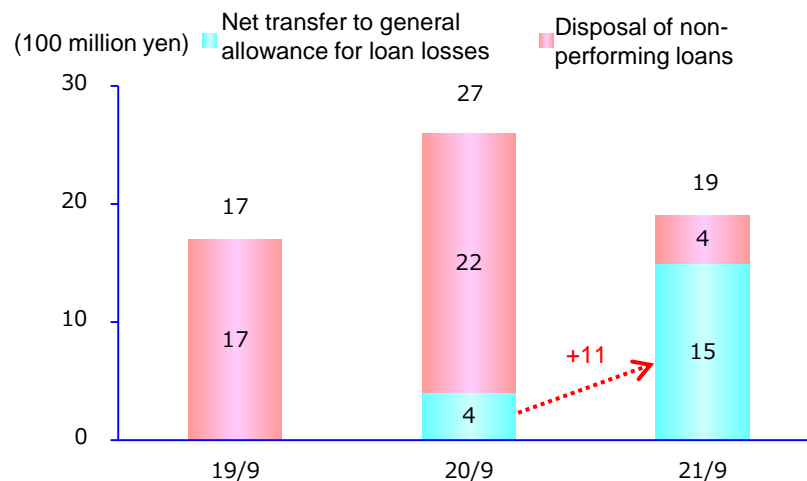
# Credit costs and bad debt balance

◆ Credit costs have decreased by 800 million yen year-on-year to 1.9 billion yen due to a low level of bankruptcies despite the year-on-year increase of net transfer to general allowance for loan losses by 1.1 billion yen.

## Credit costs

(Unit: 100 million yen)

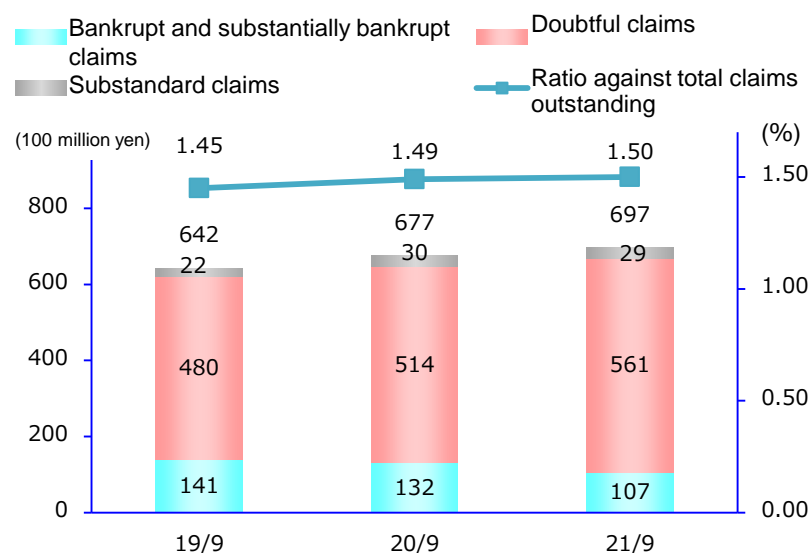
	19/9	20/9 A	21/9 B	Difference B – A
① Net transfer to general allowance for loan losses	△0	4	15	+11
② Disposal of non-performing loans	17	22	4	△18
Transfer to individual allowance for loan losses	15	21	3	△18
③ Reversal of allowance for loan losses	—	—	—	—
④ Recoveries of written-off claims	0	0	—	0
Credit costs ①+② – ③ – ④	17	27	19	△8



## Outstanding non-performing loans

(Unit: 100 million yen, %)

	19/9	20/9 A	21/9 B	Difference B – A
Bankrupt and substantially bankrupt claims	141	132	107	△25
Doubtful claims	480	514	561	+47
Substandard claims	22	30	29	△1
Total	642	677	697	+20
Ratio against total claims outstanding	1.45	1.49	1.50	+0.01



# Non-interest income ratio and profit from customer services

◆ The consolidated non-interest income ratio has climbed by 2.56 percentage points year-on-year to steadily approach the numerical target of 30% and above.

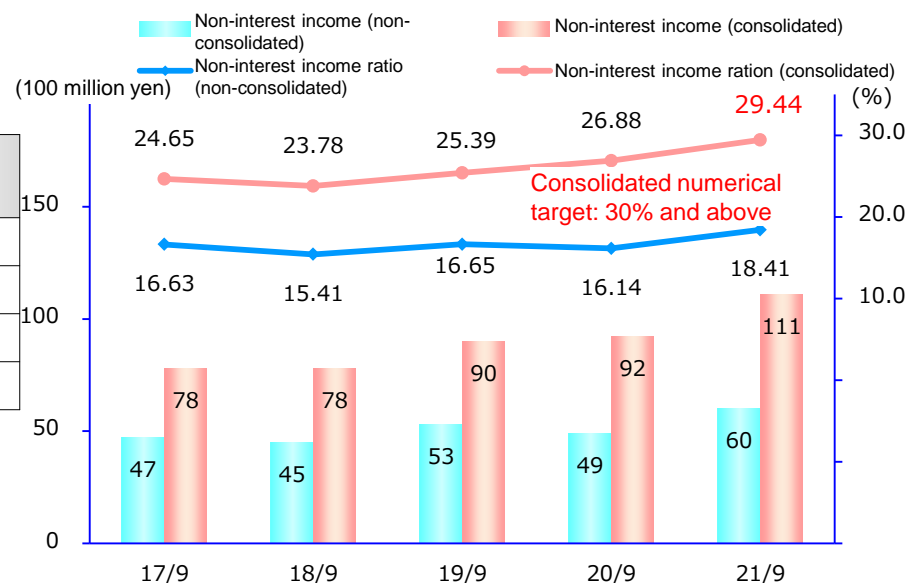
## Non-interest income ratio\*

(Unit: 100 million yen, %)

		19/9	20/9 A	21/9 B	Difference B – A
Non-consolidated	Non-interest income	53	49	60	+11
	Non-interest income ratio	16.65	16.14	18.41	+2.27
Consolidated	Non-interest income	90	92	111	+19
	Non-interest income ratio	25.39	26.88	29.44	+2.56

\*Non-interest income ratio

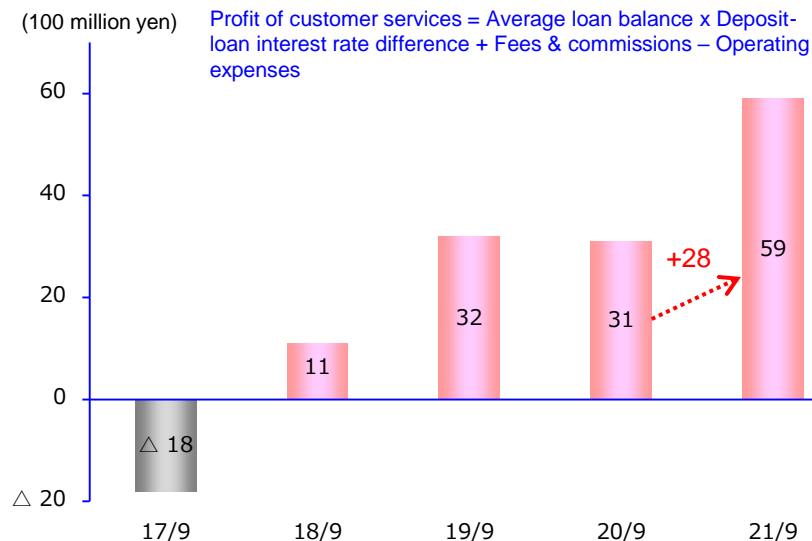
The ratio of “fees and commissions” and “other operating profit excluding profit on JGBs and other debt securities” against the core gross operating profit



## Profit from customer services

(Unit: 100 million yen, %)

	19/9	20/9 A	21/9 B	Difference B – A
Profit from customer services	32	31	59	+28
Average loan balance × Deposit-loan interest rate difference	193	191	192	+1
Deposit-loan interest rate difference	0.896	0.868	0.850	△0.018
Fees and commissions	53	45	55	+10
Operating expenses	213	205	188	△17



# Capital adequacy ratio and shareholder return

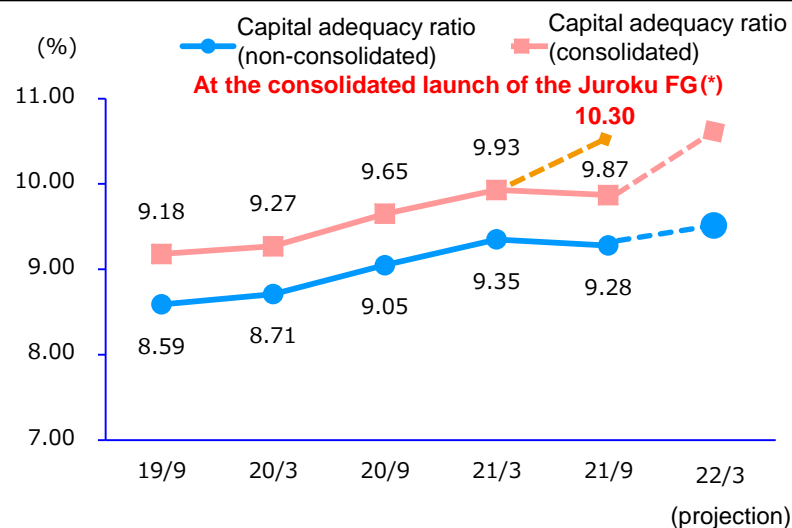
- ◆ The non-consolidated capital adequacy ratio is at 9.28%, and the consolidated capital adequacy ratio is at 9.87%.
- ◆ The interim dividend has been increased by 15 yen to 50 yen, and the Juroku Financial Group's end-of-year dividend is projected to be 50 yen.

## Capital adequacy ratio

(Unit: %)

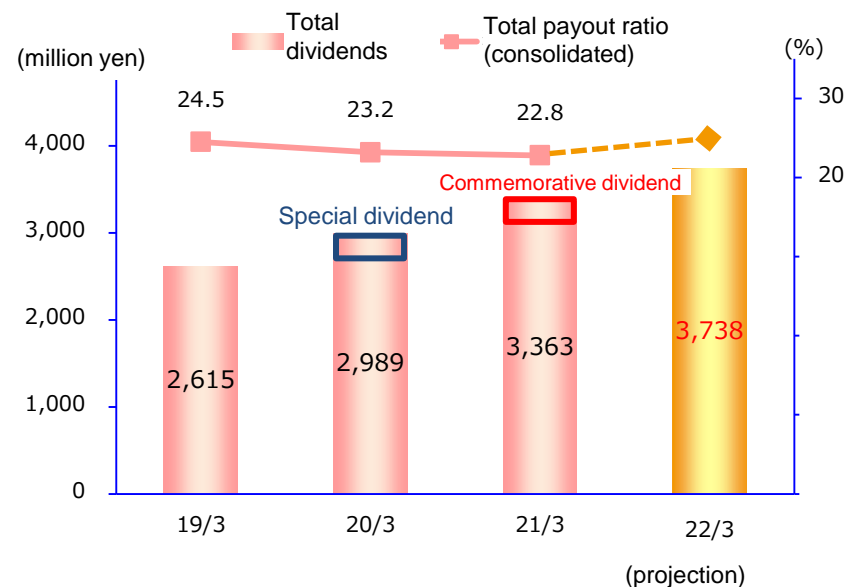
	19/9	20/3	20/9	21/3 A	21/9 B	Difference B - A
Non-consolidated	8.59	8.71	9.05	9.35	9.28	△0.07
Consolidated	9.18	9.27	9.65	9.93	9.87	△0.06

(\*) With the introduction of the holding-company structure, subsidiaries' shares worth 13.4 billion yen, held by Juroku Bank, were transferred to the Juroku Financial Group, causing a drop in the capital adequacy ratio. Note that **the consolidated capital adequacy ratio at the time of launching the consolidated group led by the Juroku Financial Group was calculated at 10.30% and has since been steadily increasing.**



## Dividends

			19/3	20/3	21/3	22/3
Annual dividends			70 yen	80 yen	90 yen	100 yen
End-of-year	Interim	Ordinary dividend	35 yen	35 yen	35 yen	50 yen
	End-of-year	Ordinary dividend	35 yen	35 yen	45 yen	50 yen (Projection)
		Others		10 yen (Special dividend)	10 yen (Commemorative dividend)	



\* The end-of-year dividend in 3/2022 will be issued by the Juroku Financial Group.

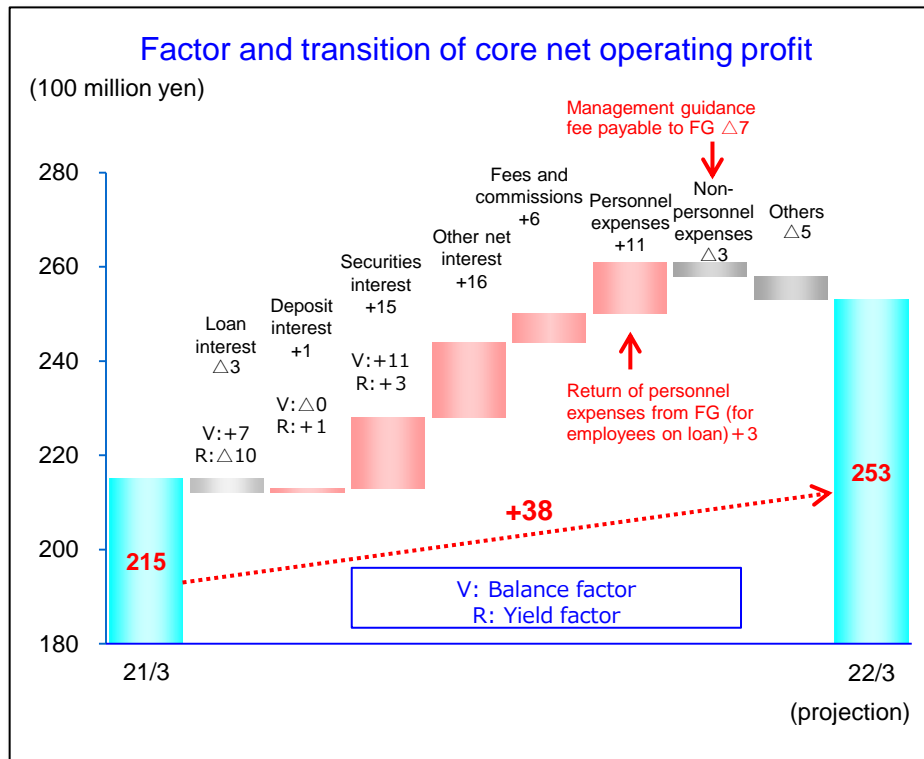
○ Juroku Financial Group's shareholder return policy

The Juroku Financial Group's basic policy is to pay stable dividends continuously while striving to further improve its fiscal robustness. In view of business management conditions and income level, the Group determines shareholder return details aims to achieve the total payout ratio of at least 25%.

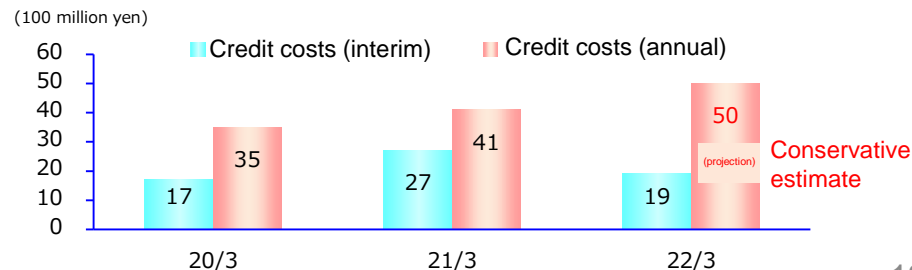
# Business projection (bank-only, non-consolidated)

◆ The core net operating profit for the financial year ending in March 2022 is projected to be 25.3 billion yen, up 3.8 billion yen year-on-year, while the net profit for the year is projected to be 15.5 billion yen, up 1.4 billion yen year-on-year.

	(Unit: 100 million yen)		
	3/2021 (actual)	3/2022 (projection)	Difference
Core gross operating profit	622	653	31
Net interest income	508	538	30
Fees and commissions	98	104	6
Other operating profit (Excluding profit on JGBs and other debt securities)	15	11	△ 4
Expenses	407	400	△ 7
Personnel expenses	209	198	△ 11
Non-personnel expenses	170	173	3
Core net operating profit	215	253	38
Net business income	41	50	9
Profit related to securities investment	45	5	△ 40
Profit on JGBs and other debt securities	0	△ 3	△ 3
Profit on equities	45	8	△ 37
Ordinary profit	225	230	5
Net profit	141	155	14



	(Unit: 100 million yen)					
	20/3		21/3		22/3 (projection)	
	Interim	Annual	Interim	Annual	Interim	Annual
Credit costs	17	35	27	41	19	(50)



# Business projection (consolidated)

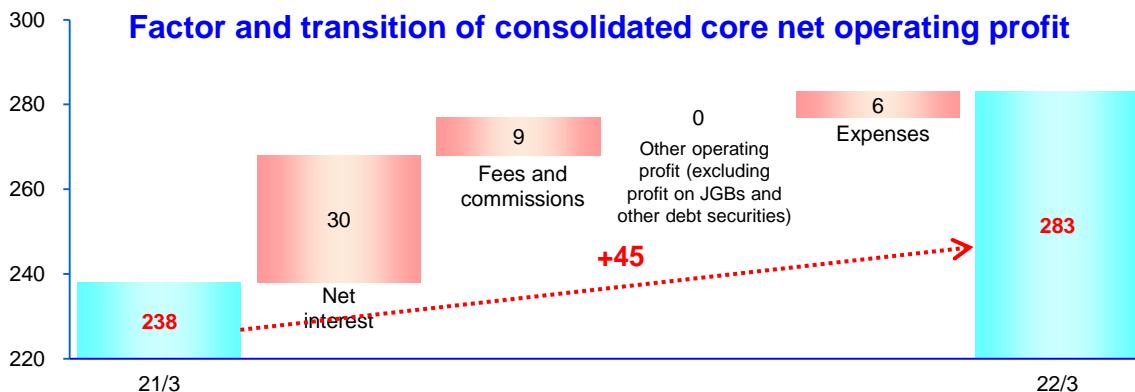
- ◆ The consolidated core net operating profit for the March 2022 term is expected to reach 28.3 billion yen, up 4.5 billion yen year-on-year, while the net profit attributable to shareholders of the parent is projected to grow by 1.3 billion yen year-on-year to 16 billion yen.

(Unit: 100 million yen)

	3/2021 (actual)			3/2022 (projection)			Difference (consolidated)
	Juroku Bank	Other subsidiaries	consolidated	Juroku Bank	Other subsidiaries	consolidated	
Core gross operating profit	622	105	712	653	112	751	39
Net interest income	508	2	505	538	0	535	30
Fees and commissions	98	62	155	104	66	164	9
Other operating profit (*)	15	40	51	11	45	51	0
Expenses	407	75	474	400	80	468	△ 6
Personnel expenses	209	46	255	198	48	250	△ 5
Core net operating profit	215	29	238	253	31	283	45
Net business income	41	1	42	50	5	55	13
Profit related to securities investment	45	0	45	5	0	2	△ 43
Ordinary profit	225	28	246	230	26	247	1
Net profit attributable to shareholders of the parent company	141	19	147	155	17	160	13

\*Excluding profit on JGBs and other debt securities

(100 million yen)



## Credit rating by Japan Credit Rating Agency (JCR)

Rated company	Juroku FG	Juroku Bank
Long-term issuer rating	A + (New)	A → A + (Upgrade)
Rating outlook	Stable	Stable
Rating date	October 1, 2021	

## Selective application for the new “RN Prime Index”

The Juroku FG has received confirmation from the Tokyo Stock Exchange that it meets the criteria for maintaining listing on the Prime Market based on the “results of primary assessment for compliance with listing maintenance criteria for the new market category.”

Accordingly, the Juroku FG has decided to choose the new Prime Market category and apply with the Tokyo Stock Exchange for listing. In the future, the Group will follow the schedule set by the TSE in proceeding with the required procedure for selective application for the new market category.

(Note) The above consolidated business projection includes the interim consolidated results of Juroku Bank, which has become a wholly-owned subsidiary. Consolidated results to be cited for comparison for the March 2021 term are the consolidated results of Juroku Bank.

## Section II: Initiatives for sustainability

# Promoting SDGs ①

- ◆ The Juroku Financial Group has issued its SDGs Declaration upon establishment, setting out five key challenges (materiality) and promoting initiatives in line with the declaration.

## Juroku Financial Group SDGs Declaration



The Juroku Financial Group's mission is to deepen our ties with the the local community and create a rich and livable community. To this end, we are working on creating a sustainable society as a general financial group that is committed to creating a future with and for the local community and achieving a sustainable growth together.

### Key challenges (materiality)

#### Revitalization of the local economy

Tapping into the Group's management resources in offering a wide range of financial services, thereby helping local companies grow and the local economy to revitalize



#### Sustainable development of the local community

Utilizing local resources and collaborating with local councils in creating new value for the next generations and creating a comfortable and appealing community



#### Empowerment of diverse human resources

Promoting diversity and work style reforms to create a workplace environment that empowers diverse human resources and gives them a sense of fulfillment



#### Environmental conservation and climate change actions

Striving to reduce the environmental impact and implementing conservation activities, while promoting the use of renewable energies through business activities to address climate change



#### Advanced governance

Advancing governance and reinforcing the compliance system to establish a sound and transparent management structure



## The 2<sup>nd</sup> SDGs Festival in Nagoya Marunouchi

The Juroku FG joined Aichi Prefecture and the City of Nagoya in co-sponsoring the 2<sup>nd</sup> SDGs Festival in Nagoya Marunouchi, organized by Tokio Marine & Nichido Fire Insurance Co., Ltd. And held in November 2021. The event featured a panel exhibition on corporate SDGs initiatives and display of students' SDG-related presentations in order to build the momentum for achieving SDGs.



## Leading member of the "Seiryu-no-Kuni Gifu" SDGs promotion network

In October 2021, The "Seiryu-no-Kuni Gifu" SDGs promotion network, run by Gifu Prefecture, recognized Juroku Bank as a leading member for its outstanding efforts to achieve SDGs and the role it plays as the driver for promoting the cause.

As the only leading member as a financial institution based in Gifu Prefecture, Juroku Bank is working with the Gifu Prefectural government in actively spreading information about SDGs and deploying initiatives for solving local issues.





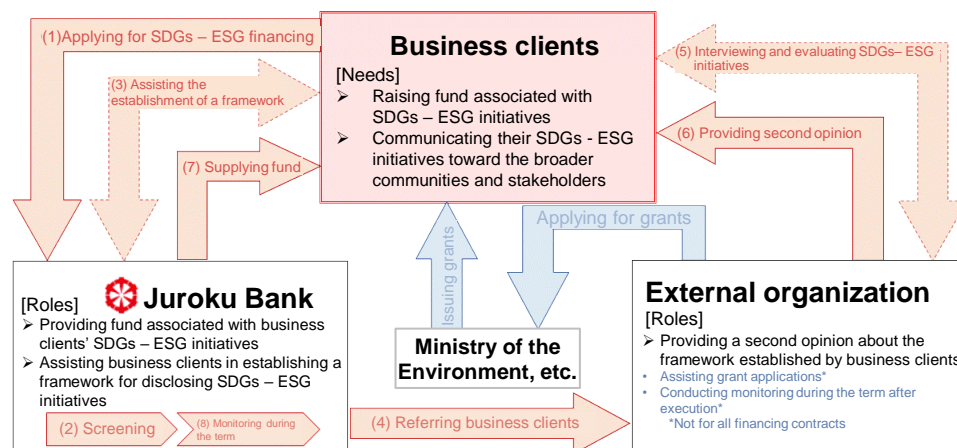
# Promoting SDGs ②

- ◆ On July 1, 2021, the Juroku SDGs – ESG Finance scheme was launched.
- ◆ It offers seven products of different characteristics according to fund usages and fundraising formats to financially assist business clients for their SDGs – ESG initiatives.

## Juroku SDGs – ESG Finance

In disclosing SDGs- and ESG-related activities as a framework, this scheme obtains a second opinion from the Rating and Investment Information, Inc. (R&I) as an external organization. The mechanism allows business clients to present its active involvement in and stance toward environmental and social issues to the broad society and business associates in the process of raising funding.

### Schematic diagram



### Number of cases (as of the end of November)

Sustainability Link Loan	2 cases
Green Loan	1 case

A “Juroku Sustainability Link Loan” agreement was signed with Mino Industry Co., Ltd. (Nakatsugawa-shi, Gifu) as Juroku Bank’s first sustainable finance case in Gifu Prefecture.

Mino Industry is building a new head office – factory complex (due to be completed in the summer of 2022) to introduce next-generation technologies for electric motorization and automatic-driving. In obtaining the Sustainability Link Loan, the company set Sustainability Performance Targets (SPTs) in relation to SDGs and ESG in an effort to promote sustainability-oriented business management while motivating its workforce toward achieving the targets.



# Promoting SDGs ③

- ◆ Supporting the use of diverse human resources and work styles that facilitate positive work-life balance
- ◆ Ensuring the Board of Directors' independence and diversity to achieve an advanced level of group governance

## Ensuring diversity in core human resources

Promoting women's empowerment and ensuring diversity through mid-term recruitment of core human resources, recruitment of non-Japanese people and their promotion.

Target	Achievement
Increase the ratio of women in leaders and higher managerial positions by <b>1.5 times (21%)</b> from the level recorded as of the end of March 2020	<b>15.6%</b> (as of the end of March 2021)
Ensuring that <b>at least 90%</b> of eligible men claim spousal maternity leave or parenting leave in each of the fiscal years subject to the management plan	<b>91.5%</b> (actual figure for FY2020)

Evaluation of women's empowerment initiatives	Month / Year
Excellence in promoting work-life balance (Gifu Prefecture)	February 2016
"Eruboshi" certification under the Act on the Promotion of Female Participation and Career Advancement in the Workforce	April 2016
"We Hug Gifu" women's empowerment company	February 2020



Recruitment category	Recruits
Mid-year recruitment (including former employees of the now-defunct Gifu Bank following merger)	362 (as of the end of March 2021)
Non-Japanese recruits	5 (as of the end of March 2021)

## HR development and work style support

Initiatives for diverse HR development and work style support	Month / Year
Offering support programs for employees on parenting leave	April 2016
Introducing a half-day annual leave system	April 2016
Introducing a retired-employee reinstatement system (Job Return program)	April 2016
Establishing an in-house childcare facility "Juroku Smile Room"	April 2016
Creating a spousal maternity leave system	April 2017
Creating an hourly nursing / long-term-care leave system	April 2017
Providing reskilling training	March 2021

## Ensuring the independence and diversity of the Board of Directors

Ensuring that at least one-third of the board are independent outside directors (4 out of 11) including at least 2 women for independence and diversity

Inside directors (7)	Outside directors (4)
	

# Addressing climate change and environmental issues ①

- ◆ Declaring endorsement for TCFD recommendations on June 11, 2021
- ◆ Commencing the use of CO2-free electricity, produced in Gifu, at the head office building on November 1, 2021 in order to reduce CO2 emissions

## Declaring endorsement for TCFD recommendations



Juroku FG declared its endorsement for TCFD recommendations with the aim of reinforcing its response to climate change and providing useful information to stakeholders.

<b>Governance</b>	Juroku FG discusses its policy and key actions concerning climate change at the Management Council, etc. and reflects outcome to management strategy and risk management. The Management Council periodically checks progress.
<b>Strategy</b>	Juroku FG positions climate change response as an important management task, and addresses it from the perspectives of both risk and opportunity. <ul style="list-style-type: none"> <li>◆ Risk Physical and transitional risks are recognized as climate-related risks in exploring ways of identifying and analyzing the impact of the risks in the future.</li> <li>◆ Opportunity Business opportunities are expected to increase due to the expansion of market scale due to climate-related finances and solutions.</li> </ul>
<b>Risk management</b>	Juroku FG has adopted the “investment and loan policy toward establishing a sustainable society.” Recognizing climate-related issues as important risks, Juroku FG strives to form a stance of managing such risks within the framework of integrated risk management.
<b>Indicators and target</b>	Juroku FG aims to halve CO2 emissions in FY2030 from the FY2013 level and strives to achieve carbon neutrality by FY2050.

## Investment in ESG bonds

**Investment** 31 cases worth 30.6 billion yen (April 2018 – September 2021)

## “Investment and loan policy toward establishing a sustainable society”

Juroku FG has adopted an “investment and loan policy toward establishing a sustainable society” to clearly set forth its stance for solving environmental and social issues. Policies for specific sectors are as follows:

Target sector	Description
Coal-fired thermal power generation	Juroku FG will not invest in or extend loans to projects that involve building new coal-fired thermal power stations or expanding existing power generation facilities, while taking a prudent approach in considering exceptional cases in response to emergencies or in projects in line with the Japanese government's energy policy.
Weapons	Juroku FG will not invest in or extend loans to companies that manufacture weapons, regardless of fund usage, in view of the inhumane nature of cluster bombs, anti-personnel landmines and biological / chemical weapons.
Deforestation	Juroku FG will not invest in or extend loans to projects that involve illegal logging or forest incineration. Investment in / loan to projects whereby the fund is used for operations that involve deforestation will be considered carefully in view of their impact on the local economy and the environment.

## Commencing the use of CO2-free electricity generated in Gifu

Since November 1, 2021, Juroku FG has started using “Gifu Seiryu Green Electricity,” i.e. CO2-free electricity generated in Gifu by Chubu Electric Power Miraiz Co., Inc., at the head office building.

As the first company to introduce Gifu Seiryu Green Electricity, Juroku Bank is expected to **mitigate CO2 emissions equivalent to 754 tons per annum.**



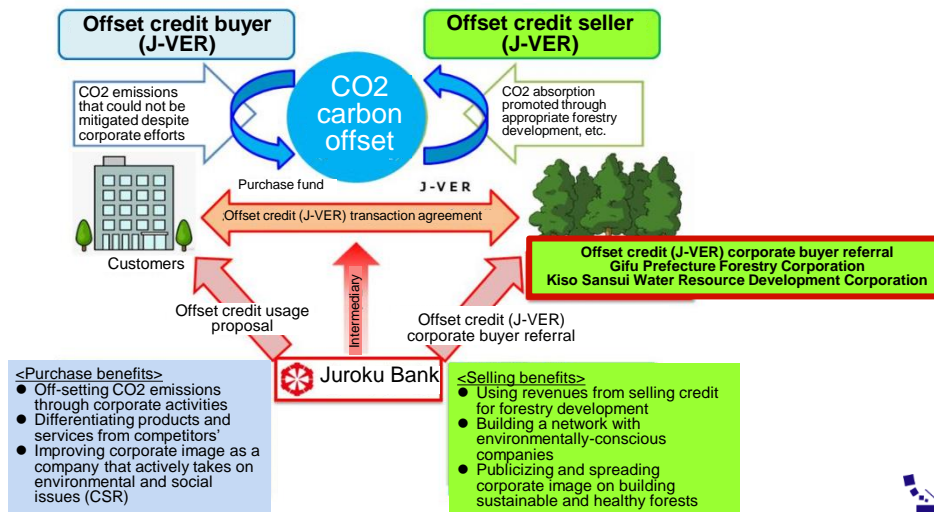
# Addressing climate change and environmental issues ②

- ◆ Actively collaborating with external parties to deploy solutions as a way of helping local customers shift toward decarbonization

## Building a platform for promoting and spreading the J-VER scheme

Building a platform for spreading and promoting “carbon offset” using the J-VER offset credit held by Gifu Prefecture’s Forestry Corporation and the Kiso Sansen Water Resource Development Corporation, in order to help customers adopt decarbonization-oriented business management

## Platform overview



## Referral cases (as of November 15)

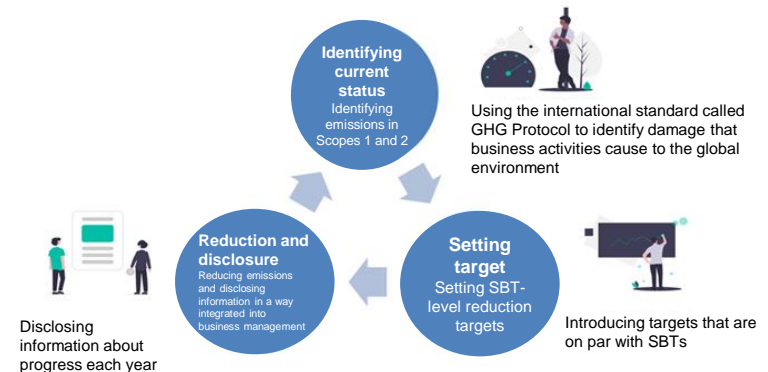
13 cases



## Consultation for supporting decarbonization-oriented business management

Offering consultation to customers about visualizing greenhouse gas emissions and setting their mitigation targets to assist their carbon management

Partnering with WasteBox, a professional with decade-long track records in identifying environmental impact and greenhouse gas emissions, for co-creating business

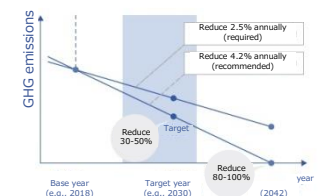


## Number of cases (as of November 15)

14



- An environmental solution provider who specializes in visualizing CO2 emissions, with clients including ENEOS and other large corporations and government offices
- The only climate change consulting partner for the international NGO, “CDP,” in Japan





# Promoting DX

- ◆ Offering “convenience” to customers by delivering information in a timely fashion and eliminating hardcopy forms and the use of seals
- ◆ Shortening office hours to improve “productivity”

## Introducing digital signage to all branches

On October 1, 2021, Juroku Bank introduced cloud-based digital signage to all branches via Google Cloud's premium partner, Densan System. The advantage of cloud-based service is utilized to offer timely information and local-only information efficiently. The digitization and central management of posters at branches also helps reduce hardcopy media.



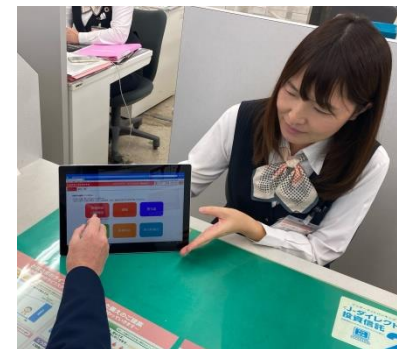
## Electronic home loan service

This service allows customers to apply for preliminary and formal screening for a home loan online from their smartphone or home computer and complete a contractual procedure, making it more convenient than ever before to access a home loan anytime and anywhere.

## In-store tablet device, “Juroku Quick Navi”

Introducing in-store tablet device “Juroku Quick Navi” on November 29, 2021

The tablet device is used by customers to open a new account, change customer details (address, account name), etc. to provide “convenience” by eliminating the need to fill out a hardcopy form and improve “productivity” by reducing time required for administration.



### Services that can be handled with the device

- Opening an ordinary bank account for individual customers
- Applying for J-Direct (personal online banking)
- Applying for a cash card
- Applying for a JCB debit card
- Applying for J-Point Style (point-system service)

### Services that are due to be added by the end of FY2021

- Updating customer information (name, address, seal)
- Depositing money to / withdrawing money from an ordinary account
- Handling fund remittance
- Paying taxes and utility bills
- Reporting lost / stolen cards

## Section III: First Management Plan

# Overview of the management plan

## First Management Plan

Period: October 2021 – March 2023

### Numerical targets for FY2022

Consolidated net income:	16 billion yen and above
Consolidated capital adequacy ratio:	10% and above
Consolidated adjusted OHR:	65% and below
Consolidated non-interest income ratio:	30% and above

### Long-term indicator

Consolidated ROE:	5% and above
-------------------	--------------

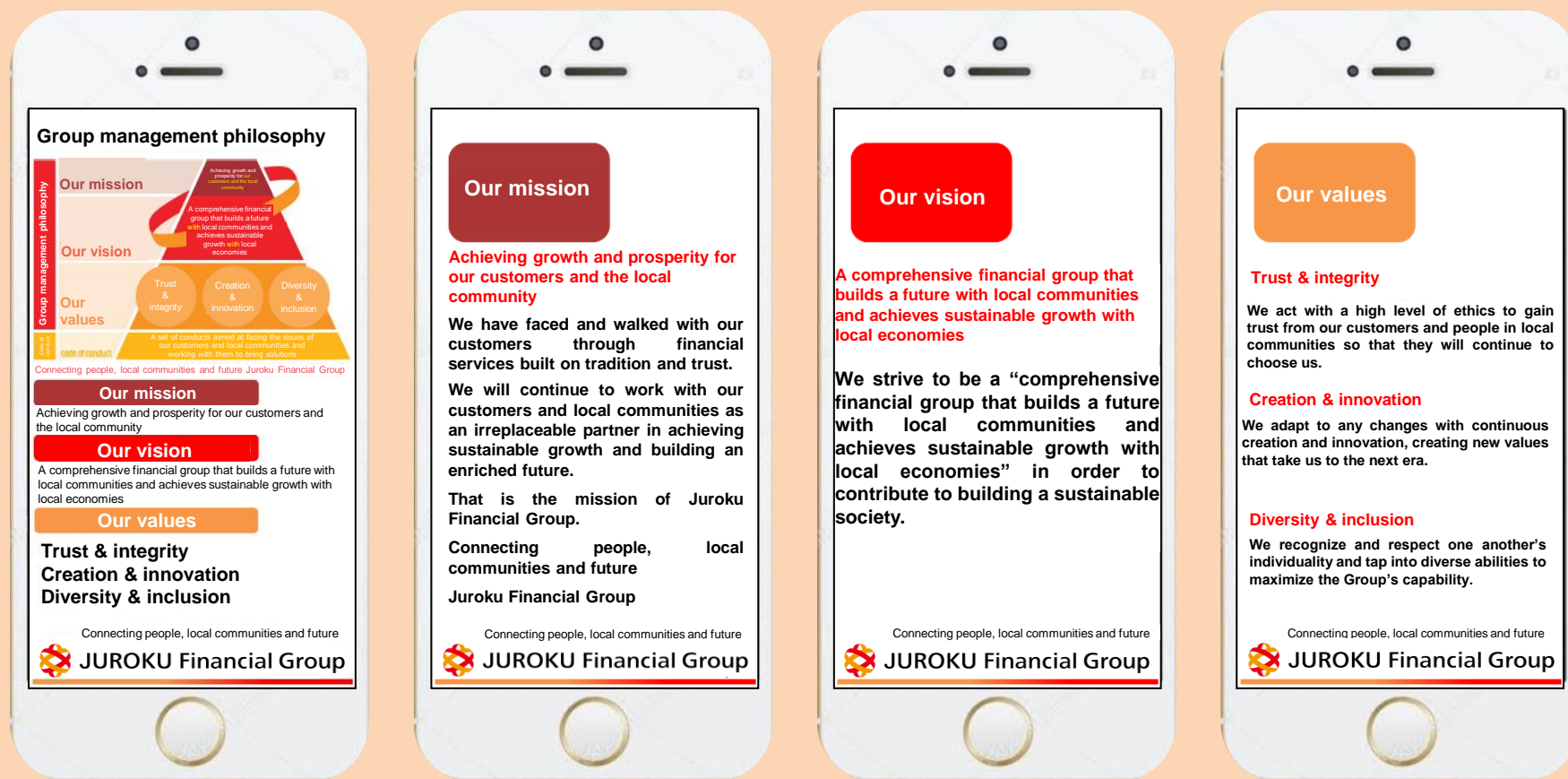
### Our aim

To become a comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies



# Group management philosophy

## ■ Group management philosophy



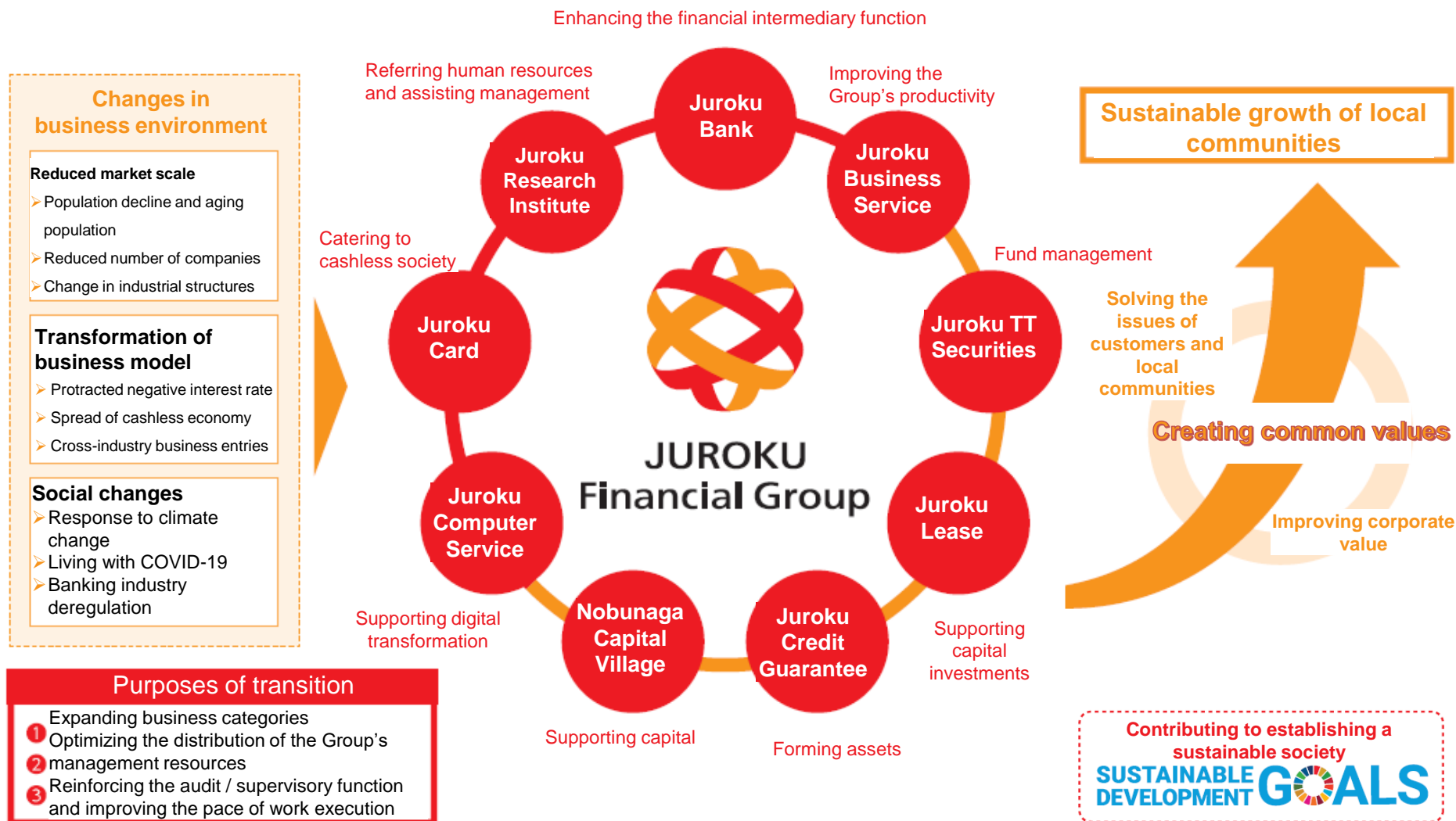
The Group Management Philosophy represents the fundamental spirit of the Juroku Financial Group, and the foundation for all of our officers' and employees' activities.

This information is displayed on the screen of business smartphones (approx. 3,500 units) handed to officers and employees (including part-time workers) to remind them and establish the knowledge in them.



# Exerting the Group's comprehensive capability

The Juroku Financial Group exerts its comprehensive capability in solving the issues of customers and local communities to improve its corporate value and contribute to the sustainable growth of local communities.



# Management strategy

- Adopt three strategies, aimed at “expanding business categories” and “addressing diversifying needs” as growth drivers, to maximize group synergy.
- Strive to transform the mentality and behaviours of directors and employees while maximizing the Group’s customer base, information and network.

## Management strategy



**Market-in (market-oriented) approach strategy**  
Further exerting problem-solving capacity

Amassing the Group’s management resources to fulfill the consulting function

Offering diverse solutions for various issues



**DX strategy**  
Improving convenience and productivity

Utilizing digital technology and data to approach customers

Accelerating the digital transformation of work processes to create time for business activities and increase business value



**Local commitment strategy**  
Handling comprehensive local design

Playing a central role in revitalizing local communities through expansion of business categories

Deepening initiatives for SDGs and local revitalization by Group directors and employees

## Priority measures

Corporate

Offering diverse solutions to issues at each of corporate clients’ life stages

Main KPI:

Number of consultation cases for corporate solutions (including cases based on Group collaboration)

Personal

Building a consultation system toward establishing lifelong trading relations  
Net increase of deposit assets (consolidated)

Main KPI:

Net increase of deposit assets held by the bank and the securities company (compared to the level as at the end of September 2021)

1

Enhancing non-face-to-face channels

2

Data use and mass marketing

Main KPI:

Number of clients on non-face-to-face basis

- Active individual and corporate clients on EB/IB contracts (at least one deposit per month)
- Number of online loan agreements (ATM card loan, online-application personal loan, online-application home loan)

1

Creating human resources in high-growth areas through work streamlining

2

Supporting work-style reform and digital transformation reform

Main KPI:

Number of workers assigned to high-growth areas  
Rate of increase in core net operating profit per employee (compared to the FY2020 level)

1

Boosting the appeal of local communities

2

Providing assistance in solving local issues

Main KPI:

Number of business creation supports

Among loans for recipients within five years of establishment: (1) Number of loans extended to clients for which Juroku FG has provided assistance in formulating a business creation plan, (2) number of loans extended under schemes related to business creation (3) number of CVC investments made through Capital Village

1

Deepening Group’s initiatives for SDGs and local revitalization

2

Assisting SDGs initiatives by customers and local communities

Main KPI:

Number and value of ESG – SDGs investments and loans  
Local ESG loans subject to subsidized interest payments, other applicable loan products, private placement bonds and Green Bond

# Management strategy ① Market-in approach strategy

## ① Market-in approach strategy -- Further exerting problem-solving capacity --

### Corporate

Amassing the Group's management resources to fulfill the consulting function

Offering diverse solutions for various issues

### Main KPI

- Number of consultation cases for corporate solutions (including cases based on Group collaboration)
- Net increase of deposit assets (consolidated) (compared to the September 2021 level)

### Priority measures

Offering diverse solutions to issues at each of the corporate clients' life stages

### Reinforcing solution-presenting capability



Developing human resources capable of building strong ties with customers

### Initiatives in the foundation and growth stages

- ▶ Supporting fundraising through equity investment, and assisting the expansion of sales channels through business matching, etc.

### Initiatives in the stability stage

- ▶ Facilitating leasing, diversification of the means of capital fund-raising, human resource reference, cashless adaptation, digital transformation, etc.

### Initiatives in the maturity / regeneration stages

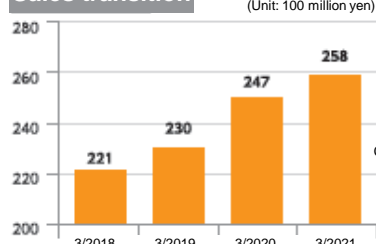
- ▶ Assisting project handling by bank branches / management succession support office, collaboration with specialized consultants, and hands-on help

### Strengthening collaboration in high-growth areas

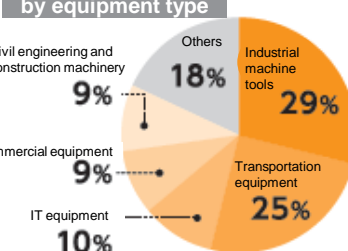
#### Juroku Lease

Addressing capital investment needs in Gifu and Aichi Prefectures, which have a heavy concentration of diverse industries including automotive-related industries

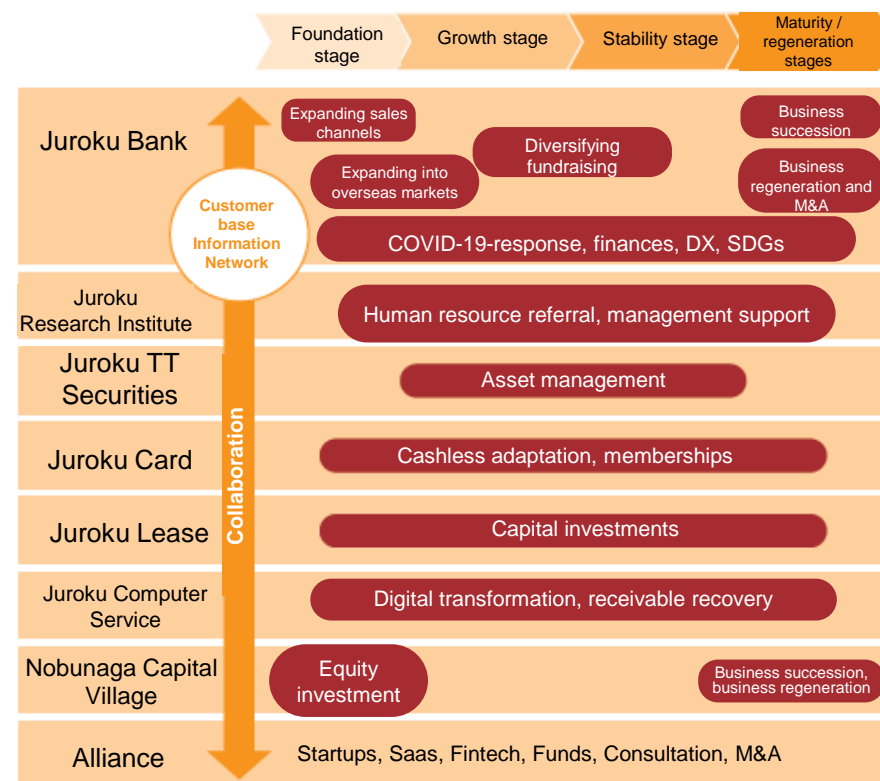
### Sales transition



### Contract breakdown by equipment type



## Solution-delivery system through collaboration with Group companies



# Management strategy ① Market-in approach strategy

## ① Market-in approach strategy -- Further exerting problem-solving capacity --

### Personal

Amassing the Group's management resources to fulfill the consulting function

Offering diverse solutions for various issues

- Expand Group collaboration / alliance, and offer channels optimized to the needs of customers to build a consultation system toward establishing lifelong trading relations

### Main KPI

- Number of consultation cases for corporate solutions (including cases based on Group collaboration)
- Net increase of deposit assets (consolidated) (compared to the September 2021 level)

### Priority measures

Building a consultation system toward establishing lifelong trading relations

#### Enhancing face-to-face channels

- Offering value-added solutions through bank-securities partnership
- Offering long-term perspectives in line with customers' life plan

#### Addressing the needs for non-face-to-face transactions

- Developing smartphone-based systems for building assets and raising loan needs
- Adopting cashless transactions for improved convenience

#### Strengthening alliance

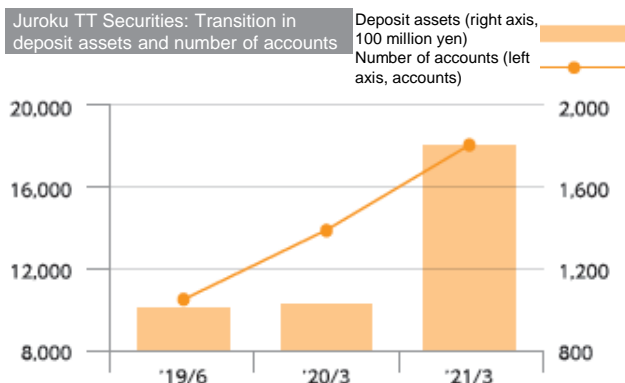
- Expanding trust and insurance services to cater to customer needs

### Strengthening collaboration in high-growth areas

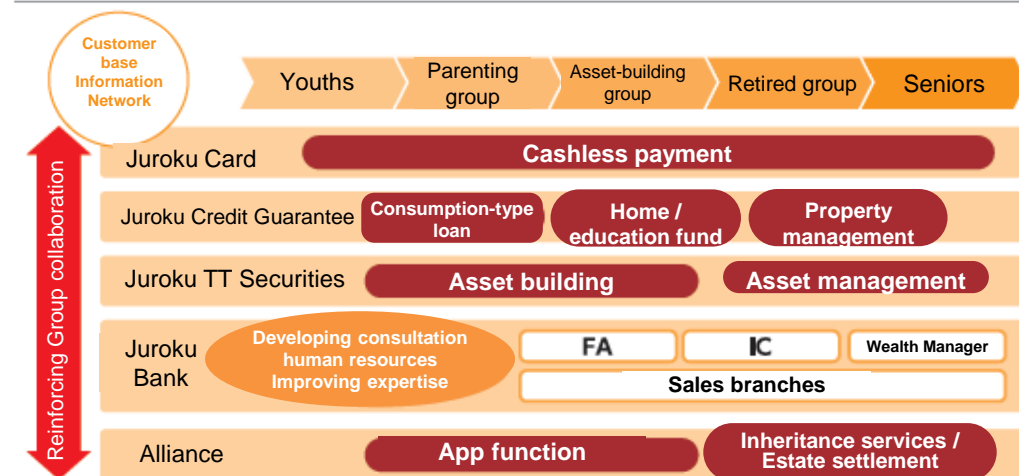
#### Juroku TT Securities

Offering non-bank solutions in the securities business to establish lifelong trading relations

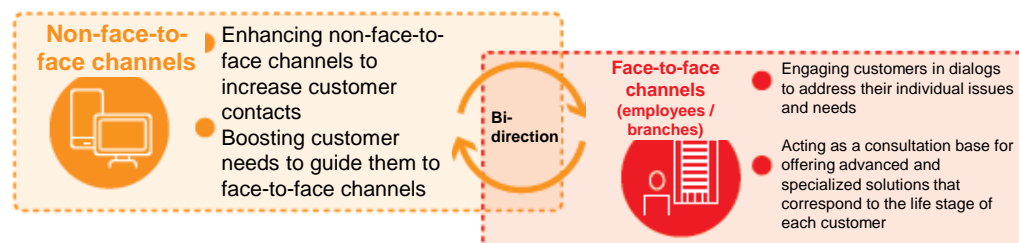
Juroku TT Securities: Transition in deposit assets and number of accounts



## Group-based consultation system toward establishing lifelong trading relations



## Channels optimized to customer needs



## ② DX strategy -- Improving convenience --

### 1. Utilizing digital technology and data to approach customers

- Enhancing non-face-to-face channels to improve product / service convenience and expand general transactions
- Adopting advanced marketing based on data to address diversifying needs

#### Priority measures

#### ① Enhancing non-face-to-face channels

##### Expanding transactions that are completed online

- Expanding the functions of personal apps for improved convenience
- Building a platform as the gateway to corporate customers
- Using a common platform for procedures to eliminate the use of seal and hardcopy forms in transactions

##### Offering friction-less functions and services

- Using tablet devices and AI in-store
- Enhancing online functions and contents to broaden the scope of general transactions

#### Priority measures

#### ② Data use and mass marketing

##### Sharing and utilizing information internally and externally

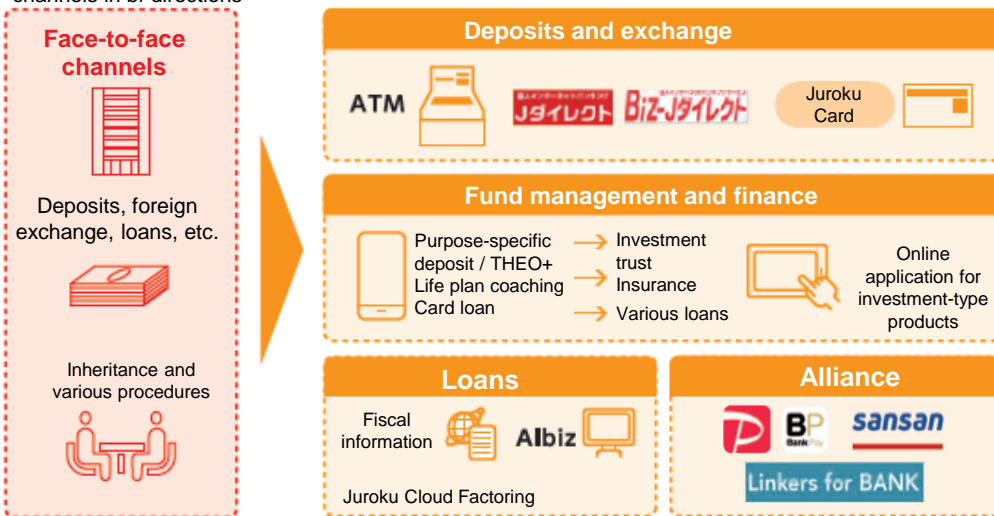
- Offering new financial services based on open API
- Offering timely information services based on data analysis
- Forming alliance to deliver IT consulting

#### Main KPIs

- Number of clients on non-face-to-face basis
- Number of workers assigned to high-growth areas

### Expanding non-face-to-face channels to broaden the scope of general transactions

Expand non-face-to-face channels to provide convenient services that can integrate with face-to-face channels in bi-directions



### Advanced marketing

Establishing the environment for gathering, accumulating and utilizing data



# Management strategy ② DX strategy

## ② DX strategy – Improving productivity –

### 2. Accelerating the digital transformation of work processes to create time for business activities and increase business value

- Using digital technology to streamline work processes to optimize the distribution of management resources and redeploy personnel to strong-growth areas
- Implementing work style reforms based on IT tools to make a Group-wide effort to develop human resources versed in digital technology

#### Main KPIs

- Number of clients on non-face-to-face basis
- Number of workers assigned to high-growth areas

#### Priority measures

#### ① Creating human resources in high-growth areas through work streamlining

##### Improving work processes and optimizing the distribution of management resources

- ▶ Utilizing workflow systems, teleconferencing, digital forms, etc. to create extra time for business activities
- ▶ Using in-store tablet devices to shorten time for administration
- ▶ Using digital technology to reduce back-office work and centralize it to the head office
- ▶ Deploying human resources strategically from administration to high-growth areas such as FA and Group companies

#### Priority measures

#### ② Work-style reform and digital transformation support

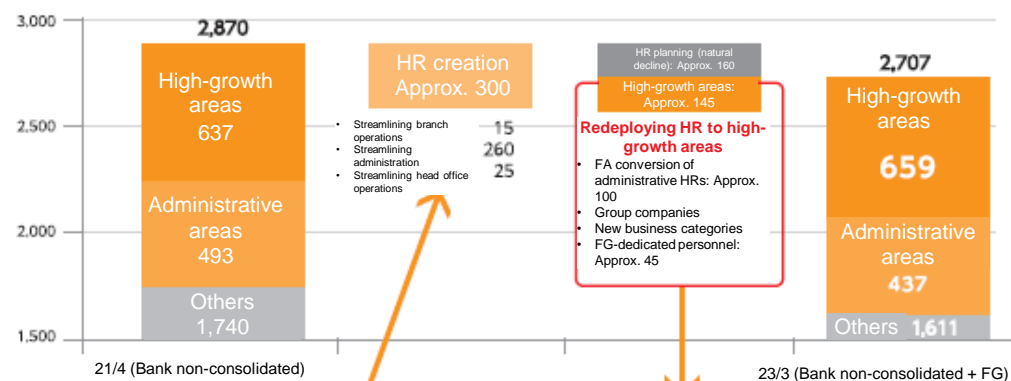
##### Work style reform and HR development

- ▶ Expanding remote work to facilitate diverse work styles
- ▶ Using IT tools to expand remote sales activities
- ▶ Developing human resources in digital technology through alliance and ICT solutions

##### Work Facilitating digital transformation of customers and local communities

- ▶ Using alliance to promote customers' digital transformation
- ▶ Utilizing Group companies' functions to facilitate cashless transactions by businesses and local communities
- ▶ Building up digital transformation know-how such as teleworking, paperless transactions and table-based sales

### Streamlining work processes to create human resources and optimize their distribution

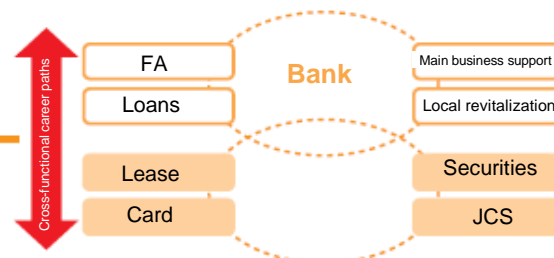


Digital transformation for greater work streamlining and channel optimization

Strategic personnel deployment for cross-functional career paths

**Work-style reform and digital transformation support**

- Accumulating digital transformation know-how
- Reducing overtime work
- Helping employees gaining digital-related qualifications





# Management strategy ③ Local commitment strategy

## ③ Local commitment strategy – Comprehensive local design –

### 1. Playing a central role in revitalizing local communities through expansion of business categories

- Establishing solid relations with local stakeholders and further expanding business categories as a general financial group to deploy financial services that contribute to the development of the local economy, thereby contributing to local revitalization

#### Main KPIs

- Number of business creation supports
- Number and value of ESG – SDGs investments and loans

#### Priority measures ① Boosting the appeal of local communities

##### ● Creating local brands

- Branding local delicacies and disseminating their information in large cities for PR

##### ● Utilizing local resources

- Rediscovering local resources and implementing measures to boost local appeal to promote tourism
- Coordinating industrial – bureaucratic – academic partnership to assist the development of new products

##### ● Creating new business

- Assisting business creation and forming local communities
- Expanding alliance and considering to establish community-development companies

#### Priority measures ② Providing assistance in solving local issues

##### ● Revitalizing central business districts

- Facilitating urban redevelopment projects, PPP / PFI projects and funds to revitalize local cities and encourage people to move in

##### ● Assisting local government bodies' work streamlining

- Facilitating cashless transaction response and contracting public services (policy adviser), etc.

### Expanding business categories to implement in-depth initiatives for local revitalization



## ③ Local commitment strategy – Comprehensive local design –

### 2. Deepening initiatives for SDGs and local revitalization by Group directors and employees

- Deploying suitable human resources to optimum positions and streamlining work processes to create extra time for business activities, while boosting awareness on SDGs and community revitalization to deepen initiatives
- Working with local businesses, business associates and local communities to take on local and environmental issues in order to establish a sustainable society

#### Main KPIs

- Number of business creation supports
- Number and value of ESG – SDGs investments and loans

#### Priority measures ① Deepening Group's initiatives for SDGs and local revitalization

##### Environment



- ▶ Initiatives for decarbonization and CO2 reduction
- ▶ Disclosure of climate change impact

##### Society

- ▶ Connection with customers and local communities at Group sites
- ▶ Diversity promotion, women's empowerment and HR development that takes advantage of diverse capabilities

##### Governance

- ▶ Business management that makes use of external knowledge and insight
- ▶ Enhanced compliance system

#### Priority measures ② Assisting SDGs initiatives by customers and local communities

##### Support for SDGs initiatives by corporate clients

- ▶ Support for the introduction of SDGs-based management

##### Support for SDGs initiatives by local communities

- ▶ Educational and cultural activities, emergency preparedness

#### The Group's SDGs and community revitalization activities



Activities at Group sites for enhancing connection with customers and local communities

Sales support

Tourism promotion

Community PR

Financial literacy

Group governance

Emergency and crime prevention

Infectious disease prevention

Environmental conservation

Sharing cases within the Group to further deepening each of the activities

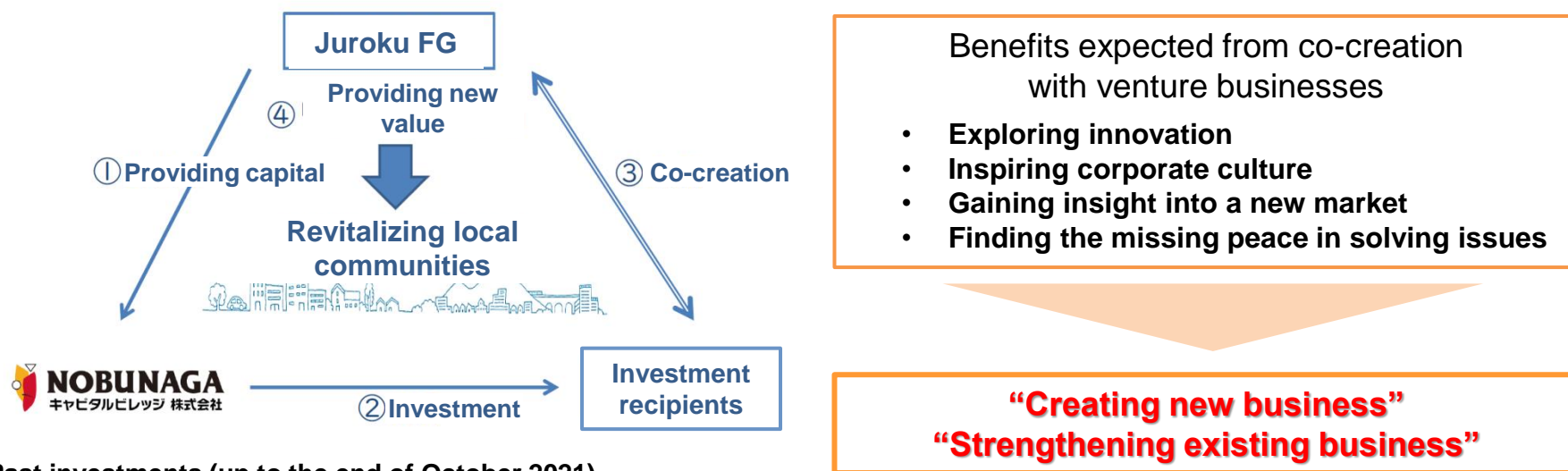


# Main initiatives: Expanding business categories ①

- ◆ In a lead-up to the formation of the Juroku Financial Group, NOBUNAGA Capital Village was established with the aims of expanding business categories and developing new services through co-creation with investment recipients.

## Investments by NOBUNAGA Capital Village with a view to achieve co-creation and collaboration

Creating synergy with the Group's own business through CVC (corporate venture capital) investments



Past investments (up to the end of October 2021)

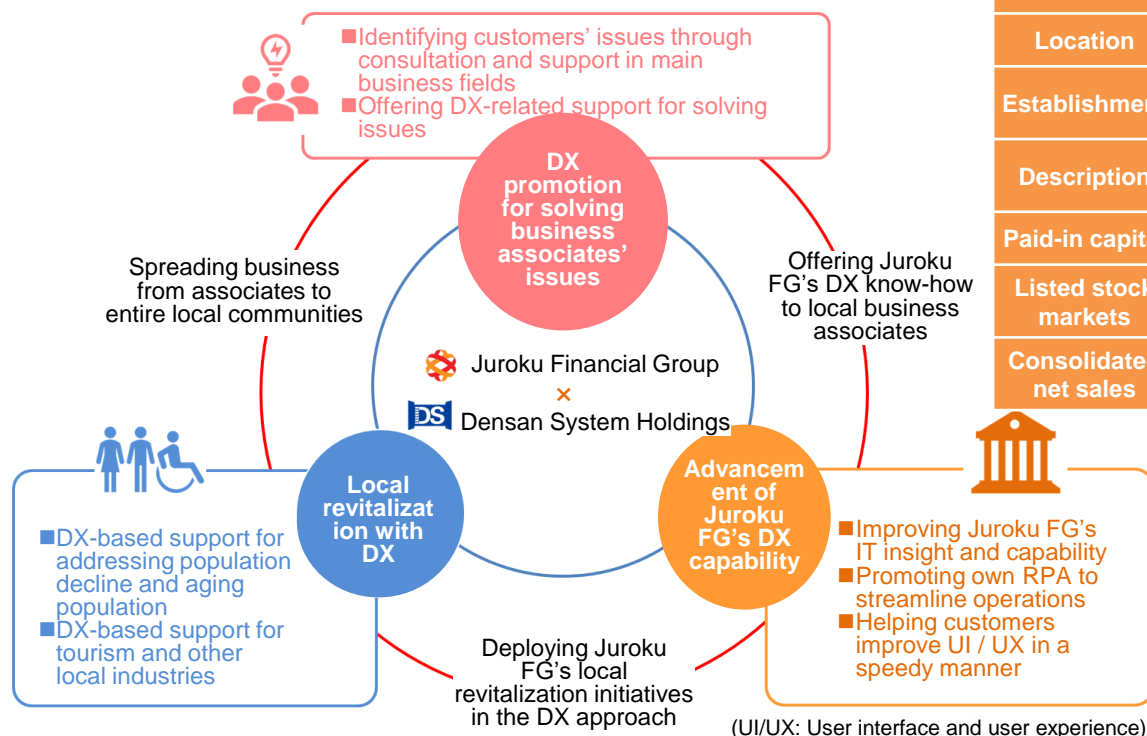
Past investments		Recipient	Reasons for investment
CVC	2	OLTA	<ul style="list-style-type: none"> <li>• Appeal of OLTA as a company</li> <li>• Providing new value to local communities through co-creation</li> <li>• Expectations for future outlook</li> </ul>
Community VC	1		
Business succession	1	Luup	<ul style="list-style-type: none"> <li>• Appeal of Luup as a company</li> <li>• Appeal of the founder team</li> <li>• Expectations for electric kickboards (revitalizing local communities)</li> </ul>

# Main initiatives: Expanding business categories ②

- ◆ Juroku Bank signed a basic agreement with Densan System Holdings Co., Ltd. On August 31, 2021 to start exploring a joint venture business in the field of digital technology.
- ◆ The partnership is aimed at advancing the use of technology in the banking business and contributing to the promotion of digital transformation at local companies and government bodies.

Signing a “basic agreement on considering a joint venture business” with Densan System Holdings

## Solution fields to be targeted by the joint venture



## Overview of Densan System Holdings

Name	Densan System Holdings Co., Ltd.
Location	1-58 Hikie, Gifu-shi, Gifu
Establishment	July 1, 2021 (The original operating company was established on March 14, 1967.)
Description	A holding company with a group of general information service companies under its umbrella
Paid-in capital	2,469 million yen
Listed stock markets	First Section, Tokyo Stock Exchange First Section, Nagoya Stock Exchange
Consolidated net sales	45,752 million yen (December 2020 term)

Launching a joint venture business on the premise of obtaining required approvals, etc. from relevant authorities by the spring of 2022 Juroku Computer Service Co., Ltd. is to be turned into a joint venture for joint management as a company for advancing digital technology in the banking industry.

# Main initiatives: Response to COVID-19

- ◆ Focusing on cashflow support, management improvement support and business rebuilding support in FY2021
- ◆ Early vaccination among workforce has enabled face-to-face sales activities, bringing the sales operation back to the pre-COVID level.

## Status of COVID-19-related loans

With the end of the zero-interest unsecured loan program, the number of COVID-19-related loans has settled, with a focus shifted toward support for efforts to rebuild business.

	End of 3/21	End of 6/21	End of 9/21
Number of COVID-19-related loans extended (cumulative total)	11,578	12,579	12,782
Amount of COVID-19-related loans extended (cumulative total)	302.7 billion yen	329.1 billion yen	337.5 billion yen
(including the amount of interest-free loans backed by loan-guarantee corporations) (cumulative total)	181.7 billion yen	203.6 billion yen	203.6 billion yen
Number of home loans whose terms have been requested to change due to COVID-19	316	369	402
Amount of home loans subject to the said change of terms	4.4 billion yen	5.9 billion yen	7.1 billion yen

## Workforce vaccination

Juroku FG was one of the first to take on organized workforce vaccination, vaccinating **82.6%** of its workforce against COVID-19 as of September 2021. The percentage increases to **87.6%** if those who have booked to receive vaccination are included.

COVID-19 forced non-face-to-face operations, but workforce vaccination has brought back face-to-face sales.



(Reference)	Vaccination rate as of 9/1	Vaccination rate as of 9/30
Gifu	44.93%	57.48%
Aichi	40.81%	54.26%
Nationwide	43.36%	56.16%

Government's CIO portal "Status of COVID-19 vaccination"