



Summary of 11th Medium-term Business Plan (FY2011 – FY2013)

「Being best partner that goes along with our customers」

～Strategic plan for strong management base ‘J-CUBE’～



Mission

Being best partner that goes along with our customers.

Subjects in 10th medium-term business plan

- Increase profitability in the area of channel expansion and new financial products
- Further pursuit of deep customer relationships
- Optimal channel management(channel linkage, efficient channel strategy)
- Strengthening investment capability for stable profitability
- Thorough Business Process Re-engineering
- Increase liaison staff at front office, training employees

Business environment

- Development of traffic infrastructure and active cross border economic activity
- Government's growth strategy (environment, energy, health, tourism)
- Monetary surplus in private sector and shortage in public sector
- Decreasing population, increasing elder population (inheritance, enterprise takeover)
- Development of IT revolution
- Change of regulations and systems from global view point
- (Damage from the Great East Japan Earthquake)

Considering the subjects and environment

Mission

Being best partner that goes along with our customers

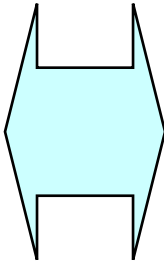
~Through offering sophisticated financial services,
contribute to our customers and region's revival and development ~

Summary of plan

By providing the group's comprehensive financial functions, we contribute to a revival and restoration of our customers and our regions, having trust with our customers.

11th Medium - term Business Plan

- ◆Name of the plan
Strategic plan for a strong management base
'J-CUBE'
- ◆Time frame
3 years (FY2011 - 2013)
- ◆Mission
Being best partner that goes along with our customers
~Through offering sophisticated financial services, contribute to our customers and region's revival and development ~
- ◆Basic strategies
 - Through expanding our customer procurement base, contribute to regional revival and development.
 - Through improvement of employees' capability at front, build a stable and sound management base.
 - Through enhancement of personnel capability, strengthen the power of the organization as a whole.



FY2013 targets (end of plan)

【Profits】

- Gross business profit \geq ¥120 billion
- Core business income \geq ¥ 50 billion
- Net income after tax (non consolidated)
 \geq ¥25 billion
- Net income after tax (consolidated)
 \geq ¥27 billion

【Efficiency indices】

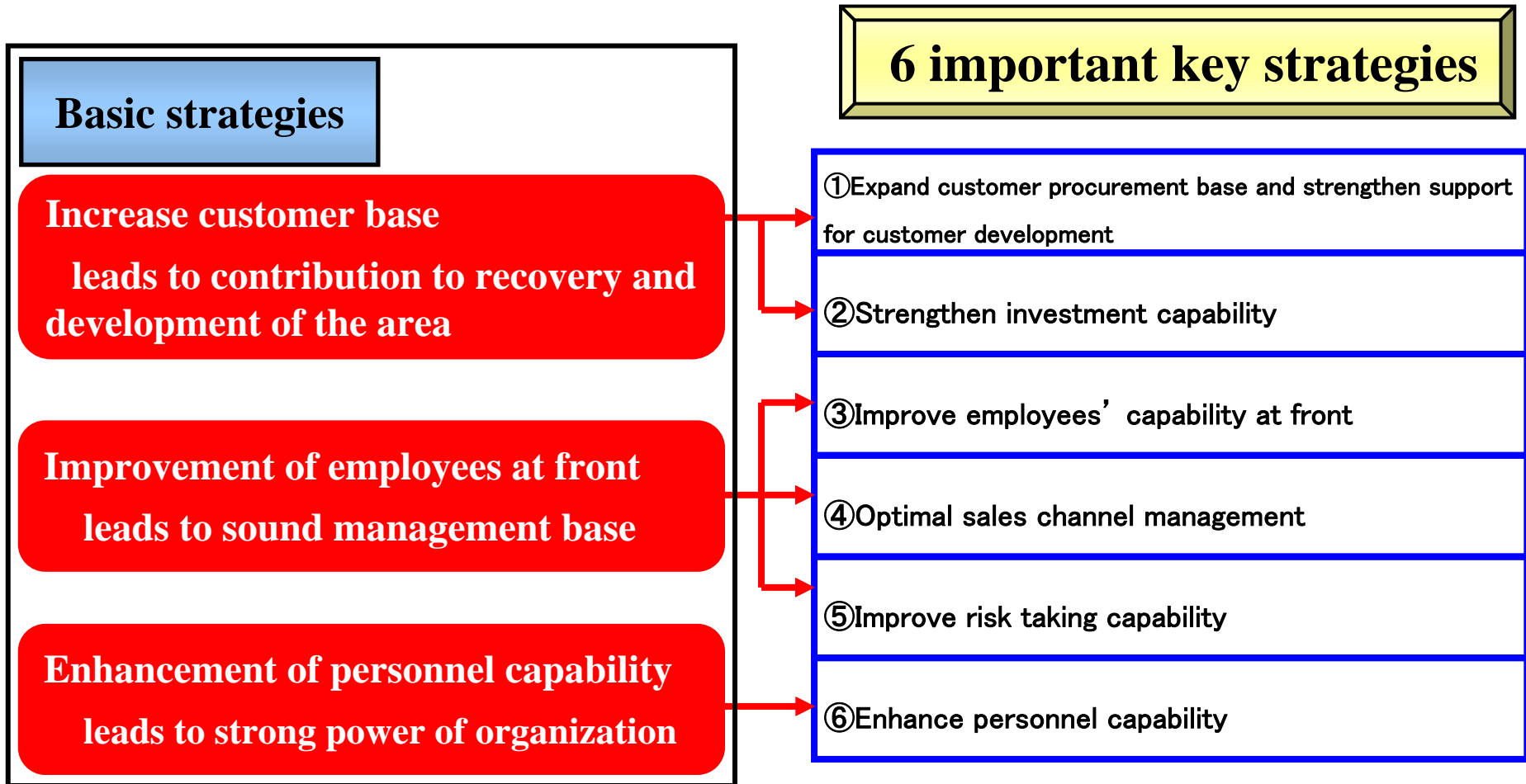
- OHR (Core net business income basis)
 Middle of 50%
- ROE Middle of 5%

【Soundness index】

- Core Tier I ratio c.12%

Basic strategies and supporting key strategies

Attain the mission through executing 6 important key strategies supporting 3 basic strategies.



Key strategy ① Expand customer base

and strengthen support for customer development

Through presence expansion and depth pursuit, aim to enhance customer procurement base. Based on strong customer base, contribute to revival and development of customers' life and corporate activities.

Expand customer procurement base

【 Ibaraki area 】 Strategies by region

【Tokyo/Osaka】

Area	Regions for depth pursuit	Regions for presence expansion	Strengthen RM, increase core customers
Method	<ul style="list-style-type: none"> ◆Strengthen promotions without draft ◆Enhance private customers' base based on life time value ◆Expand corporate customer base by industrial life stages 	<ul style="list-style-type: none"> ◆Expand customer base through increase in number of housing loans and corporate clients. ▪Establish new channels ▪Strengthen web sights to attract to branches ▪Increase personnel to key areas 	<ul style="list-style-type: none"> ◆Sustain/deepen relationship with large corporate in Tokyo ◆Expand customer base promoting sales to Ibaraki related companies and mid-sized companies
	<ul style="list-style-type: none"> ▪Smooth support of revival of life and corporate activities ▪Change of organizational structure based on regional strategies ▪Improve CS 		

Strengthen development support

【Private】	【Corporate】	【Public】
<ul style="list-style-type: none"> ◆Proper response to investment and takeover needs 	<ul style="list-style-type: none"> ◆Strengthening promotions in developing area and industries 	<ul style="list-style-type: none"> ◆Strengthening partnership
<ul style="list-style-type: none"> ◆Training employees with financial professional skill 		
<ul style="list-style-type: none"> ◆Seek to change HQ's organizational structure 		

Key strategy② Strengthen investment capability

Increase profit through strengthening loan sales and investment capability aiming for stable profitability.

【Strengthen loan procurement base】

【Ibaraki area】

【Tokyo/Osaka】

Area	Regions for depth pursuit	Regions for presence expansion	Strengthen RM, increase core customers
Method	<ul style="list-style-type: none"> ◆ Stable supply of funding to revive local economy ◆ Increase housing loans and apartment loans ◆ Strengthen consumer loan sales ◆ Reinforcing wholesale procurement base 	<ul style="list-style-type: none"> ◆ Increase housing loans and apartment loans ◆ Cultivate potential core corporate customers 	<ul style="list-style-type: none"> ◆ Cultivate medium sized companies to broaden core customer base ◆ Sustain and strengthen closer relationship with large companies through utilizing multi-meeting opportunities

【Strengthen investment capability】

• Increase profit through further portfolio revitalization

- Improve investment skills in financial market
 - Improve research skill for corporate bonds
- Further risk taking based on sufficient risk control

Key strategy③ Improve employees' capability at front

Through BPR, increasing efficiency of operation and sliming down headquarters. Improve employees' capability at front by increasing sales staffs and working time.

BPR project 'ZERO'

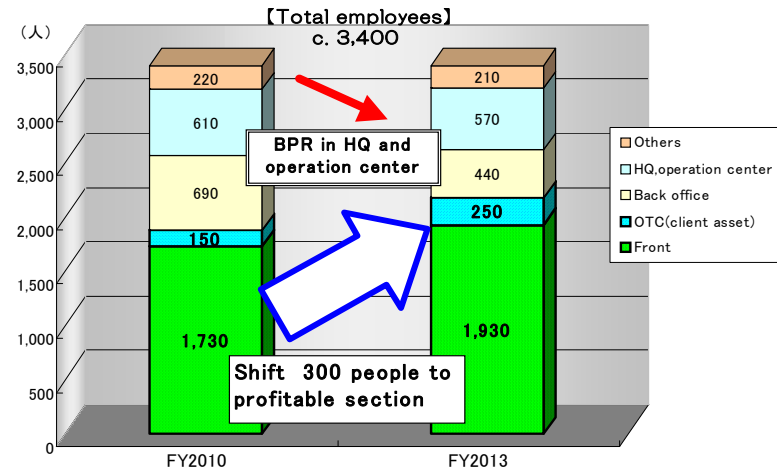
Drastic decrease in operation, execution of efficiency and correctness

⇒increase sales staffs and working time at front

- Improve process of operation and categorization
- Abolition/downsizing, centralized operation, internalization, IT utilization, improvement in complex operation
- Sales support
- Develop support tools, closer linkage between systems
- Small headquarters
- Decrease overlapped fields and inefficient operation

Improve problem solving capability

Human resources



【 Improve employees' capability at front 】

Enhance personnel capability strategy⑥

Change of corporate structure

1. Organizational structure based on regional differences
2. Improve infrastructure for strengthening comprehensive financial function, consulting function, and custody operation.

Key strategy④ Optimal sales channel management

By optimizing channel network, closer linkages among channels, strong internet banking, fulfill customers' various financial demands.

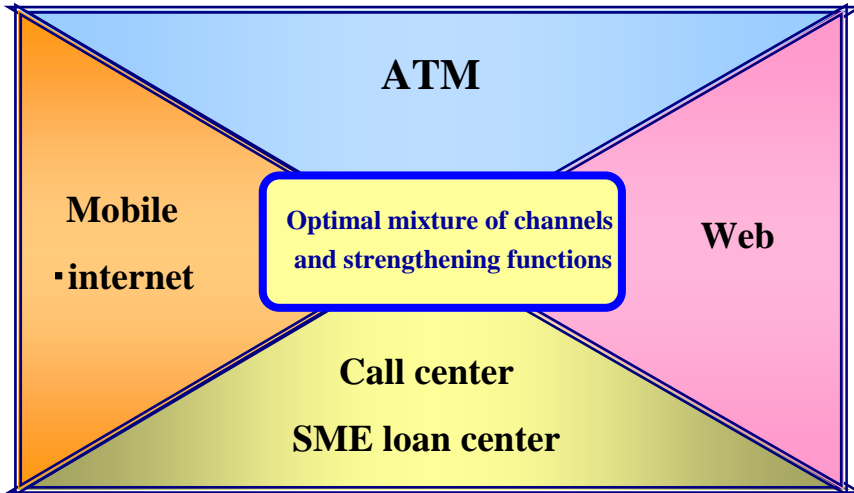
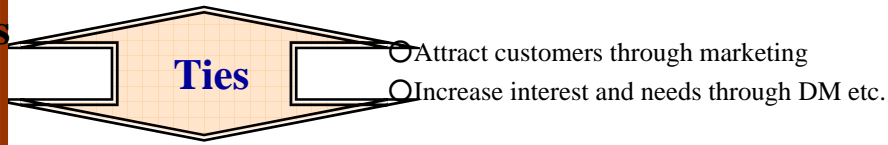
Optimizing channel network management

Closer linkage among channels

Branches (Sales force • OTC)

【Efficiency】
 Efficient channel management in relatively mature and deliberate region
 ⇒ Increase liaison officers in presence driven area

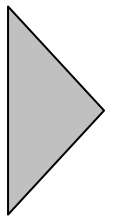
【Expansion】
 Increase new branches and loan specialized channels
 ⇒ Expand presence in Ibaraki area



Key strategy⑤ Improve risk take capability

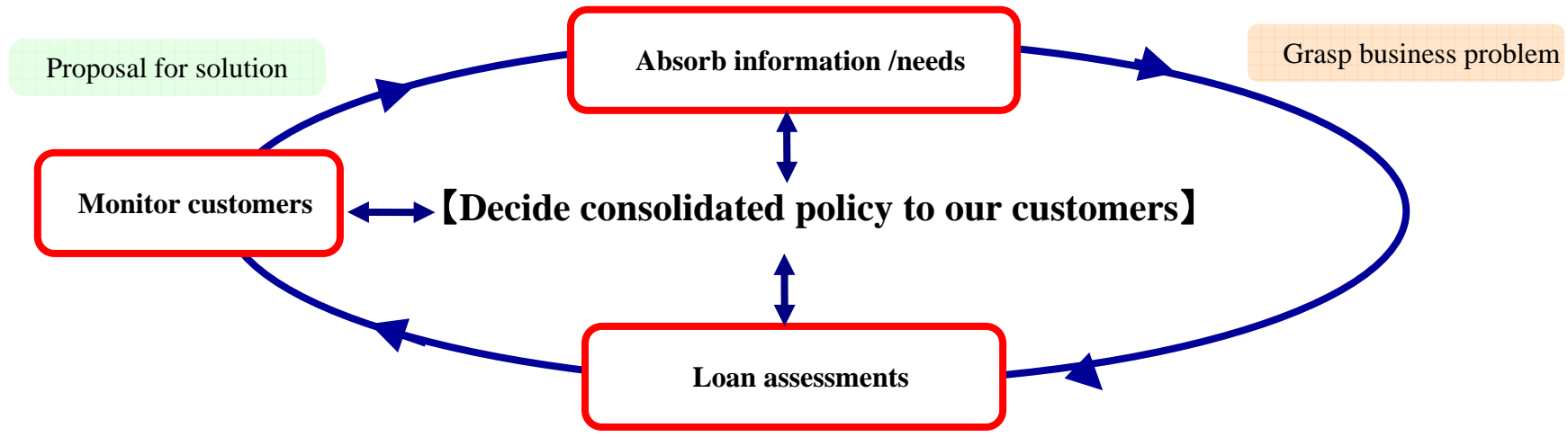
To build sound management base, improve risk taking capability based on sufficient risk control.

Active risk control, internal risk communication, strengthen BCM administration



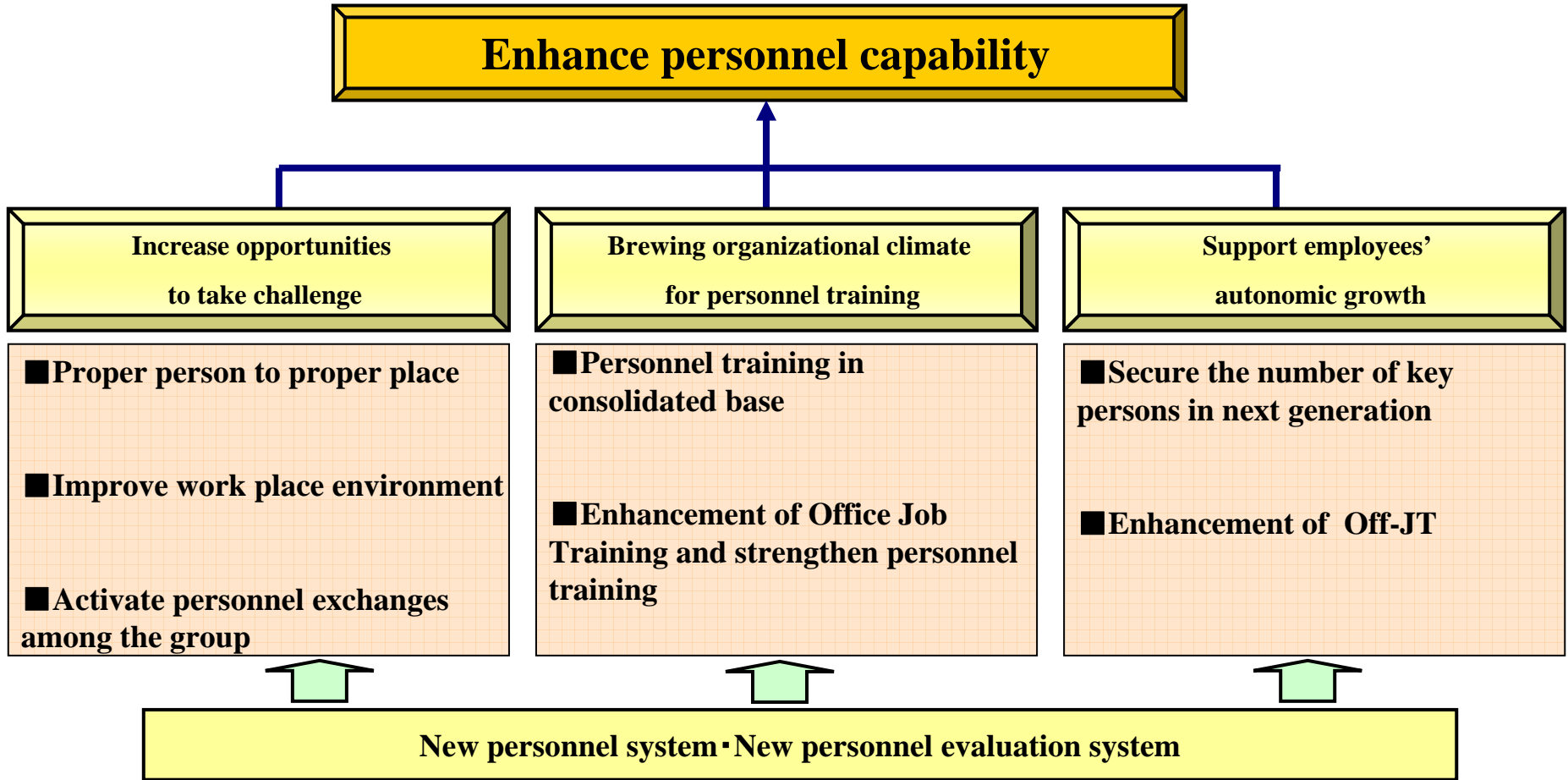
- Activate risk communication
- Verify and strengthen BCM administration
- Renovate internal project committee for responding to Basel III and IFRS properly etc.

Linkage among sales activity, loan assessment and credit monitoring
(Loan assessment procedure to know customers well)



Key strategy⑥ Enhance personnel capability

Supporting staffs' career development, allocating employees according to their skills and aptitude, offering opportunities to take challenges.



Financial targets and strategies

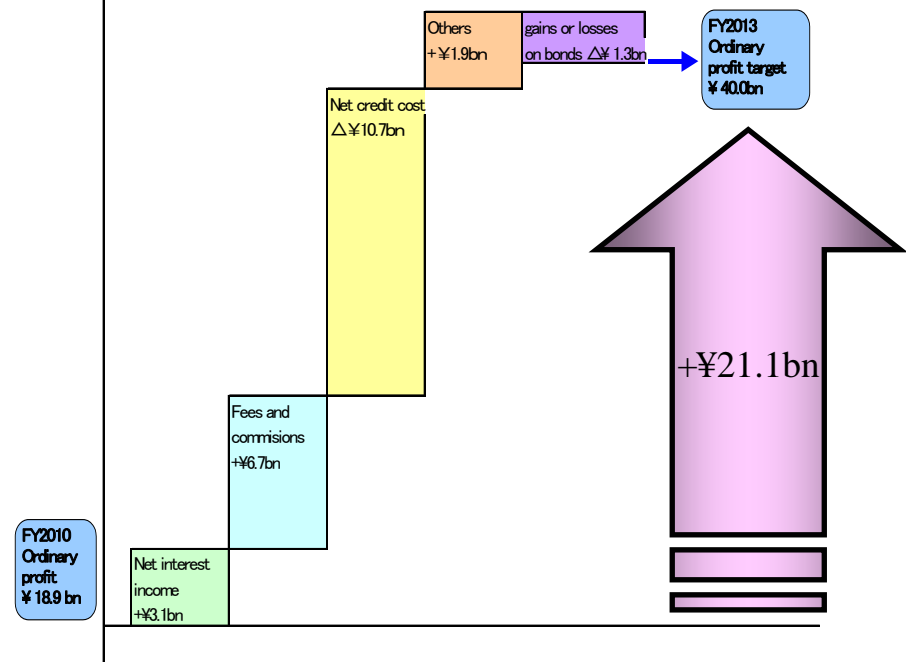
Business Targets (Bank, non consolidated)

- Core gross business profit \geq ¥120 billion
- Core net business income \geq 50billion
- Net income after tax(non consolidated) \geq ¥25billion
- Net income after tax(consolidated) \geq ¥27billion

	FY2010	FY2013 Targets
Gross business profit	¥115.8 billion	\geq ¥120 billion
Net interest income	¥98.9 billion	\geq ¥102 billion
fees and commissions	¥11.3 billion	\geq ¥18 billion
Core gross business profit	¥111.3 billion	\geq ¥120 billion
Expenses	¥69.6 billion	\geq ¥70 billion
Core net business income	¥41.7 billion	\geq ¥50 billion
Ordinary profit	¥18.9 billion	\geq ¥40 billion
Net income after tax	¥12.9 billion	\geq ¥25 billion
Net credit costs	¥20.7 billion	\geq ¥10 billion

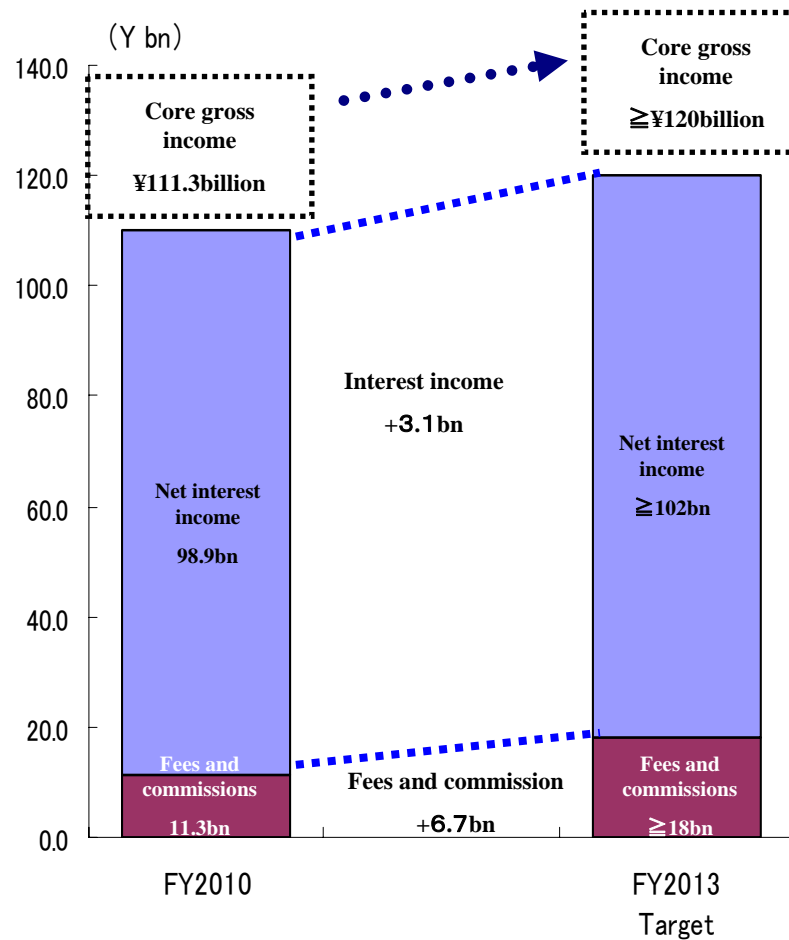
【Change of ordinary profit】

• Core gross business profit ¥120bn, core net business income ¥50bn, ordinary profit ¥40 bn



Gross income increase plan

Expand gross profit 'top-line' by Expanding presence and deepening of dealings.



○Increase interest income

▪ **Through presence expansion and depth pursuit, aim for stable increase in balance of loans and deposits.**

<Regions for presence expansion>

Housing loans, expansion of customer procurement base based on increase in the number of corporate with loans.

<Regions for depth pursuit>

Utilizing settlement service, strengthen cross selling both to consumer and corporate customers

▪ **Increase profit through securities portfolio revitalization.**

○Increase fees and commissions

▪ **Pursuing depth of relation, enhance newly developed areas such as securities and insurance.**

▪ **Through closer linkage among channels and increase in number of staffs, aim to improve sales promotion.**

<Private>Strengthen promotion for investment product sales through EBM approaches.

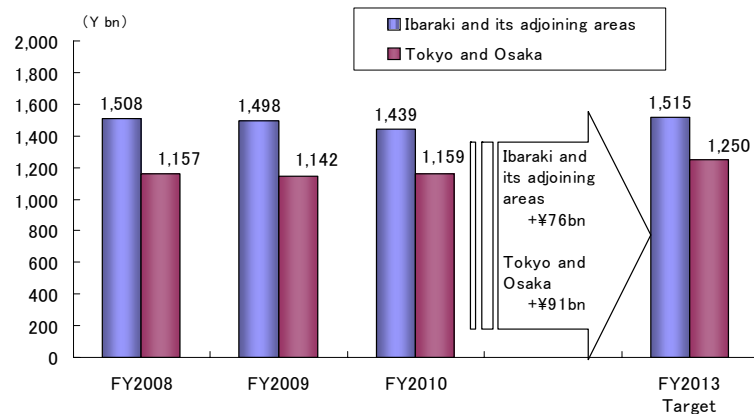
<Corporate>Attract settlement activities and strengthen multi product sales.

Increase loan portfolio

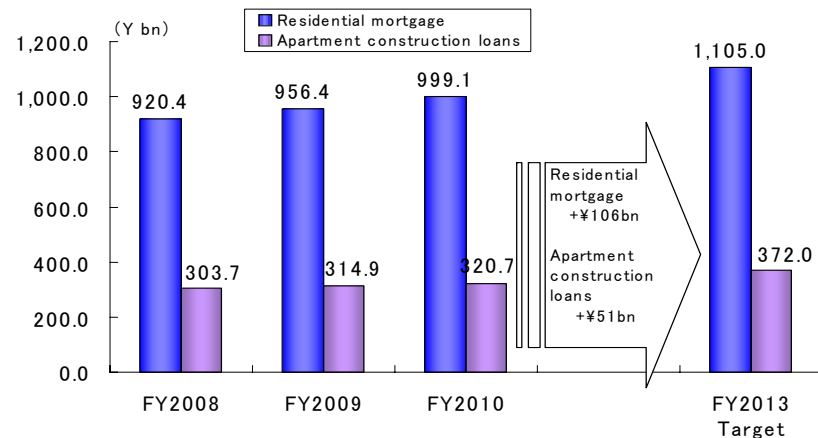
Attract corporate loans by broadening customer procurement base and responding to clients' industrial life stage.

Increase housing loans through new branches, more sales force and effective actions.

○Corporate loans (Average balance)



○Residential loans (Average balance)



【Targets】 Average loan balance in the bank's region(excluding Tokyo and Osaka.

At end of FY2013 ¥3.2 trillion (+¥0.3trillion compared with FY2010)

【Strategies】

- Increasing the number of corporate clients and expanding customer base
Increase sales staffs in key areas
- Responding to founding demands derived from clients' industrial life stage
Offering various funding methods, business matching, supporting foreign business operations
- Focus more on developing areas
Agriculture, manufacturing, medical, care, health, environment, energy
- Offering sophisticated financial services by all of Joyo group companies
Leasing, takeover, efficiency through IT, various proposals

【Targets】 Residential loans to execute

3 year period ¥550 bn

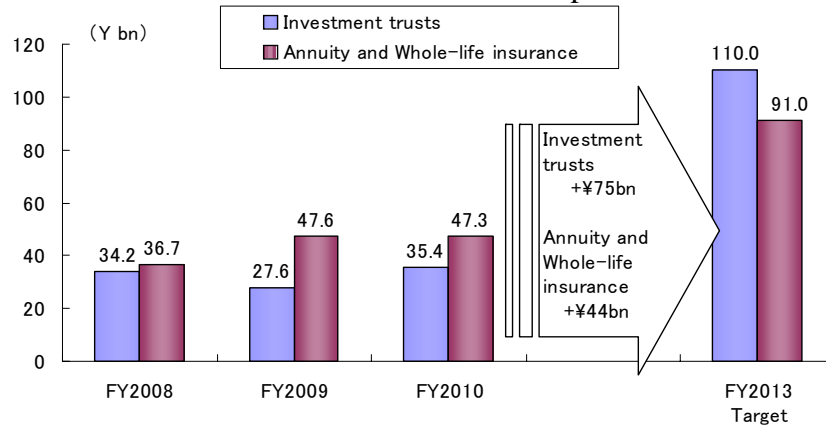
【Strategies】

- New branch establishment
Establish new loan plaza to respond to financing demands outside Ibaraki.
Strategically allocate additional sales force through BPR to key areas
Strengthen approaches to housing makers, personnel training
- Enhancement of action plans
Broaden product line-ups, attract customers through web sight, meet refinancing demands

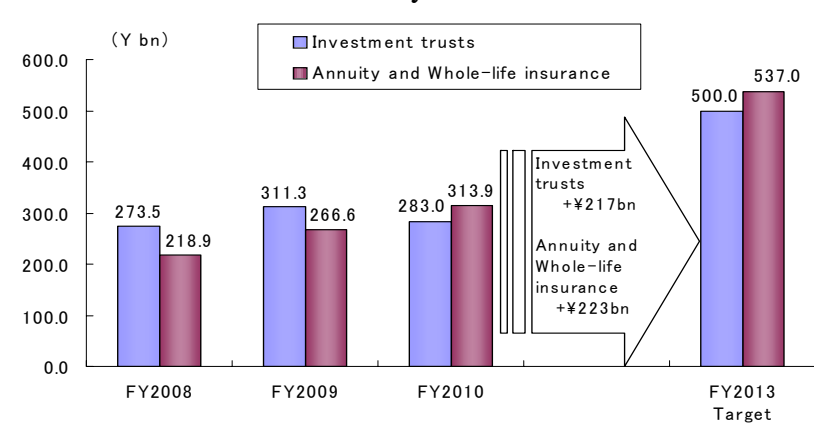
Increase investment product sales (Investment trusts, insurance etc.)

Increase profit through improving employees' capability at front and multi-channel linkage.

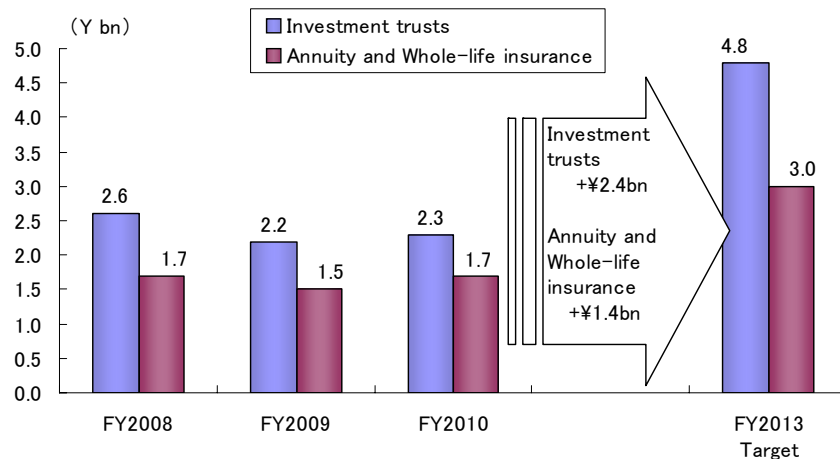
○Sales of Investment trusts and Insurance products



○Balance of Client asset custody



○Fees from Investment product sales



【Targets】 Balance of Joyo group's customer assets(※)
At end of Mar 2014 1.6trillion (+0.5trillion compared with 2011)

※including foreign deposit and OTC JGBs

【Strategies】

- **Improve employees' capability at front**
 Reallocate employees from back office to front through BPR
 Personnel training and utilization of SFAs
- **Close linkage among sales channels**
 Effective mixture of channels
 Attract customers to branches and buy products under channel linkage
- **Utilize subsidiaries**
 Enhance proposals through mutual relationship between bank and securities company

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