



HAMAMATSU IWATA SHINKIN BANK

# Annual Report

Fiscal year ended March 31, 2019

# 2019

## Hamamatsu Shinkin Bank (Hamashin) and Iwata Shinkin Bank (Iwashin) joined forces and made a new start as HAMAMATSU IWATA SHINKIN BANK.

Aiming to realize a sustainable society, the Bank will provide even more diverse and higher quality services to local customers.



Our logo mark features a cheer flag flying strongly in the wind. The mark embraces our desire to support the dream of each customer and send a tailwind toward a bright future.

## About Hamamatsu Iwata Shinkin Bank

Established in 1950, Hamamatsu Iwata Shinkin Bank (the Bank) is a *shinkin* bank headquartered in Naka-ku of Hamamatsu City in Shizuoka Prefecture. With western Shizuoka Prefecture, centering on Hamamatsu, as its business area, Hamamatsu Iwata Shinkin Bank ranks number one in terms of the volume of deposits and loans among the nine *shinkin* banks within Shizuoka Prefecture. Western Shizuoka Prefecture is situated in the geographic center of Japan and is noted for its mild climate, attributes that have helped spur the development of a diverse range of industries in the region over many years. Renowned as

the birthplace of such leading companies as Suzuki Motor Corporation, Yamaha Corporation and Honda Motor Co., Ltd., this region has witnessed the development of such industries as the automobile, musical instruments and machinery and metals industries, and has supported Japan's economy as a manufacturing hub. Hamamatsu, the location of our Head Office, is also home to numerous manufacturing plants and has attracted a large number of expat workers from overseas countries, which gives the city a rich international flavor.

### Outline of Hamamatsu Iwata Shinkin Bank (As of March 31, 2019)

**Head Office:** 114-8 Motoshiro-cho, Naka-ku, Hamamatsu, Shizuoka 430-0946, Japan

**Established:** April 10, 1950

**Deposits:** ¥24,143 billion  
(including certificates of deposit)

**Loans and Bills Discounted:** ¥12,287 billion

**Share Capital:** ¥2.36 billion (123,030 members)

#### Number of Employees:

Hamamatsu Iwata Shinkin Bank (non-consolidated): 1,863

Hamamatsu Iwata Shinkin Bank Group (total): 1,975

#### Number of Branches:

92 branches and 77 external ATM corners

#### Principal Business Operations:

Deposits, loans, investments in marketable securities, domestic exchange, foreign exchange, agency business

#### Business Region:

##### Shizuoka Prefecture

Hamamatsu City, Iwata City, Fukuroi City, Kosai City, Kakegawa City, Omaezaki City, Kikugawa City, Makinohara City, Shimada City (ex Kawane-cho is excluded), Shuchi-gun, Yoshida-cho (Haibara-gun)

##### Aichi Prefecture

Toyohashi City, Kitashitara-gun (ex Shitara-cho is excluded)

#### Overseas Office:

Bangkok Representative Office



## Management Philosophy

Hamamatsu Iwata Shinkin Bank Will Work toward the Realization of a Sustainable Society by Bringing Happiness to Customers and Vitalizing the Region.



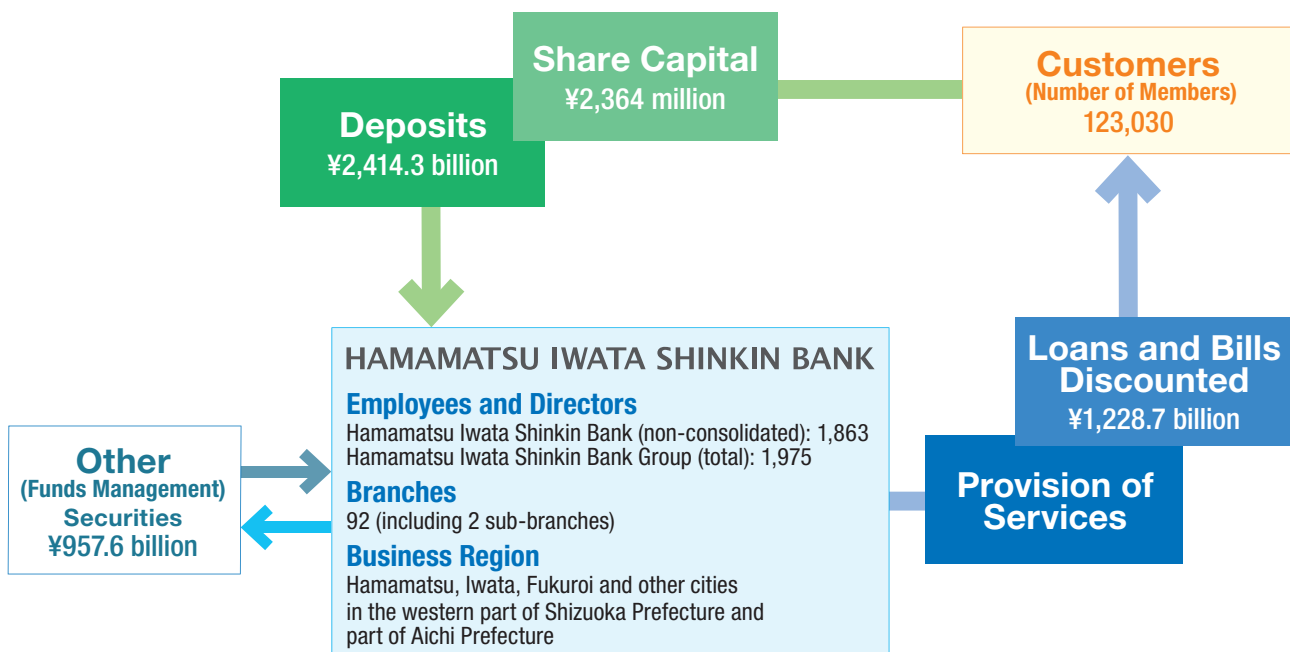
## What Is the *Shinkin* Bank?

The *shinkin* bank is a financial institution that operates within a limited area and serves local residents and small- and medium-sized enterprises in the area. Unlike a commercial bank, which is a joint stock company, it is a cooperative financial institution operating with capital contributions from its members and under the fundamental principle of being not-for-profit and providing mutual cooperation and solidarity.

Working closely with local communities and acting first and foremost for the promotion of regional development is what the *shinkin* bank does and our raison d'être.

## Flowing Back Local Funds to Local Communities

We use funds entrusted to us from local customers to finance funding needs of other local customers for developing businesses or leading enriching lives. Going beyond just providing financial services, we act as a community member and engage in a broad range of activities for community vitalization.



# Hamamatsu Iwata Shinkin Bank Corporate History

## Hamashin Corporate History

<b>April 1950</b>	Hamamatsu Credit Association established in accordance with the Small- and Medium-Sized Enterprise Cooperatives Act
<b>May 1950</b>	Head Office opened in Renjaku-cho (near the present Renjaku post office) and business commenced
<b>November 1951</b>	Reorganized as a <i>shinkin</i> bank and became Hamamatsu Shinkin Bank along with the enforcement of the Shinkin Bank Act
<b>December 1952</b>	Head Office moved to Tenma-cho (location of the current Tenma-cho Branch)
<b>March 1962</b>	Established the Hamamatsu Shinkin Bank Basic Policies
<b>October 1968</b>	Computers introduced and offline processing begins
<b>October 1969</b>	Head Office moved to newly constructed building in Motoshiro-cho
<b>December 1974</b>	Deposits reach ¥100.0 billion
<b>October 1977</b>	Operation Center moved to newly constructed building
<b>April 1978</b>	Logo mark established
<b>October 1981</b>	Third online system goes into operation and installation of automated teller machines (ATMs) commenced
<b>June 1987</b>	Hamashin Recreation Center completed
<b>October 1989</b>	Deposits reach ¥500.0 billion
<b>April 1992</b>	Hamashin Consultation Plaza opened in Nakazawa-cho as a specialized consultation counter
<b>May 1997</b>	Hamashin website established
<b>August 1998</b>	Internet banking (home banking/firm banking) transactions commenced
<b>December 1999</b>	Deposits reach ¥1,000.0 billion
<b>April 2000</b>	Marked the 50th anniversary of our establishment
<b>April 2006</b>	Established the Hamamatsu Shinkin Bank Basic Principles (revised version of the Basic Policies established in 1962)
<b>July 2007</b>	Held the 1st Hamashin Business Matching Fair
<b>October 2007</b>	Established the Shizuoka Prefecture Western Region Shinkin Economic Research Institute jointly with Enshu Shinkin Bank
<b>November 2008</b>	Held the 1st Sanen-nanshin Shinkin Summit and the Sanen-nanshin Shinkin Product Exhibition
<b>January 2009</b>	Became a member of the Tokai Region Shinkin Joint Business Center and online system modified
<b>April 2010</b>	Marked the 60th anniversary of our establishment
<b>January 2014</b>	Opened Bangkok Representative Office, the first overseas office
<b>June 2015</b>	Opened a new branch with full banking capabilities (Fukuroi Branch) for the first time in 18 years

## Iwashin Corporate History

<b>April 1950</b>	Iwata Credit Association established in accordance with the Small- and Medium-Sized Enterprise Cooperatives Act
<b>May 1950</b>	Head Office and Mitsuke Branch opened in Nakaizumi and Mitsuke, respectively, in Iwata City
<b>November 1951</b>	Reorganized as a <i>shinkin</i> bank and became Iwata Shinkin Bank along with the enforcement of the Shinkin Bank Act
<b>May 1955</b>	Head Office newly constructed in front of Iwata Station
<b>February 1963</b>	Business region expanded to Toei-cho, Toyone-mura, Tomiyama-mura and Tsugu-mura in Kitashitara-gun, Aichi Prefecture
<b>August 1966</b>	Business region expanded to Hamamatsu City and Kami-mura in Hamana-gun
<b>May 1968</b>	Computers introduced and a centralized business processing system established
<b>November 1971</b>	Computer Center newly constructed
<b>April 1975</b>	Online deposit processing started among all branches
<b>August 1979</b>	Deposits reach ¥100.0 billion
<b>November 1986</b>	Operation Center moved to newly constructed building
<b>June 1995</b>	Iwashin Consultation Center opened
<b>January 1997</b>	Held a corporate image (CI) presentation meeting / logo mark established
<b>September 1997</b>	Young Business Managers' Association Success 21 established
<b>January 1999</b>	Handling of fund transfers over the Internet started
<b>December 2001</b>	Deposits reach ¥500.0 billion
<b>May 2003</b>	Became a member of the Tokai Region Shinkin Joint Business Center
<b>April 2004</b>	Operations using a mobile banking vehicle launched for the first time among <i>shinkin</i> banks
<b>May 2005</b>	Held the First Iwashin Ai Ai Concert
<b>June 2010</b>	Held the First Seminar on Brazil's Economy
<b>December 2010</b>	Publication of <i>i Zoom</i> , Iwashin's magazine to discover regional attractiveness, started
<b>May 2014</b>	Iwashin's intellectual property study group called i Cube established
<b>May 2015</b>	Regional Revitalization Strategy Promotion Desk established
<b>April 2016</b>	Iwashin Business Start-up Support Desk established
<b>December 2016</b>	Deposits reach ¥700.0 billion

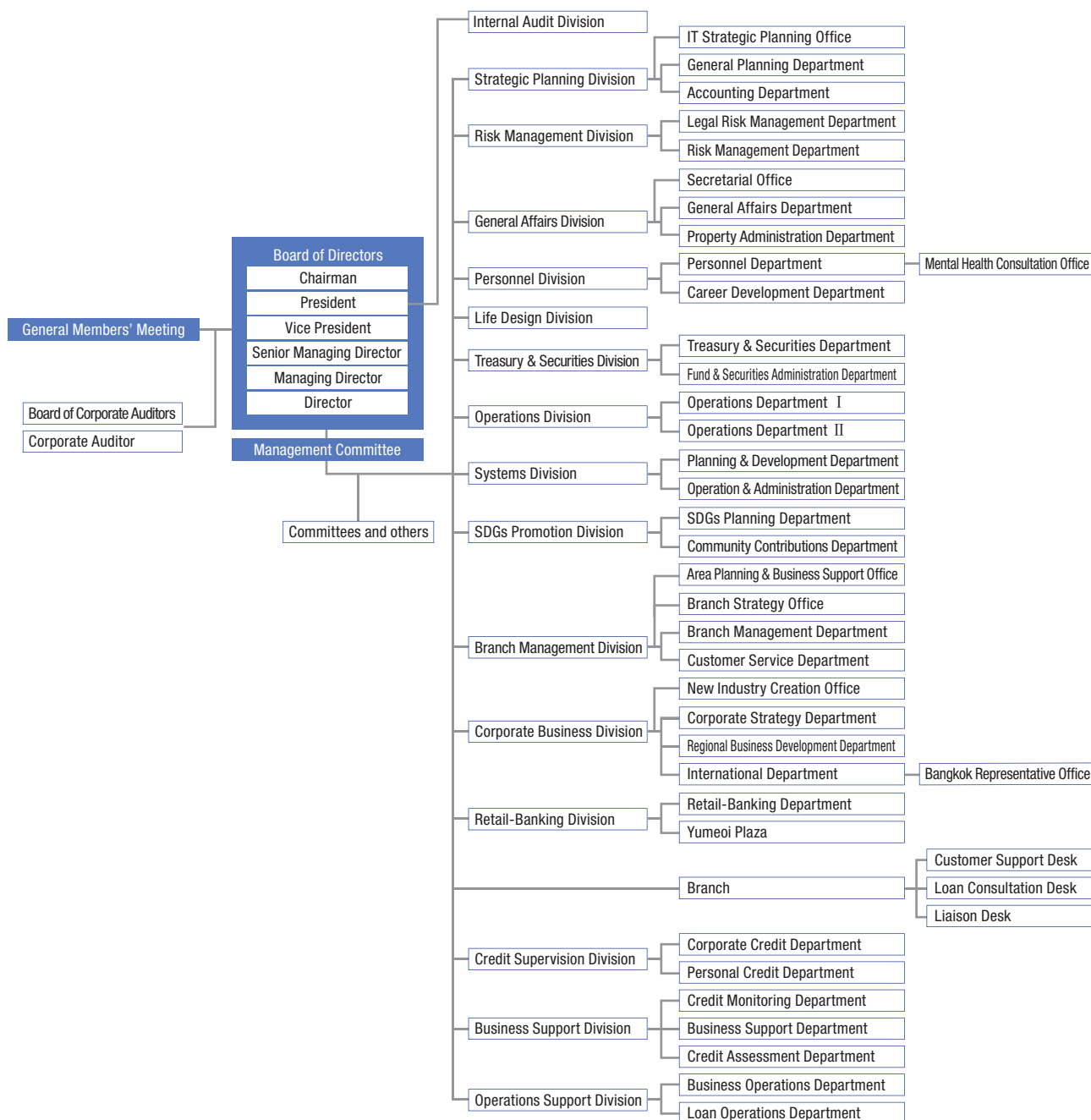
**September 2017**  
**October 2018**

**Basic merger agreement concluded**  
**Logo mark and corporate message announced**

**January 21, 2019 HAMAMATSU IWATA SHINKIN BANK established**

# Organization Chart

As of July 1, 2019



## Board of Directors and Corporate Auditors

As of July 1, 2019

President **Kenichiro Mimuro**  
 Deputy President **Hirohisa Takayanagi**  
 Chairman **Shozo Takagi**  
 Senior Managing Director **Masahiko Tsujimura**  
 Managing Director **Masanori Takahashi**  
 Managing Director **Masayuki Mizuno**  
 Managing Director **Seidai Hirai**  
 Director **Toshiharu Suzuki**  
 Director **Hisao Miwa**

Director **Toru Sato**  
 Director **Tomoo Takahashi**  
 Director **Kazuhiro Hashishita**  
 Director **Hiroaki Matsushima**  
 Director **Mutsumi Muramatsu**  
 Director **Shinichi Horisaki**<sup>1</sup>  
 Director **Hiroyasu Hanba**  
 Director **Takahiko Shimizu**  
 Director **Masayuki Sano**

Director **Michio Inagaki**  
 Director **Shoji Sato**  
 Director **Hideto Tago**<sup>1</sup>  
 Standing Corporate Auditor **Yasuyuki Kawaguchi**  
 Standing Corporate Auditor **Masataka Shimaoka**  
 Corporate Auditor **Kenichi Suzuki**  
 Corporate Auditor **Naojiro Suzuki**  
 Corporate Auditor **Naoko Tatsumi**<sup>2</sup>

<sup>1</sup> Shinichi Horisaki and Hideto Tago are outside directors appointed as provided for in the Industrial Agreement on Measures to Improve the Functionality of General Members' Meeting adopted within the *shinkin* bank industry.

<sup>2</sup> Naoko Tatsumi is an outside corporate auditor appointed as provided for in Article 32-5 of the Shinkin Bank Act.

# Review of Operations

## Fiscal 2019 Business Policies and Initiatives

### 1. Realize a customer-first business model

- Taking a back-to-basics approach to promoting customer-first business activities, we further strengthened our customer contact through a broader range of transactions and support. Specifically, while instilling a branch performance evaluation system that focuses on the process of activities and using the strengthening and deepening of customer contact as a measure to gauge the performance of the entire branch, we promoted activities to understand the business of each business operator customer as well as sales activities to offer solutions to their issues. Additionally, as our customer-first business operations policy, we provided products and services from the perspective of customers in accordance with the principle of fiducial duty.
- In the area of business processing re-engineering (BPR), we implemented various systems, including a system to assist loan decision-making and a system of tablet devices for over-the-counter services, in a phased manner as part of our efforts to establish a business foundation for the creation of shared value.
- To achieve a work-life balance and improve personal skills and qualities, we went a step beyond the conventional time management and shifted our focus to improving the productivity of individuals. We worked to increase personal skills and qualities by encouraging employees to use the extra time resulting from the improved productivity for self-development and other activities for enriching their personal lives.
- As a step to expand our business domain to become an integrated services provider, we established the IT Strategic Planning Office and Solutions Development Center in April 2018. The IT Strategic Planning Office, set up within the Strategic Planning Division as a core team to promote the Bank's IT strategies, has been examining new services using FinTech. The Solutions Development Center was established within the Branch Management Division with the aim of further strengthening the functions of the three sales divisions, namely the Branch Management Division, Corporate Business Division and Retail-Banking Division, to realize a customer-first sales structure. The Center has been developing a menu of various solutions and reinforcing the development of sales personnel.

### 2. Establish a structure to fully prepare for the merger

We implemented the following measures to establish a structure to fully prepare ourselves for the merger.

- We initiated preparations for the merger in September 2017 to promote smooth integration efforts. As specific examples, we established 10 expert committees to examine and determine practical integration plans in each business area and the Merger Preparations Office as a standing body to manage the overall progress of integration efforts and conduct general coordination among the special committees. We also established the Merger Council, and as its subordinate body, the Merger Preparations Committee mainly consisting of the representative directors of the two banks in charge of merger promotion and the heads of the special committees. Through the two organizations, we discussed important matters concern-

ing the merger and shared the understanding on the progress in merger promotion.

- To ensure smooth and robust business processing after the merger, we provided training to Iwashin employees who were required to learn new business procedures. The training included group training; practical training, in which Iwashin employees actually engaged in business operations at Hamashin branches; and self-learning programs. In order to set aside enough time for the training, Hamashin employees were dispatched to Iwashin branches to provide business operations support.
- For announcing and explaining the merger to customers, we sent a notice of the merger to all customers in October 2018 and at the same time opened a dedicated call center. In parallel, we proactively disseminated relevant information and the new corporate image after the merger by posting notices at the counter and ATMs and through visits to customers and the media.
- To realize the intent of the merger, we worked to share and instill the Management Philosophy and Management Policy of the new bank, which is to "provide quality services and problem-solving functionality to help resolve various issues of local small- and medium-sized business operators and community members by leveraging the individual strengths of the two banks to generate synergy."

## Economic and Financial Environment in Fiscal 2019

### Economic conditions

During the fiscal year ended March 31, 2019, the Japanese economy remained on a modest recovery path overall, even though there was a temporary downturn resulting from natural disasters that occurred one after another during the summer. Backed by sound economic growth abroad, record-high corporate earnings pushed up capital investment and continued to spur an improvement in the employment and income situations, which in turn, led to a continued recovery in consumer spending. In our business region as well, exporting companies in the region's core industries, including automobiles, showed strong business performance, driving sound economic growth of the entire region.

### Industry trends in the Bank's business region

In the automobile industry, one of the region's core industries, the global trend toward vehicle electrification and the subsequent reduction in the number of automotive parts have been causing a considerable impact on suppliers, and such a change in the industrial structure has given rise to concerns over an economic contraction and declining employment in the region. The external environment facing regional financial institutions has also been undergoing major changes, such as the emergence of new companies providing FinTech and other new financial services.

Amid these changes, we, as a regional financial institution, intend to become a partner truly needed in the region. In doing so, we will create universal value to customers and local communities and work toward the creation of a society that can achieve sustained growth over the long term.

# Initiatives Related to the Sustainable Development Goals (SDGs)\*

Under the belief that we, either the entire Bank or each employee and director making up the Bank, are integral to local communities, society, and ultimately, the world, we will strive to achieve the global goal of realizing a sustainable society in which no one is left behind.

In doing so, we position the United Nations' Sustainable Development Goals (SDGs) at the heart of our Management Philosophy and declare that we will make a broad range of efforts to help resolve social issues while pursuing sustainable growth of our own.

## Universal Value Declaration -SDGs Action Declaration of Hamamatsu Iwata Shinkin Bank-

Formulated on January 21, 2019

### 1 Respect people

We work to create a rewarding workplace environment, in which all persons can demonstrate their personalities and capabilities to the fullest, through work style reforms, improvement of a work-life balance, promotion of diversity and other means. Through the exercise of our financial intermediary function, we also contribute to the resolution of social issues, including protection of human rights and support for socially vulnerable people.

### 2 Respect local communities

We seek to attain sustainable growth of local communities, that of our customers and our own by increasing the regional attractiveness and value. Specifically, we commit ourselves to achieving growth of regional industries, increasing the added value of corporate customers and realizing affluent lives for individual customers. We also engage in activities to conserve the local natural environment and increase community readiness to disasters to help create sustainable cities and communities.

### 3 Tackle global issues through efforts to resolve local issues

By exercising our financial intermediary function, we implement specific measures locally and at the same time contribute to the resolution of global issues, such as curbing of global warming and conservation of biodiversity.

### 4 Broaden and spread activities

We strive to cultivate a better recognition and understanding of the SDGs among customers as well as our employees and directors and aim to broaden and spread relevant activities by supporting customers' SDGs-related efforts.

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



\* The 2030 Agenda for Sustainable Development adopted by the United Nations member states in September 2015, comprising 17 goals and 169 targets for eliminating poverty, reducing inequalities, engaging in decent work and protecting the environment. Under the pledge of leaving no one behind, this action plan aims to create a sustainable society by specifying clear goals and global priority issues for resolution by 2030 and by calling for proactive action of governments, companies and citizens.

## About Shinkin Central Bank

Shinkin Central Bank (SCB), established in 1950, is a cooperative financial institution serving as the central bank for *shinkin* banks in Japan. Its name was changed from the Zenshinren Bank to Shinkin Central Bank on October 1, 2000, and its preferred shares were listed on the Tokyo Stock Exchange on December 22 of the same year. SCB is one of the largest and healthiest financial institutions in Japan, with total assets amounting to ¥3.9 trillion, the capital adequacy ratio (non-consolidated, domestic standard) standing at 24.48% and the ratio of bad loans standing at 0.34%. It is also one of the few financial institutions to issue debentures. SCB works closely together with its member *shinkin* banks while assuming three roles, specifically as the central bank of *shinkin* banks, as an institutional investor and as a regional financial institution.

\* Total assets, the capital adequacy ratio (non-consolidated) and the ratio of bad loans are as of March 31, 2019.

## Corporate Data of Shinkin Central Bank

Name	Shinkin Central Bank
Established	June 1, 1950
Number of Employees and Full-Time Directors	1,198 (including 13 full-time directors)
Network	Domestic: 14; Overseas: 5*
Total Assets	¥39,432.7 billion
Paid-in Capital	¥690.9 billion
Capital Adequacy Ratio	24.48% (non-consolidated, domestic standard)
Number of Member <i>Shinkin</i> Banks	259

\* Including Shinkin International Ltd.

(As of March 31, 2019)



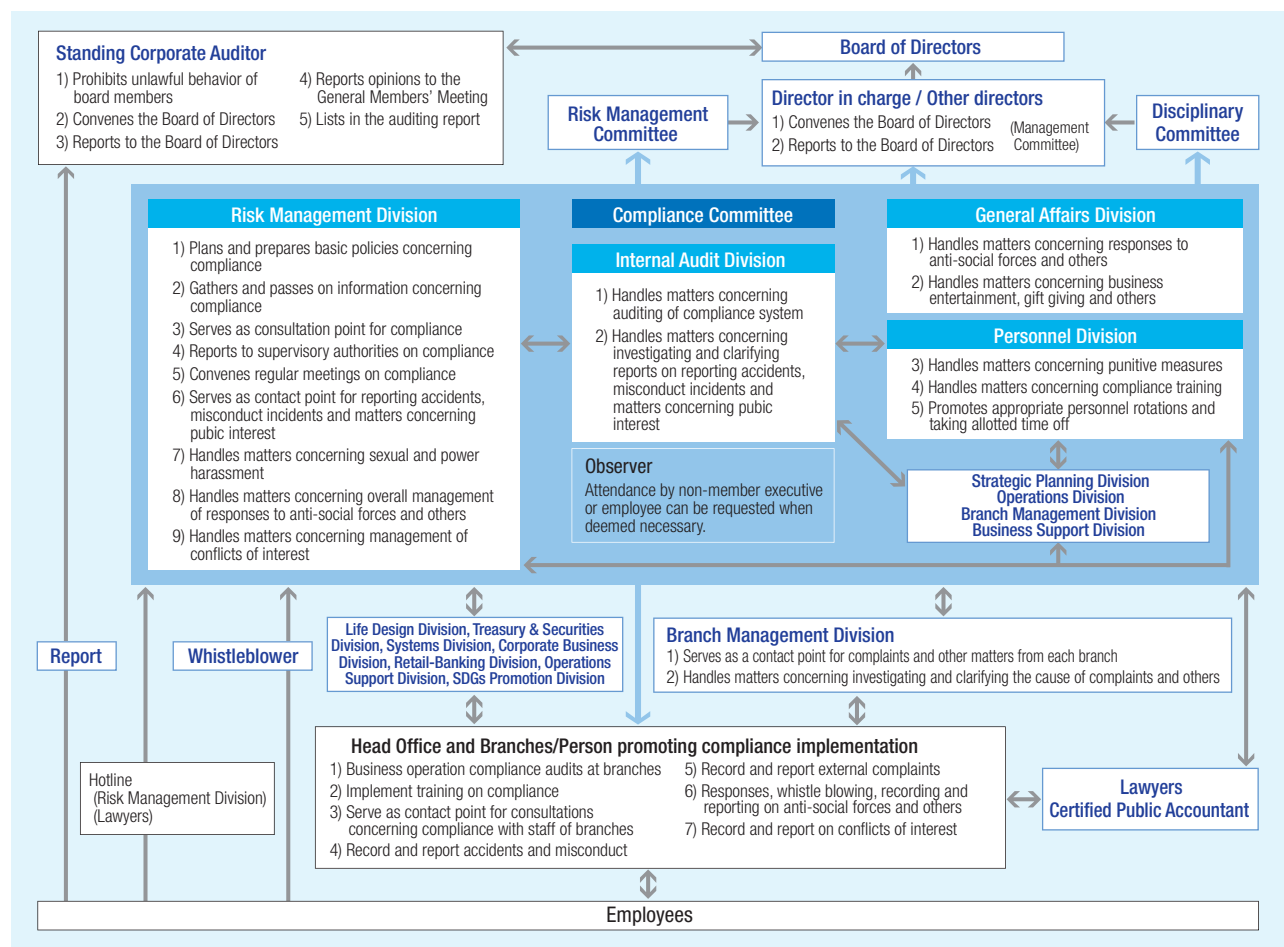
# Compliance

## Compliance System

As of July 1, 2019

Compliance involves observing various rules beginning with a series of laws and regulations as well as social norms in carrying out daily operations. Hamamatsu Iwata Shinkin Bank designates

thorough compliance as a top management issue and is working to strengthen its compliance system with the aim of becoming a financial institution earning greater trust from customers



### Financial Products Solicitation Policy

Pursuant to the Act on Sales, etc. of Financial Instruments, the Bank observes the following practices when marketing financial products and ensures the appropriateness of its solicitation activities.

1. We explain financial products and provide relevant information to customers in a manner suitably matched to their levels of knowledge and experience, status of assets and purposes of individual transactions.
2. Our solicitation activities are such that customers select and purchase a financial product based on their own judgment. We explain important matters concerning the product and help them make appropriate judgment.
3. We endeavor to conduct solicitation in an honest and fair manner, and in order to avoid providing factually inaccurate explanations and causing misunderstanding, work to raise the knowledge level of our employees and directors through

training and other means.

4. We do not conduct solicitation at times or places that are inconvenient to customers.
5. Please make an inquiry through our contact point if you have any comment or suggestion about our solicitation activities for sales of financial products.

### Business Continuity Plan

The Bank's financial services are a function essential to local communities, and we recognize that one of our social roles is to continue business operations and make a contribution as a community member even during a major disaster. Accordingly, we position the establishment and upgrading of a business continuity system as another top management issue and have formulated a basic policy concerning the matter. We will formulate, constantly upgrade, maintain and manage a business continuity plan that encompasses a contingency plan.



### Privacy Policy

Placing the highest priority on gaining trust from customers and with a view to ensuring proper protection and utilization of their personal information and personal identification numbers (collectively, "personal information"), the Bank complies with the Act on the Protection of Personal Information (Act No. 57 of May 30, 2003), the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (Act No. 27 of May 31, 2013), the Guidelines for Personal Information Protection in the Financial Fields and other applicable laws and regulations. While constantly improving our legal compliance posture, we also strive to maintain the confidentiality and accuracy of the personal information we handle.

We publicize our Privacy Policy on our corporate website and in other places to show our commitment to the protection of personal information and pledge continuous improvements to the public.

### Basic Policy on Handling of Anti-Social Forces

To block and eliminate any relationship with anti-social forces, which are a threat to the public order and safety and hamper sound economic and social growth, we formulate and comply with a Basic Policy on Handling of Anti-Social Forces. We publicize our Basic Policy on Handling of Anti-Social Forces on our corporate website and in other places.

## Overseas Business Support Services

### Overseas Business Support Center

The Overseas Business Support Center collaborates with such external support organizations as the Japan External Trade Organization (JETRO), local governments and Shinkin Central Bank (SCB) to offer overseas business support services matched to customer needs. Our service lineup includes providing information on local business and other conditions and assisting in the formulation of plans for setting up operations overseas.



Hamamatsu Iwata Exchange Meeting held in Jakarta

### Bangkok Representative Office

In January 2014, Hamamatsu Iwata Shinkin Bank opened a representative office in Bangkok, Thailand, a city expected to serve as a business hub in Asia. The office provides various support services, including providing information on Thailand and neighboring countries, assisting with site visits and providing referrals to local experts and supporting organizations.



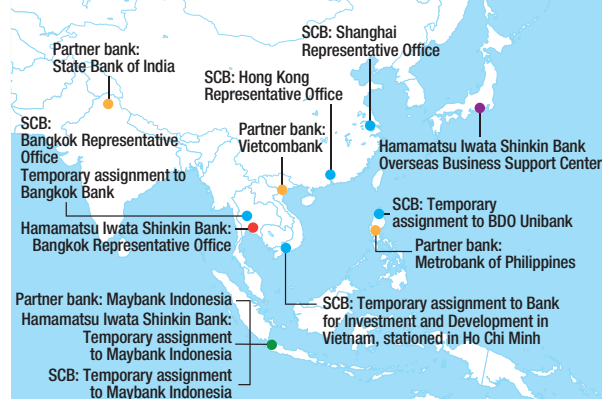
#### Bangkok Representative Office

Address: 19th Floor, 1901, Athenee Tower, 63 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand

TEL: +66-(0)2-168-8303 FAX: +66-(0)2-168-8305

#### Number of support cases for overseas business advancement and trade: 192

#### Hamamatsu Iwata Shinkin Bank's Network in Asia

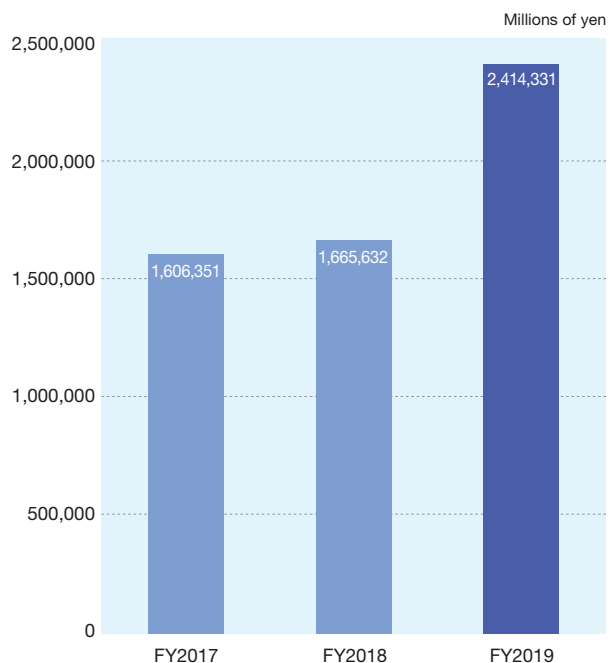


#### Bangkok Representative Office Location



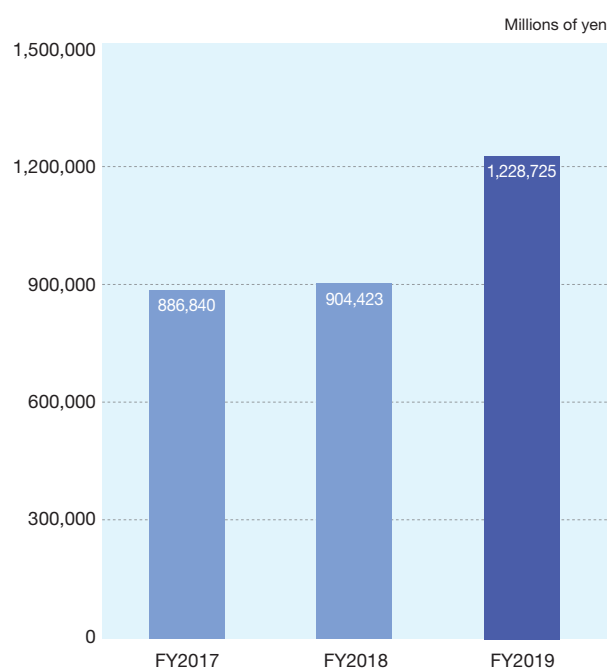
# Business Results

## Balance of deposits (including certificates of deposit)



The data for fiscal 2017 and 2018 represents the figures of the former Hamashin.

## Balance of loans and bills discounted

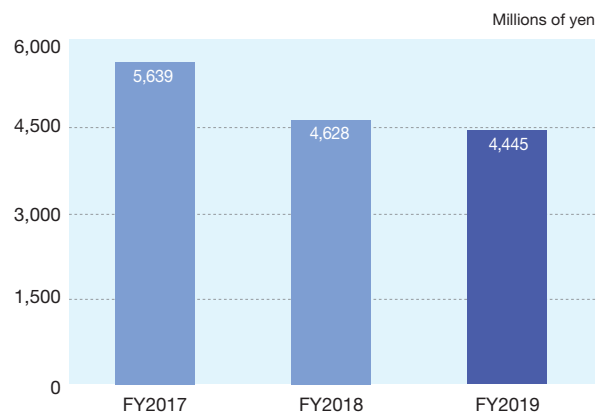


The data for fiscal 2017 and 2018 represents the figures of the former Hamashin.

## Growth in profits

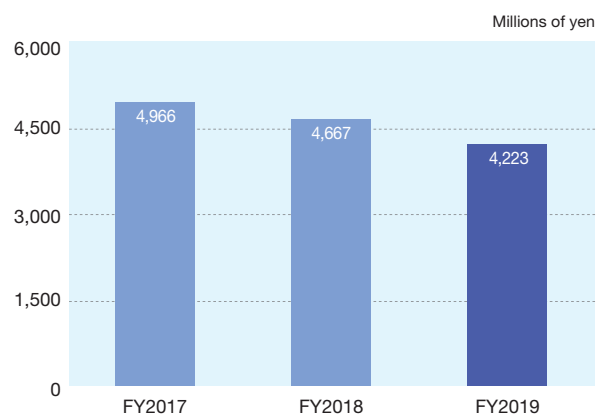
We posted net income of ¥2.7 billion, and net business profit, which is obtained through our main business, amounted to ¥4.4 billion.

### Net business profit



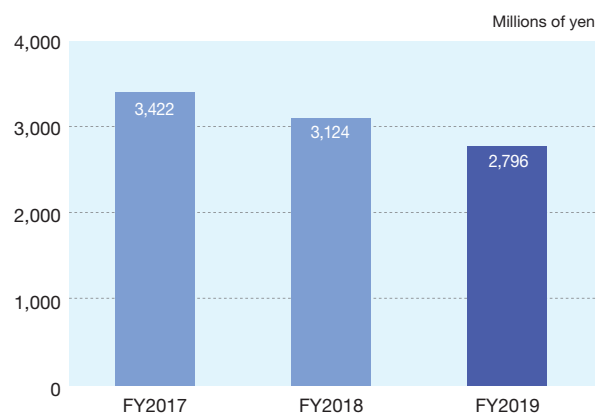
The data for fiscal 2017 and 2018 represents the figures of the former Hamashin.

### Ordinary profit



The data for fiscal 2017 and 2018 represents the figures of the former Hamashin.

### Net income



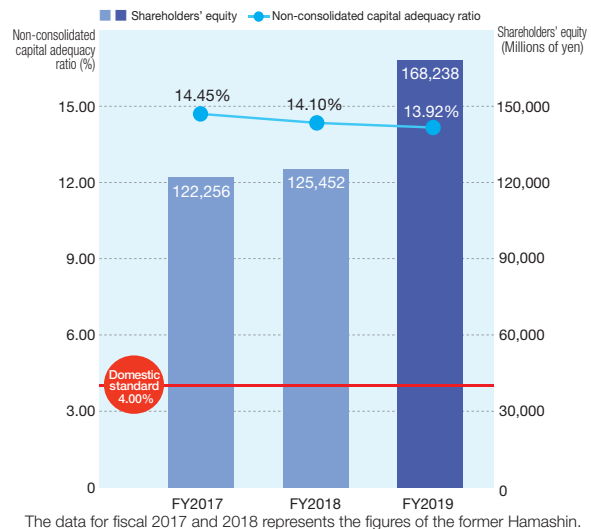
The data for fiscal 2017 and 2018 represents the figures of the former Hamashin.

## Non-Consolidated Capital Adequacy Ratio

Our non-consolidated capital adequacy ratio was 13.92% as of the end of March 2019, which markedly surpassed 4.00% of the domestic standard of financial institutions operating in Japan and signifies sound management. Soundness is also evidenced by the majority of shareholders' equity comprised of a reserve for retained earnings from profits.

### Capital adequacy ratio

The capital adequacy ratio indicates the percentage of capital among total credit risk assets and is a representative indicator of factors that include the security and soundness of management as well as corporate vitality (resistance to risk). The capital adequacy ratio serves as the benchmark for the Financial Services Agency (FSA) to make official announcements including orders to undertake business improvement initiatives or suspend business.



## Hamamatsu Iwata Shinkin Bank's Ratings

We also acquired an upper rank "A" in issuer ratings for fiscal 2019 from Rating and Investment Information, Inc. (R&I), which is a rating institution. The current rank was received in recognition of our enhanced shareholders' equity, financial stability, finely tuned customer response capabilities and other relevant aspects.

### Ratings

Ratings are carried out by rating institutions as a means of ranking whether or not the payment of principal and interest of bonds and deposits are made to investors and/or depositors according to respective agreements or to rank the level of security and credit rating of a company from a fair standpoint.

### R&I Rating Symbols and Definitions (Issuer Rating)

<b>AAA</b>	Highest creditworthiness supported by many excellent factors.
<b>AA</b>	Very high creditworthiness supported by some excellent factors.
<b>A</b>	High creditworthiness supported by a few excellent factors.
<b>BBB</b>	Creditworthiness is sufficient, though some factors require attention in times of major environmental changes.
<b>BB</b>	Creditworthiness is sufficient for the time being, though some factors require due attention in times of environmental changes.
<b>B</b>	Creditworthiness is questionable and some factors require constant attention.
<b>CCC</b>	An obligation is in default or likely to default. The obligation in default may not be recovered in full.
<b>CC</b>	An obligation is in default or highly likely to default. The obligation in default may only be partially recovered.
<b>D</b>	An obligation is in default and may hardly be recovered.

## Risk-Monitored Loans for Fiscal 2019

Various changes in the economic environment precluded a uniform recovery in business performance of our business operator customers, and we focused on providing managerial support and smooth financing. As a result, in fiscal 2019, risk-monitored loans totaled ¥65,433 million, which accounted for 5.33% of total loans and bills discounted. Additionally, the coverage ratio due to collateral and guarantees and reserve for possible loan losses was 90.5%.

To prepare for the accrual of losses in the future, we reserve ¥14,893 million as a reserve for possible loan losses in addition to securing ¥182.8 billion of net assets (shareholders' equity in a broad sense) by making efforts to reinforce our retained

earnings through earning stable profits every term.

Going forward, we will improve and thoroughly promote our risk control system while also undertaking concerted efforts to contribute to rebuilding and improving the management of client companies as a primary responsibility of a regional financial institution.

Unit: Millions of yen

Borrower classification under self-assessment	Risk-monitored loans (coverage ratio)			
	Risk-monitored loans	FY2018		FY2019
Bankrupt borrowers	Loans to bankrupt borrowers	809	100.0%	1,593 100.0%
Effectively bankrupt borrowers	Delinquent loans	44,034	94.6%	59,357 93.4%
Potentially bankrupt borrowers	Loans past due three months or more	5	100.0%	2 100.0%
Substandard borrowers	Restructured loans	3,473	45.3%	4,480 49.3%
	Total risk-monitored loans	48,322	91.1%	65,433 90.5%
	Amount covered by collateral and guarantees	44,026		59,235
	Ratio to total amount of loans	5.34%		5.33%

\* Amount covered by collateral and guarantees includes loans to bankrupt borrowers, delinquent loans, specific reserve as well as general reserve for loans past due three months or more and restructured loans.

### Risk-monitored loans

Risk-monitored loans are loans and bills discounted (assets for financial institutions) for which borrowers may not be able to pay back due to various reasons such as the deterioration of business condition. In this respect, in tandem with the FSA's Financial Inspection Manual, we promote initiatives to comprehend the status of borrowers and appropriately conducts write-offs or transfer to a reserve for possible loan losses through a strict and fair asset assessment.

# Non-Consolidated Balance Sheets

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Year Ended March 31, 2019 and 2018	2019	2018	2019
<b>Assets</b>			
Cash and Due from Banks	¥ 446,860	¥ 275,131	\$ 4,026,128
Call Loans	—	—	—
Monetary Claims Bought	379	137	—
Money Held in Trusts	—	—	—
Securities	957,603	677,794	8,627,831
Loans and Bills Discounted	1,228,755	904,423	11,070,862
Foreign Exchanges	1,532	1,882	13,803
Other Assets	14,882	10,860	134,084
Fixed Assets	23,100	15,953	208,126
Prepaid Pension Cost	1,469	123	13,235
Deferred Tax Assets	—	—	—
Customers' Liabilities for Acceptances and Guarantees	30,676	24,974	276,385
Reserve for Possible Loan Losses	(14,893)	(7,857)	(134,183)
<b>Total Assets</b>	<b>¥2,690,367</b>	<b>¥1,903,421</b>	<b>\$24,239,724</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Deposits	¥2,406,376	¥1,655,588	\$21,681,016
Certificates of Deposit	7,955	10,043	71,673
Foreign Exchanges	8	1	72
Other Liabilities	57,794	76,849	520,713
Reserve for Employee Bonuses	1,549	1,101	13,956
Reserve for Employee Retirement Benefits	128	1,233	1,153
Other Reserves	1,552	912	13,983
Deferred Tax Liabilities	1,448	180	13,046
Acceptances and Guarantees	30,676	24,974	276,385
<b>Total Liabilities</b>	<b>2,507,491</b>	<b>1,770,885</b>	<b>22,592,044</b>
<b>Net Assets</b>			
Share Capital	2,364	1,217	21,299
Legal Reserve	2,374	1,212	21,389
Special Reserve	156,496	118,113	1,410,000
Unappropriated Retained Earnings	6,090	3,363	54,869
Total Members' Equity	167,324	123,906	1,507,559
Net Unrealized Gains on Available-for-Sale Securities	15,551	8,630	140,111
<b>Total Net Assets</b>	<b>182,875</b>	<b>132,536</b>	<b>1,647,670</b>
<b>Total Liabilities and Net Assets</b>	<b>¥2,690,367</b>	<b>¥1,903,421</b>	<b>\$24,239,724</b>

Notes 1. Amounts of less than one million yen have been omitted.

2. U.S. dollar amounts are converted for convenience only at ¥110.99 per U.S.\$1.00, the rate prevailing on March 31, 2019.

## Non-Consolidated Statements of Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Year Ended March 31, 2019 and 2018	2019	2018	2019
<b>Income</b>			
Interest on:	¥20,031	¥19,271	\$180,478
Loans and Bills Discounted	12,760	12,242	114,969
Securities	6,548	6,372	59,001
Others	722	657	6,507
Fees and Commissions	3,222	2,945	29,031
Other Income	3,360	1,818	30,278
<b>Total Income</b>	<b>26,614</b>	<b>24,034</b>	<b>239,788</b>
<b>Expenses</b>			
Interest on:	454	458	4,098
Deposits	427	432	3,850
Other	27	25	247
Fees and Commissions	2,125	1,958	19,153
General and Administrative Expenses	19,184	16,349	172,848
Other Expenses	1,354	817	12,201
<b>Total Expenses</b>	<b>23,119</b>	<b>19,583</b>	<b>208,301</b>
<b>Income Before Income Taxes</b>	<b>3,494</b>	<b>4,451</b>	<b>31,487</b>
Income Taxes			
Current	1,367	648	12,318
Deferred	(668)	678	(6,027)
<b>Net Income</b>	<b>¥ 2,796</b>	<b>¥ 3,124</b>	<b>\$ 25,196</b>

## Unappropriated Retained Earnings

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Year Ended March 31, 2019 and 2018	2019	2018	2019
At Beginning of the Year	¥6,089	¥3,363	\$54,863
Appropriation	5,618	3,066	50,618
Transfer to Legal Reserve	0	5	0
Cash Dividends for Member Common Shares	118	60	1,064
Special Reserve	5,500	3,000	49,554
At End of the Year	¥ 483	¥ 297	\$ 4,352

Notes 1. Amounts of less than one million yen have been omitted.

2. U.S. dollar amounts are converted for convenience only at ¥110.99 per U.S.\$1.00, the rate prevailing on March 31, 2019.

# Consolidated Balance Sheets

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
As of March 31, 2019 and 2018	2019	2018	2019
<b>Assets</b>			
Cash and Due from Banks	¥ 447,536	¥ 275,797	\$ 4,032,219
Call Loans	—	—	—
Monetary Claims Bought	379	137	3,414
Monetary Held in Trusts	—	—	—
Securities	957,300	677,577	8,625,101
Loans and Bills Discounted	1,225,716	902,943	11,043,481
Foreign Exchanges	1,532	1,882	13,803
Other Assets	28,160	21,649	253,716
Fixed Assets	23,032	15,676	207,514
Prepaid Pension Cost	1,469	123	13,235
Deferred Tax Assets	100	97	900
Customers' Liabilities for Acceptances and Guarantees	30,618	24,974	275,862
Reserve for Possible Loan Losses	(15,139)	(7,986)	(136,399)
<b>Total Assets</b>	<b>¥2,700,709</b>	<b>¥1,912,872</b>	<b>\$24,332,903</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Deposits	¥2,403,920	¥1,653,392	\$21,658,888
Certificates of Deposit	6,935	9,023	62,483
Other Liabilities	67,014	85,228	603,784
Foreign Exchanges	0	1	0
Reserve for Employee Bonuses	1,559	1,143	14,046
Reserve for Employee Retirement Benefits	236	1,336	2,126
Other Reserves	1,573	926	14,172
Deferred Tax Liabilities	1,449	180	13,055
Acceptances and Guarantees	30,618	24,974	275,862
<b>Total Liabilities</b>	<b>2,513,309</b>	<b>1,776,209</b>	<b>22,644,463</b>
<b>Net Assets</b>			
Share Capital	2,364	1,217	21,299
Retained Earnings	168,601	125,983	1,519,064
Total Members' Equity	170,964	127,201	1,540,354
Net Unrealized Gains on Available-for-Sale Securities	15,551	8,630	140,111
Minority Interests	884	831	7,964
<b>Total Net Assets</b>	<b>187,400</b>	<b>136,663</b>	<b>1,688,440</b>
<b>Total Liabilities and Net Assets</b>	<b>¥2,700,709</b>	<b>¥1,912,872</b>	<b>\$24,332,903</b>

Notes 1. Amounts of less than one million yen have been omitted.

2. U.S. dollar amounts are converted for convenience only at ¥110.99 per U.S.\$1.00, the rate prevailing on March 31, 2019.



## Consolidated Statements of Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Years Ended March 31, 2019 and 2018	2019	2018	2019
<b>Income</b>			
Operating Income	¥20,019	¥19,263	\$180,370
Loans and Bills Discounted	12,752	12,237	114,893
Securities	6,544	6,369	58,968
Others	722	657	6,507
Fees and Commissions	3,353	3,076	30,214
Other Income	7,383	5,539	66,526
<b>Total Income</b>	<b>30,756</b>	<b>27,879</b>	<b>277,111</b>
<b>Expenses</b>			
Operating Expenses	454	458	4,095
Deposits	427	432	3,849
Others	27	25	246
Fees and Commissions	1,955	1,807	17,615
General and Administrative Expenses	18,991	16,086	171,106
Other Expenses	5,475	4,659	49,331
<b>Total Expenses</b>	<b>26,876</b>	<b>23,011</b>	<b>242,149</b>
<b>Income Before Income Taxes</b>	<b>3,880</b>	<b>4,867</b>	<b>34,961</b>
Income Taxes			
Current	1,529	754	13,783
Deferred	(677)	696	(6,102)
Minority Interests in Income	48	58	434
<b>Net Income</b>	<b>¥ 2,979</b>	<b>¥ 3,358</b>	<b>\$ 26,845</b>

## Retained Earnings

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Years Ended March 31, 2019 and 2018	2019	2018	2019
At Beginning of the Year	¥125,983	¥122,697	\$1,135,093
Changes during the Year	0	0	0
Net Income	2,979	3,358	26,845
Cash Dividends for Member Common Shares	60	72	545
Decrease by Merger	39,631	—	—
At End of the Year	¥168,534	¥125,983	\$1,518,463

Notes 1. Amounts of less than one million yen have been omitted.

2. U.S. dollar amounts are converted for convenience only at ¥110.99 per U.S.\$1.00, the rate prevailing on March 31, 2019.

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