



HAMAMATSU IWATA SHINKIN BANK

Annual Report 2020

Fiscal year ended March 31, 2020

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, 2020)

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

Established: April 10, 1950

Deposits: ¥2,475 billion
(including certificates of deposit)

Loans and Bills Discounted: ¥1,229 billion

Share Capital: ¥2.34 billion (120,208 members)

Number of Employees:

Hamamatsu Iwata Shinkin Bank (non-consolidated): 1,828

Hamamatsu Iwata Shinkin Bank Group (total): 1,924

Number of Branches:

88 branches and 79 external ATM corners

Principal Business Operations:

Deposits, loans, investments in marketable securities, domestic exchange, foreign exchange, corporate bonds underwriting and registration, incidental services

Business Region:

Shizuoka Prefecture

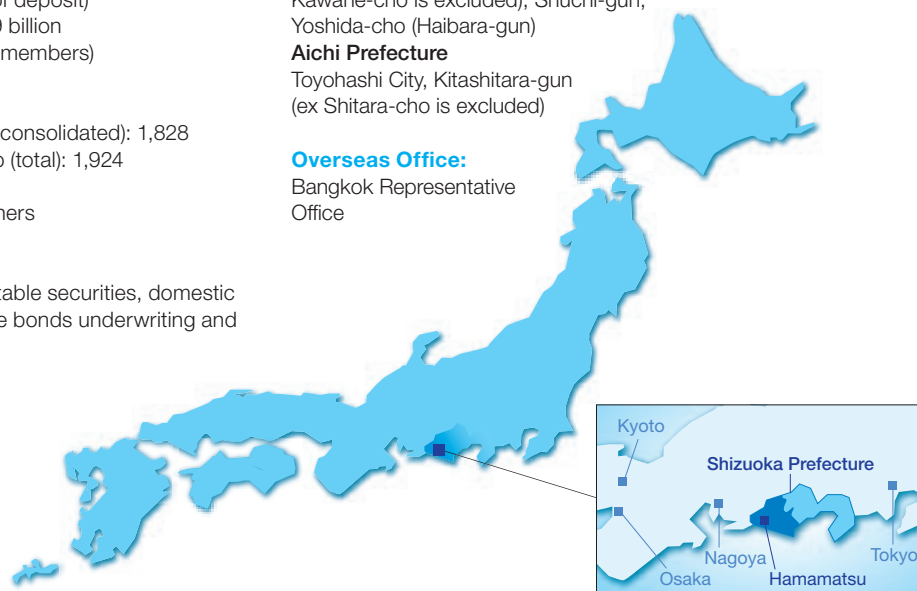
Hamamatsu City, Iwata City, Fukuroi City, Kosai City, Kakegawa City, Omaezaki City, Kikugawa City, Makinohara City, Shimada City (ex Kawane-cho is excluded), Shuchi-gun, Yoshida-cho (Haibara-gun)

Aichi Prefecture

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

Overseas Office:

Bangkok Representative Office



Management Philosophy

The Management Philosophy clearly states the core values of Hamamatsu Iwata Shinkin Bank. The philosophy, declared both internally and externally, represents the Bank's missions and business objectives and serves as action guidelines for our employees and directors. We have formulated the Management Philosophy so that all employees and directors fully understand its intent and act toward its realization.

For local communities

We create new value and contribute to community vitalization.

For customers

We walk side by side with customers toward a bright future, regarding their happiness as our own happiness.

Management Philosophy

For employees and directors

We continue to spur change and take on challenges in seeking to become a vibrant organization.

Social responsibilities (CSR, the SDGs and ESG)

We undertake fair and sound management and help to create a sustainable society.

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*.

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 ¥40.6 trillion, the capital adequacy ratio (non-consolidated, domestic standard) standing at 24.31% and the ratio of bad loans standing at 0.26%. 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, 2020.

■ Corporate Data of Shinkin Central Bank

Name	Shinkin Central Bank
Established	June 1, 1950
Number of Employees and Full-Time Directors	1,223 (including 13 full-time directors)
Network	Domestic: 14; Overseas: 5*
Total Assets	¥40,633.2 billion
Paid-in Capital	¥690.9 billion
Capital Adequacy Ratio	24.31% (non-consolidated, domestic standard)
Number of Member <i>Shinkin</i> Banks	255

* Including Shinkin International Ltd.

(As of March 31, 2020)

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.



Food Japan in Singapore 2019

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.



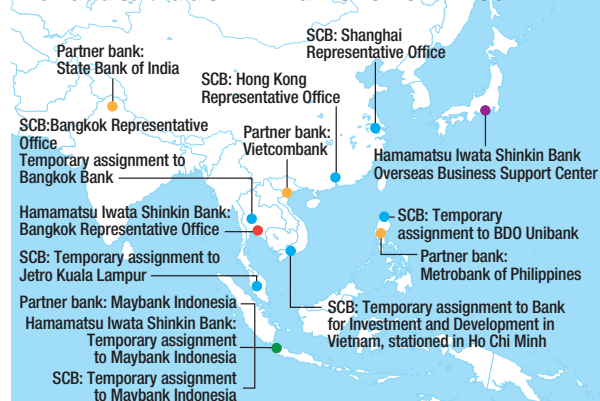
Bangkok Representative Office

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



Hamamatsu Iwata Shinkin Bank Corporate History

The Hamamatsu Shinkin Bank Corporate History

April 1950	Hamamatsu Credit Association established in accordance with the Small- and Medium-Sized Enterprise Cooperatives Act
May 1950	Head Office opened in Renjaku-cho (near the present Renjaku post office) and business commenced
November 1951	Reorganized as a <i>shinkin</i> bank and became Hamamatsu Shinkin Bank along with the enforcement of the Shinkin Bank Act
December 1952	Head Office moved to Tenma-cho (location of the current Tenma-cho Branch)
March 1962	Established the Hamamatsu Shinkin Bank Basic Policies
October 1968	Computers introduced and offline processing begins
October 1969	Head Office moved to newly constructed building in Motoshiro-cho
December 1974	Deposits reach ¥100.0 billion
October 1977	Operation Center moved to newly constructed building
October 1981	Third online system goes into operation and installation of automated teller machines (ATMs) commenced
June 1987	Hamashin Recreation Center completed
October 1989	Deposits reach ¥500.0 billion
April 1992	Hamashin Consultation Plaza opened in Nakazawa-cho as a specialized consultation counter
May 1997	Hamashin website established
August 1998	Internet banking (home banking/firm banking) transactions commenced
December 1999	Deposits reach ¥1,000.0 billion
April 2000	Marked the 50th anniversary of our establishment
April 2006	Established the Hamamatsu Shinkin Bank Basic Principles (revised version of the Basic Policies established in 1962)
July 2007	Held the 1st Hamashin Business Matching Fair
October 2007	Established the Shizuoka Prefecture Western Region Shinkin Economic Research Institute jointly with Enshu Shinkin Bank
November 2008	Held the 1st Sanen-nanshin Shinkin Summit and the Sanen-nanshin Shinkin Product Exhibition
January 2009	Became a member of the Tokai Region Shinkin Joint Business Center and online system modified
April 2010	Marked the 60th anniversary of our establishment
January 2014	Opened Bangkok Representative Office, the first overseas office
September 2017	Basic merger agreement concluded
October 2018	Logo mark and corporate message announced

The Iwata Shinkin Bank Corporate History

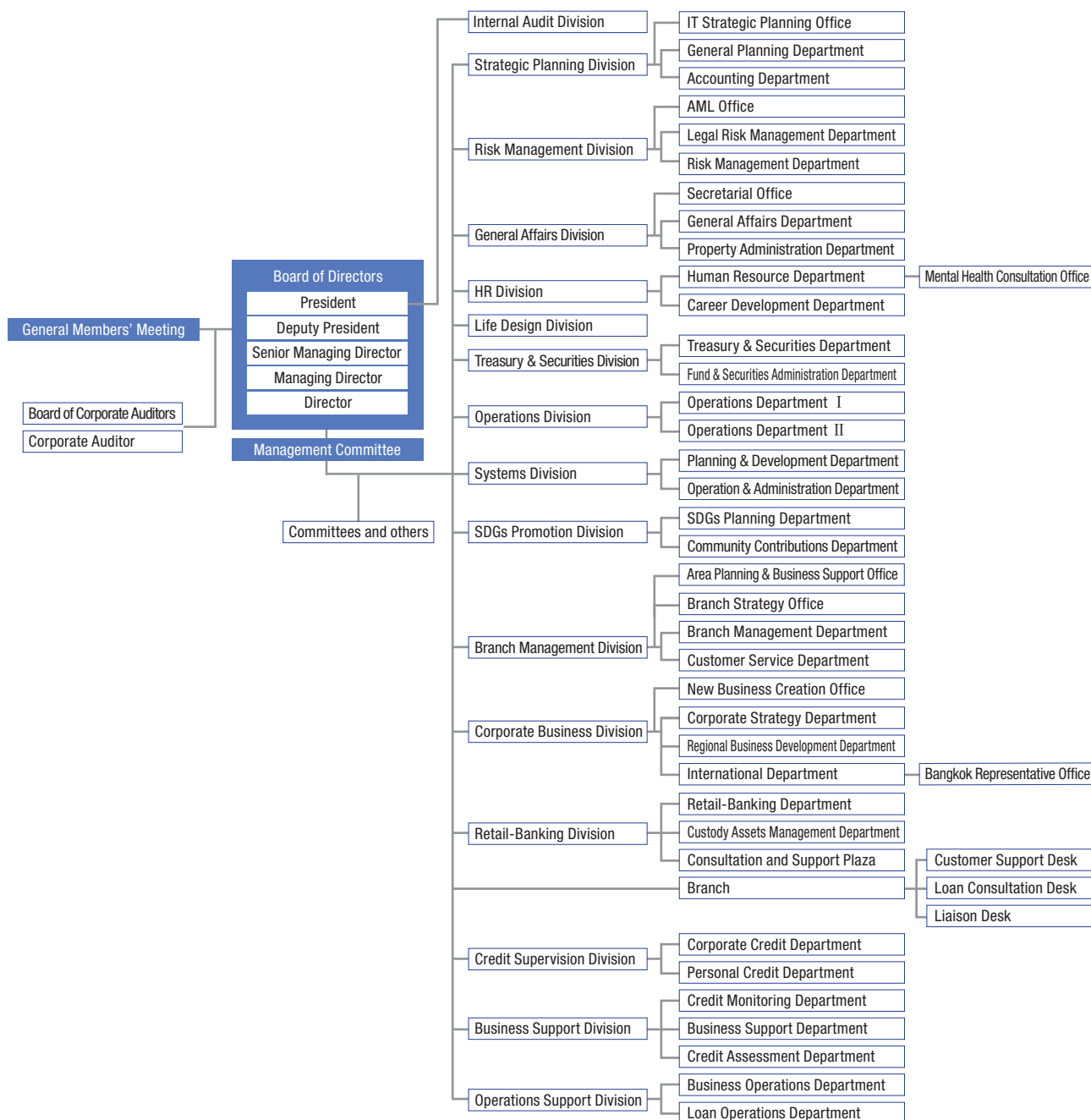
April 1950	Iwata Credit Association established in accordance with the Small- and Medium-Sized Enterprise Cooperatives Act
May 1950	Head Office and Mitsuke Branch opened in Nakaizumi and Mitsuke, respectively, in Iwata City
November 1951	Reorganized as a <i>shinkin</i> bank and became Iwata Shinkin Bank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

Hamamatsu Iwata Shinkin Bank Corporate History

January 2019	Hamamatsu Shinkin Bank get merged with Iwata Shinkin Bank and formed "Hamamatsu Iwata Shinkin Bank."
January 2020	Logo mark and corporate message announced
April 2020	Celebrated its 70th anniversary

Organization Chart

As of July 1, 2020



Board of Directors and Corporate Auditors

As of July 1, 2020

President
Deputy President
Senior Managing Director
Senior Managing Director
Managing Director
Managing Director
Managing Director
Director

Kenichiro Mimuro
Hirohisa Takayanagi
Masahiko Tsujimura
Seidai Hirai
Masanori Takahashi
Toshiharu Suzuki
Mutsumi Muramatsu
Hisao Miwa

Director
Director
Director
Director
Director
Director
Director

Toru Sato
Tomoo Takahashi
Kazuhiro Hashishita
Hiroaki Matsushima
Shinichi Horisaki¹
Hiroyasu Hanba
Takahiko Shimizu
Masayuki Sano

Director
Director
Director
Standing Corporate Auditor
Standing Corporate Auditor
Corporate Auditor
Corporate Auditor
Corporate Auditor

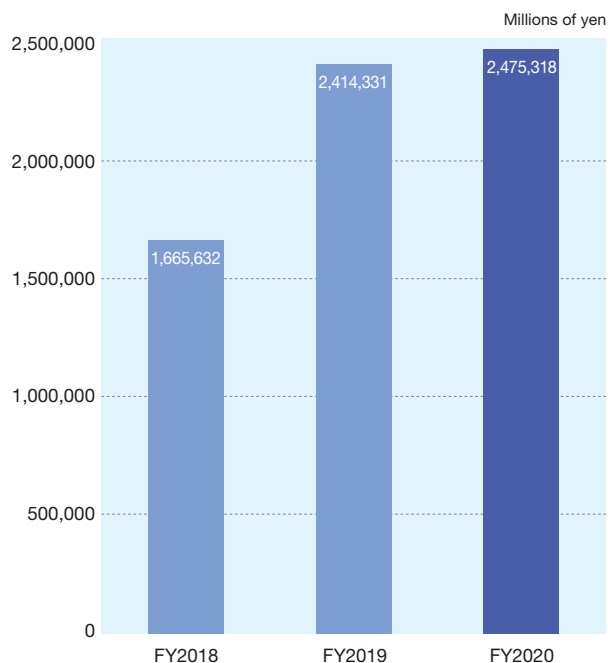
Michio Inagaki
Shoji Sato
Hideto Tago¹
Yasuyuki Kawaguchi
Masataka Shimaoka
Kenichi Suzuki
Naojiro Suzuki
Naoko Tatsumi²

¹ 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.

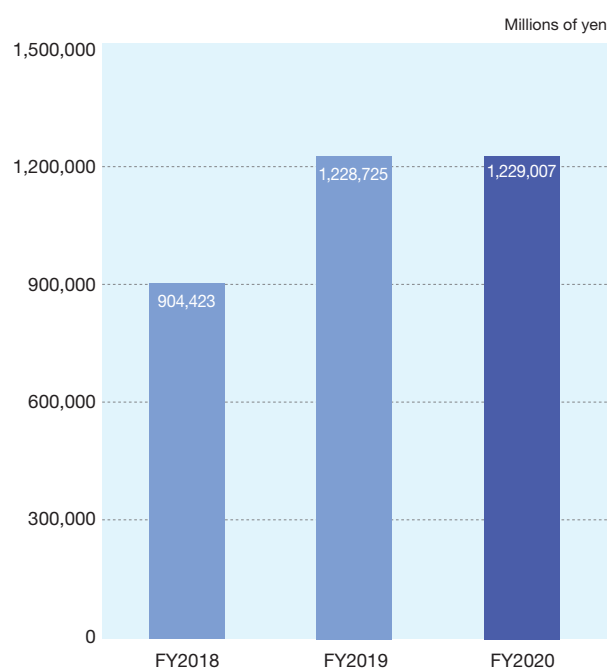
² Naoko Tatsumi is an outside corporate auditor appointed as provided for in Article 32-5 of the Shinkin Bank Act.

Business Results

Balance of deposits (including certificates of deposit)



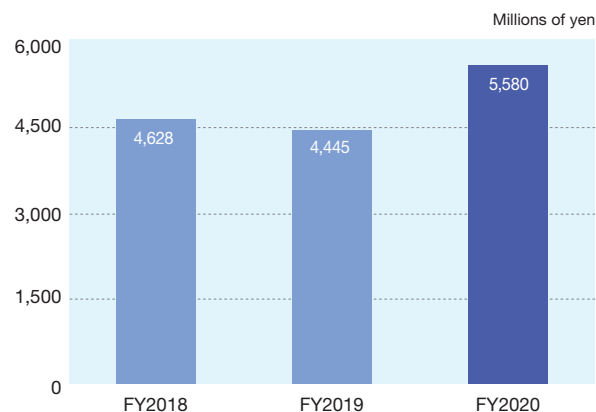
Balance of loans and bills discounted



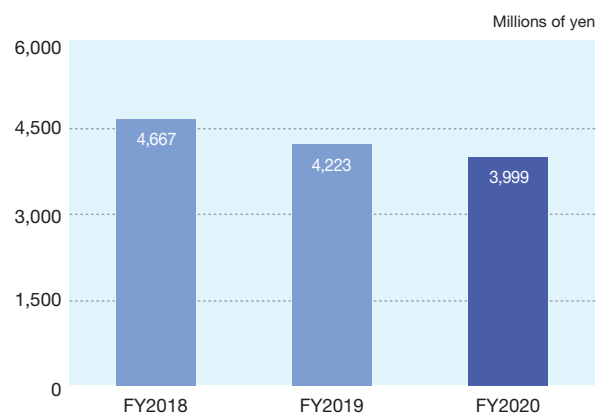
Growth in profits

We posted net income of ¥1.8 billion, and net business profit, which is obtained through our main business, amounted to ¥5.5 billion.

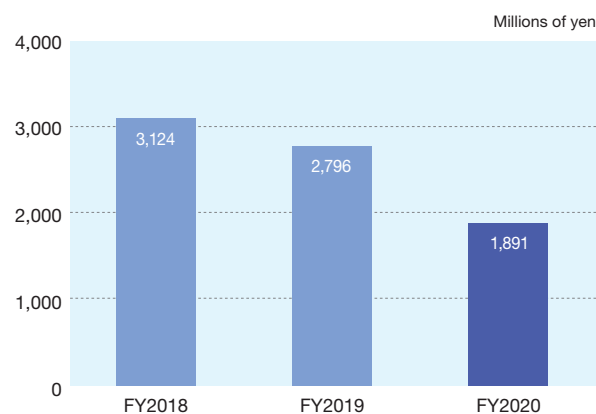
Net business profit



Ordinary profit



Net income

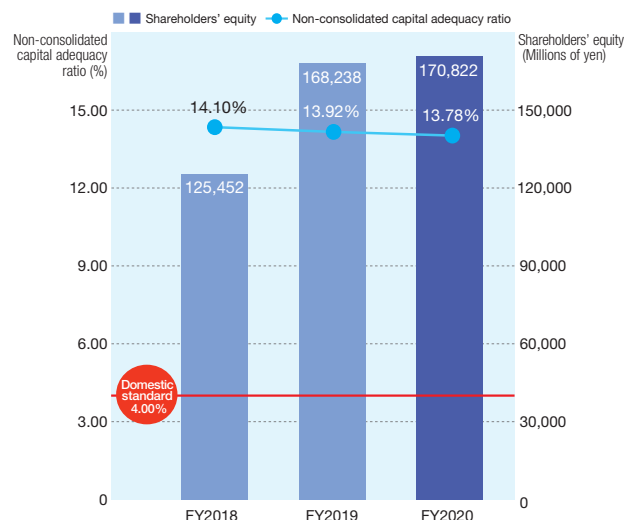


Non-Consolidated Capital Adequacy Ratio

Our non-consolidated capital adequacy ratio was 13.78% as of the end of March 2020, 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 2020 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)

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

Risk-Monitored Loans for Fiscal 2020

Risk-monitored loans are loans with a high risk of turning into bad loans due to such factors as a drop in earnings of borrowers. They represent assets for financial institutions.

In fiscal 2020, risk-monitored loans totaled ¥67,473 million, which accounted for 5.49% of total loans and bills discounted. Additionally, the coverage ratio due to collateral and guarantees and reserve for possible loan losses was 86.7%.

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.

Unit: Millions of yen

Borrower classification under self-assessment	Risk-monitored loans (coverage ratio)				
	Risk-monitored loans	FY2019		FY2020	
Bankrupt borrowers	Loans to bankrupt borrowers	1,593	100.0%	1,477	100.0%
Effectively bankrupt borrowers	Delinquent loans	59,357	93.4%	57,806	92.4%
Potentially bankrupt borrowers					
Substandard borrowers	Loans past due three months or more	2	100.0%	192	100.0%
	Restructured loans	4,480	49.3%	7,997	43.1%
	Total risk-monitored loans	65,433	90.5%	67,473	86.7%
	Amount covered by collateral and guarantees	59,235		58,528	
	Ratio to total amount of loans	5.33%		5.49%	

* 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.

Non-Consolidated Balance Sheets

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Year Ended March 31, 2020 and 2019	2020	2019	2020
Assets			
Cash and Due from Banks	¥ 448,276	¥ 446,860	\$ 4,119,048
Call Loans	1,088	—	9,997
Monetary Claims Bought	—	—	—
Money Held in Trusts	518	379	4,759
Securities	987,031	957,603	9,069,475
Loans and Bills Discounted	1,229,007	1,228,755	11,292,906
Foreign Exchanges	883	1,532	8,113
Other Assets	14,194	14,882	130,423
Fixed Assets	23,046	23,100	211,761
Prepaid Pension Cost	1,649	1,469	15,152
Deferred Tax Assets	1,794	—	16,484
Customers' Liabilities for Acceptances and Guarantees	31,848	30,676	292,639
Reserve for Possible Loan Losses	(15,957)	(14,893)	(146,623)
Total Assets	¥2,723,382	¥2,690,367	\$25,024,184
Liabilities and Net Assets			
Liabilities			
Deposits	2,469,408	2,406,376	22,690,508
Certificates of Deposit	5,910	7,955	54,304
Foreign Exchanges	14	8	128
Other Liabilities	35,901	57,794	329,881
Reserve for Employee Bonuses	1,647	1,549	15,133
Reserve for Employee Retirement Benefits	163	128	1,497
Other Reserves	1,426	1,552	13,103
Deferred Tax Liabilities	—	1,448	—
Acceptances and Guarantees	31,848	30,676	292,639
Total Liabilities	2,546,322	2,507,491	23,397,243
Net Assets			
Share Capital	2,344	2,364	21,538
Legal Reserve	2,364	2,374	21,721
Special Reserve	161,994	156,496	1,488,505
Unappropriated Retained Earnings	2,374	6,088	21,813
Total Members' Equity	169,078	167,324	1,553,597
Net Unrealized Gains on Available-for-Sale Securities	7,981	15,551	73,334
Total Net Assets	177,060	182,875	1,626,941
Total Liabilities and Net Assets	¥2,723,382	¥2,690,367	\$25,024,184

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

2. U.S. dollar amounts are converted for convenience only at ¥108.83 per U.S.\$1.00, the rate prevailing on March 31, 2020.

Non-Consolidated Statements of Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Year Ended March 31, 2020 and 2019	2020	2019	2020
Income			
Interest on:	¥26,310	¥20,031	\$241,757
Loans and Bills Discounted	15,725	12,760	144,499
Securities	9,665	6,548	88,816
Others	918	722	8,440
Fees and Commissions	3,895	3,222	35,795
Other Income	3,674	3,360	33,762
Total Income	33,880	26,614	311,315
Expenses			
Interest on:	522	454	4,798
Deposits	485	427	4,462
Other	36	27	335
Fees and Commissions	2,669	2,125	24,526
General and Administrative Expenses	23,380	19,184	214,832
Other Expenses	4,436	1,354	40,765
Total Expenses	31,008	23,119	284,922
Income Before Income Taxes	2,872	3,494	26,393
Income Taxes			
Current	1,438	1,367	13,215
Deferred	(457)	(668)	(4,204)
Net Income	¥ 1,891	¥ 2,796	\$ 17,382

Unappropriated Retained Earnings

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Year Ended March 31, 2020 and 2019	2020	2019	2020
At Beginning of the Year	¥2,374	¥6,089	\$21,821
Reversal of Reserve	21	11	200
Appropriation	1,117	5,618	10,264
Transfer to Legal Reserve	0	0	0
Cash Dividends for Member Common Shares	117	118	1,075
Special Reserve	1,000	5,500	9,188
At End of the Year	¥1,279	¥ 483	\$11,757

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

2. U.S. dollar amounts are converted for convenience only at ¥108.83 per U.S.\$1.00, the rate prevailing on March 31, 2020.

Consolidated Balance Sheets

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
As of March 31, 2020 and 2019	2020	2019	2020
Assets			
Cash and Due from Banks	¥ 448,929	¥ 447,536	\$ 4,125,048
Call Loans	1,088	—	9,997
Monetary Claims Bought	518	379	4,759
Monetary Held in Trusts	—	—	—
Securities	986,721	957,300	9,066,626
Loans and Bills Discounted	1,226,447	1,225,716	11,269,383
Foreign Exchanges	883	1,532	8,113
Other Assets	27,897	28,160	256,335
Fixed Assets	22,923	23,032	210,631
Prepaid Pension Cost	1,649	1,469	15,152
Deferred Tax Assets	1,909	100	17,541
Customers' Liabilities for Acceptances and Guarantees	31,824	30,618	292,419
Reserve for Possible Loan Losses	(16,217)	(15,139)	(149,012)
Total Assets	¥2,734,574	¥2,700,709	\$25,127,023
Liabilities and Net Assets			
Liabilities			
Deposits	¥2,467,769	¥2,403,920	\$22,675,447
Certificates of Deposit	5,090	6,935	46,770
Other Liabilities	45,205	67,006	415,372
Foreign Exchanges	14	8	128
Reserve for Employee Bonuses	1,684	1,559	15,473
Reserve for Employee Retirement Benefits	240	236	2,205
Other Reserves	1,442	1,573	13,250
Deferred Tax Liabilities	—	1,449	—
Acceptances and Guarantees	31,824	30,618	292,419
Total Liabilities	2,553,272	2,513,309	23,461,104
Net Assets			
Share Capital	2,344	2,364	21,538
Retained Earnings	170,976	168,600	1,571,037
Total Members' Equity	173,320	170,964	1,592,575
Net Unrealized Gains on Available-for-Sale Securities	7,981	15,551	73,334
Minority Interests	—	884	—
Total Net Assets	181,302	187,400	1,665,919
Total Liabilities and Net Assets	¥2,734,574	¥2,700,709	\$25,127,023

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

2. U.S. dollar amounts are converted for convenience only at ¥108.83 per U.S.\$1.00, the rate prevailing on March 31, 2020.

Consolidated Statements of Income

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Years Ended March 31, 2020 and 2019	2020	2019	2020
Income			
Operating Income	¥26,279	¥20,019	\$241,471
Loans and Bills Discounted	15,698	12,752	144,251
Securities	9,661	6,544	88,779
Others	918	722	8,440
Fees and Commissions	4,018	3,353	36,926
Other Income	8,420	7,383	77,373
Total Income	38,718	30,756	355,770
Expenses			
Operating Expenses	522	454	4,796
Deposits	485	427	4,461
Others	36	27	334
Fees and Commissions	2,480	1,955	22,791
General and Administrative Expenses	23,099	18,991	212,254
Other Expenses	9,315	5,475	85,596
Total Expenses	35,417	26,876	325,439
Income Before Income Taxes	3,300	3,880	30,331
Income Taxes			
Current	1,602	1,529	14,720
Deferred	(471)	(677)	(4,336)
Minority Interests in Income	45	48	417
Net Income	¥ 2,125	¥ 2,979	\$ 19,529

Retained Earnings

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
For the Years Ended March 31, 2020 and 2019	2020	2019	2020
At Beginning of the Year	¥168,534	¥125,983	\$1,548,601
Changes During the Year	0	0	0
Net Income	2,125	42,610	19,529
Cash Dividends for Member Common Shares	118	60	1,085
Decrease by Merger	0	—	—
At End of the Year	¥170,541	¥168,534	\$1,567,045

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

2. U.S. dollar amounts are converted for convenience only at ¥108.83 per U.S.\$1.00, the rate prevailing on March 31, 2020.

HAMAMATSU IWATA SHINKIN BANK

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