



THE IYO BANK, LTD.  
**Annual Report 2020**

Year ended March 31, 2020





# *The Region's Best Partner for Creating a Prosperous, Dynamic and Bright Future*

Founded in 1878, The Iyo Bank, Ltd. is a regional financial services institution boasting a solid operating base centered on the four prefectures of Shikoku and the seven prefectures surrounding the Seto Inland Sea. With branches in Tokyo and Nagoya as well, we are Japan's No.1 regional bank in terms of broad regional coverage. In recent years, we have also enhanced our network of overseas bases primarily in the ASEAN region to support the international business expansion of our clients. We at Iyo Bank are working to be the region's best partner for creating a prosperous, dynamic and bright future by offering friendly and trustworthy financial services to customers.

## *Corporate Credo*

*1 Creating a bright and prosperous future for the region*

*2 Offering the best service and being worthy of people's trust*

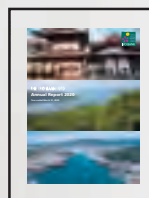
*3 Rendering our best service with gratitude in our hearts*

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### Forward-Looking Statements:

Statements contained in this report concerning plans, predictions, and strategies to improve future performance ("Forward-Looking Statements") are based information currently available to the Bank's management, and inevitably involve a certain element of risk and uncertainty.



Cover Photos (from the top):  
Dogo Onsen  
Mandarin Orange Field and Sea in Ehime  
Shipbuilding company in Imabari





## THE IYO BANK, LTD.

### Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514

Tel: (089) 941-1141

URL: <http://www.iyobank.co.jp/>



### Year of Foundation

1878

### Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)

3,109

### Number of Branches

(As of March 31, 2020)

150 (Domestic 149, Foreign 1)

## Global Network

Our global network comprehensively supports our clients' overseas business endeavors.

We support our customers' efforts to globalize their businesses through trade operations, the establishment of local corporations and fund procurement by leveraging our network of three overseas sites consisting of the Singapore branch and two representative offices in Shanghai and Hong Kong.

Our overseas network also involves business alliances and cooperations with banks, etc., in China, India, Indonesia, Mexico, Singapore, Philippines, Taiwan, Thailand, U.S.A. and Vietnam (as of March 31, 2020).

Bangkok, Thailand

Dalian, China

Hanoi, Vietnam

Jakarta, Indonesia

Mexico

Makati City, Philippines

Mumbai, India

Shanghai, China

Singapore

Taipei, Taiwan

Honolulu, Hawaii, U.S.A.

Business alliance with Kasikorn Bank

Business alliance with Bank of Dalian

Business cooperation with BIDV

Business alliance with BNI

Business cooperation with Jalisco, Aguascalientes, Guanajuato, Nuevo León and Banamex (Mexico City)

Business alliance with Metropolitan Bank

Business cooperation with State Bank of India

Business alliance with Bank of Communications

Business alliance with UOB

Business alliance with CTBC Financial Holding

Business alliance with Central Pacific Bank

● **Shanghai, China**  
Representative Office

● **Hong Kong**  
Representative Office

● **Singapore**  
Branch

## Our Overseas Business Support

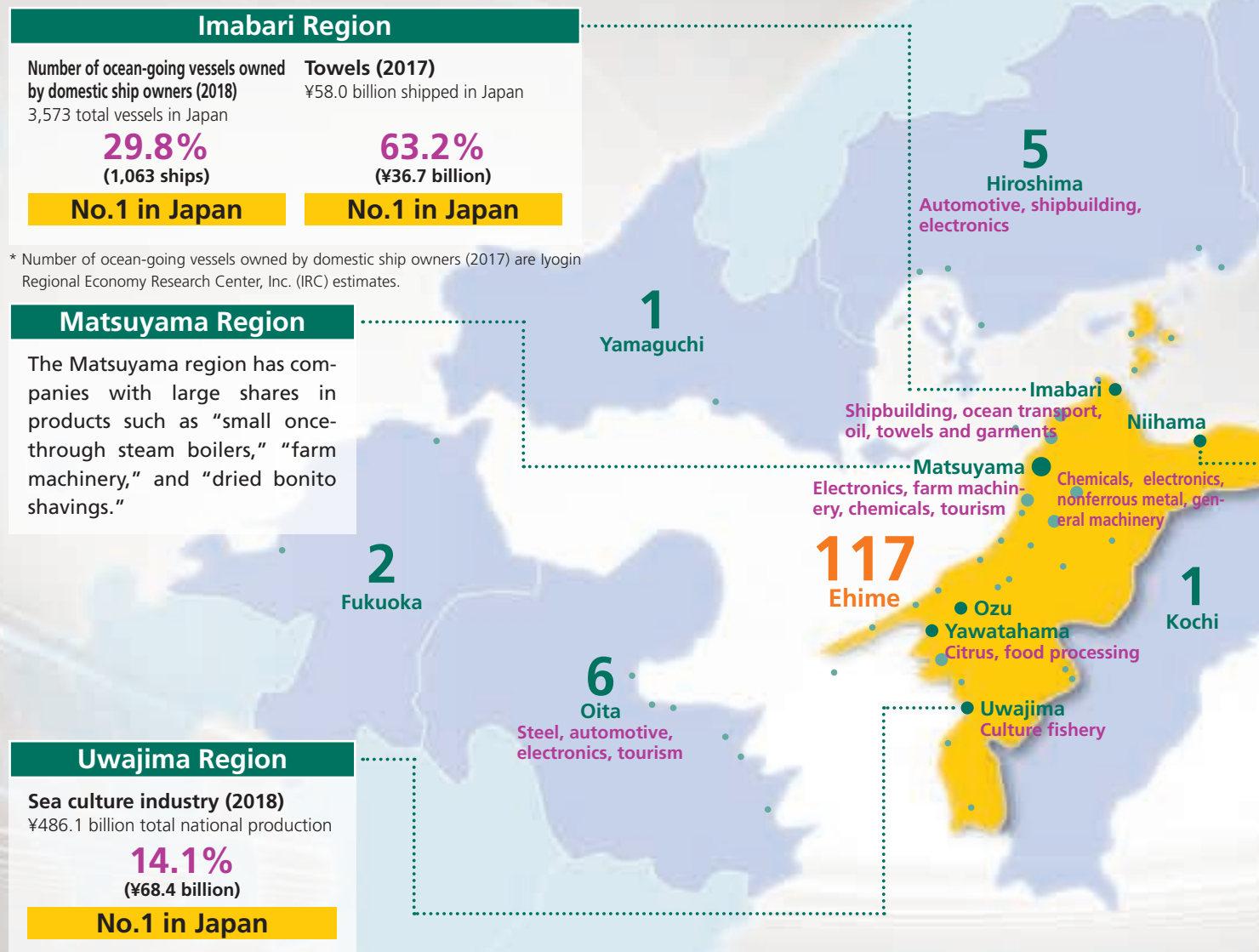
- Provision of various types of information about entering overseas markets
- Advice about entering overseas markets
- Advice about trade operations and fund settlements
- Support for funds procurement in the local area overseas
- Implementation of overseas business matching
- Holding of seminars about entering overseas markets



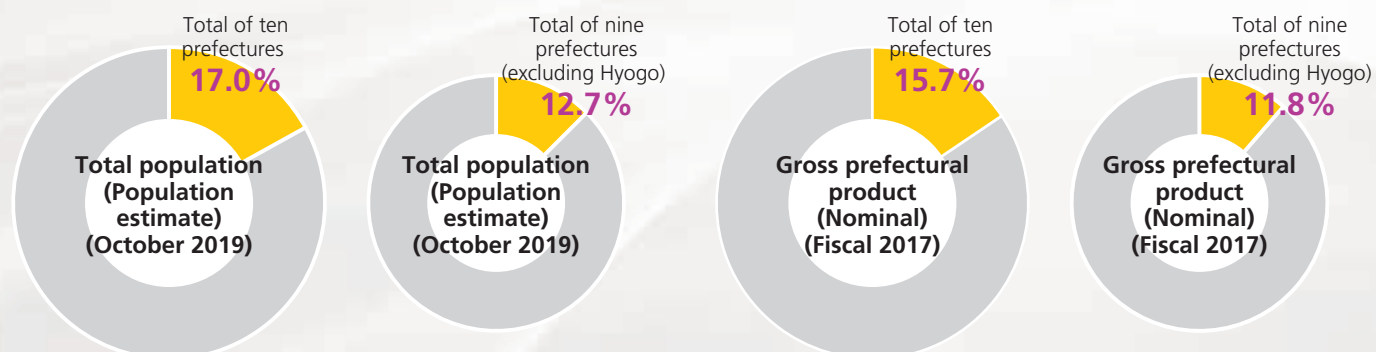
## Our Operating Area

### Domestic Branch Network

The No. 1 regional bank in terms of broad regional coverage, Iyo Bank's network consists of 149 branches located in 13 prefectures (as of March 31, 2020).



### Economic Indicators of the Setouchi Region



(Prepared based on various statistical data)



## Main Industries in Ehime Prefecture

- Industries with top national share concentrated in each region
- Manufactured product shipments from Ehime Prefecture totaled ¥4.3 trillion (45% of Shikoku) in 2018



## Industrial Structure of the Setouchi Region

- The Setonaikai coastal region has established various industrial structures

### Shikokuchuo Region

**Pulp and paper industry (2018)**  
¥7,543.6 billion shipped in Japan

**7.2%**  
(¥542.1 billion)

**No.2 in Japan**

### Niihama Region

**Manufactured product shipments (2017)**

**¥1,622.5 billion**

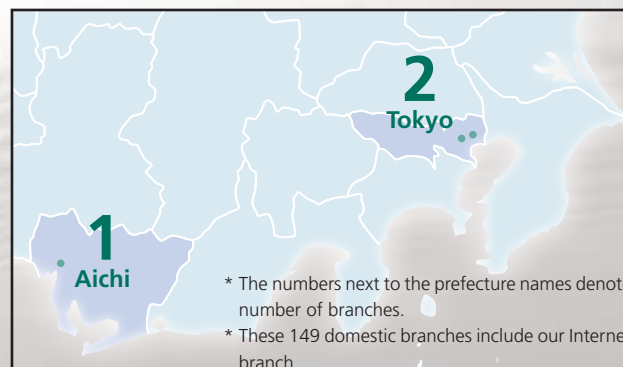
**Approx. 39%** of shipments of manufactured products in Ehime

As a corporate town under the Sumitomo Group, nonferrous metal, chemicals, steel, machinery and equipment are concentrated particularly in the Niihama region.

## No. 1 Market Share in Ehime

About Ehime Prefecture

• Area	5,676 km <sup>2</sup> (As of January 1, 2020)
• Population	1,329,285 (As of July 1, 2020)
• Number of households	599,855 (As of July 1, 2020)



## Strengthen Measures Toward Regional Vitalization through the "Shikoku Alliance"

- Formed the "Shikoku Alliance," a comprehensive alliance between four regional banks aiming for revitalizing the Shikoku region in November 2016
- Announced key measures and the logo in April 2017

**The region, customers and the four banks will sustainably grow and develop**

**Iyo Bank**

**Build**  
Support industrial development

**Foster**  
Support the formation of financial assets

**Shikoku Bank**



**SHIKOKU ALLIANCE**

**Cooperate**

**Hyakujushi Bank**

**Utilize**  
Shikoku resources branding

**Connect**  
Support network expansion

**Awa Bank**





Kenji Miyoshi, President

### Introduction

I would like to wholeheartedly thank you all for your continued support of Iyo Bank.

I assumed the office of President on April 1, 2020. It is a great privilege to take the helm of Iyo Bank, a financial institution with an important mission of supporting the regional economy. I will do everything within my means to work unfailingly for the sake of our customers, shareholders, and members of the local community.

The Bank's operating environment is undergoing significant changes day by day, as evidenced by advances in globalization and digital innovation as well as diversifying customer needs and values, while also experiencing a population decline, a falling birthrate, and the increasingly aging population. Under these circumstances, Iyo Bank is working to transform itself into a "Digital-Human-Digital Bank," whereby we fully utilize digital technologies in the fields where they have strengths, and concentrate the capabilities of people into work that only humans can do such as consulting. Going forward, we will strive to develop these initiatives into a digital transformation, an effort to leverage IT to create new value so customers can enjoy prosperous lives.

Now that the spread of the novel coronavirus (COVID-19) infection is a major issue, it is one of our important missions to help affected customers. Iyo Bank is ready to serve those customers by providing consulting services at its head office and all its branches in Japan (the Minatomachi branch and some Loan Plaza counters provide those services on holidays as well), offering telephone consultation services on holidays and providing loans. We hope that customers will take advantage of these services.

Under the corporate credo of "creating a bright and prosperous future for the region," I will make an all-out effort together with our officers and employees so that people in the Setouchi region see Iyo Bank as a necessary financial institution and that the bank can become the leading financial services group in the Setouchi region in terms of customer satisfaction. I hope for your continued patronage.

### Financial and Economic Environment

Despite impacts of the consumption tax hike, the Japanese economy in fiscal 2019, ended March 31, 2020, showed signs of recovery in consumer spending against the backdrop of a steady improvement in the employment and income environment, while it saw sluggish growth in exports amid a slowdown in the global economy. However, the economic environment underwent a drastic change due to COVID-19, an infectious disease that began to spread toward the end of the fiscal year, leading to growing concerns over a downturn in the global economy.

The economy of Ehime Prefecture continued to see housing investments increase owing to an increase in the number of new housing constructions and public investments increase backed by recovery and reconstruction projects launched after the heavy rainfall disaster in western Japan. The impact of COVID-19 has, however, made the outlook for the prefecture's economy uncertain as the regional economy is forecast to stagnate.

### Business Performance

Under these circumstances, in keeping with our spirit of gratitude toward customers we worked to provide products and services tailored to customer needs and create a structure for that purpose. We endeavored to expand our fields of operation and strengthen profitability in the aim of being a bank that is still needed 10 years in the future.

### Regional Vitalization Initiatives

In line with its aim of growing sustainably along with its region, Iyo Bank has been involved in a variety of regional vitalization measures and provided support for realizing customers' bountiful lives and business development.

As an initiative for community development and tourism promotion, in February 2020, we established Ozu Town Creation Fund LLP, a management-based town creation fund,



through joint investment with the Organization for Promoting Urban Development. The fund invests in businesses that create and operate accommodation facilities, restaurants, and merchandise facilities by renovating and utilizing town houses and traditional houses in Ozu City. By supporting these businesses, we are promoting regional vitalization initiatives.

As an initiative for helping customers start businesses and for supporting growth of customers' businesses, we are engaged in a crowd-funding business, whereby we help customers start businesses and support growth of their businesses by subsidizing part of their contract fees. Under the Shikoku Alliance, a group of four regional banks on the island, the 3rd Shikoku Alliance Business Plan Contest was organized in February 2020 to continue to raise awareness of entrepreneurship in the Shikoku region and provide businesses incubation services for parties with creative business plans.

As an initiative to build business continuity systems for customers, we held "BCP (Business Continuity Plan) Formulation Seminars" in each of the four prefectures of Shikoku in July 2019 to prepare for natural disasters and emergencies, utilizing the framework of the Shikoku Alliance. In March 2020, we entered into a Disaster Response Business Cooperation Agreement with the Development Bank of Japan Inc. Under the agreement, we are working to provide business support to customers who have been affected by COVID-19 and natural disasters and those who are considering disaster response measures.

As an initiative to provide support for those affected by COVID-19, we are ready to serve affected customers by providing consulting services at our all branches in Japan, offering telephone consultation services on holidays and providing loans through close collaboration with related institutions.

## Head Office Organization

With regard to the organization of the head office, we established the Digital Development & Promotion Planning Department in August 2019 within the Corporate & Retail Banking Planning Division with the aim of planning and promoting new financial services utilizing digital technology. In addition, we established the Wellness Management Promotion Department within the Human Resources Division with the aim of improving the health promotion system for employees, including through health guidance by public health nurses and strengthened mental health measures.

Furthermore, we established the Loan Processing Support Center in February 2020 within the Credit Division with the aim of making time for sales staff to spend on decision-making work and sales activities so that we can improve customer service by concentrating financing-related work conducted at branches as much as possible into the head office.

## Bank Branches and ATMs

Iyo Bank has a broad-ranging branch network that covers 13 prefectures in Japan, the largest number of prefectures covered by a regional bank. We aim to transition from a "place mainly for administrative tasks" to a "place where customers' issues are solved" so that customers can use our services more effectively.

With regard to next-generation branches that offer new functions and new services, we placed the "Satto (quick) counter" in 62 branches (as of March 31, 2020) which provides semi-self-served cash transactions and tax payments among others, and increased our consultation booths to

accommodate various inquiries from customers. In this way, we have been upgrading our branches and strengthening our customer service systems. We have also been working on branch creation, which includes the relocation of the Takayama Branch to the Seiyo City Hall Akehama Branch in August 2019 (the fourth branch in government office buildings).

In addition, we have equipped the AGENT System, which allows customers to perform procedures at a branch using tablet devices, with a "listening function" enabling us to provide optimal information tailored to each individual customer by listening to customers' issues in a "3-minute talk" via chat. Furthermore, we have introduced AGENT for Business, a document pre-preparation service for our office clients, and are working to improve the efficiency of clerical work by, for example, enabling office workers to use their own personal computers to create forms in advance for making deposits or withdrawals and for opening savings accounts, which previously was done manually. This system has been highly praised in Japan and overseas for its mechanism of improving customer convenience. In September 2019, the system won awards in two categories in the CX Asia Excellence Awards 2019, which is an international award presented to companies that have achieved a superior customer experience in the Asia region, and it also won the 2019 Good Design Award in October 2019.

We have installed out-of-store ATMs in 211 locations (as of March 31, 2020; excluding convenience store ATMs), the largest number in Ehime Prefecture. We also offer a "no-fee service when using other banks' ATMs" in collaboration with regional banks in Shikoku (Awa Bank, Hyakujushi Bank and Shikoku Bank), Hiroshima Bank, San-in Godo Bank, JA EHIME KENSHINREN, and agricultural cooperatives in Ehime Prefecture.

## Products and Services

As for financing products, we began handling Flood Damage Responsive Financing in August 2019 that forgives debt obligation for a prescribed ratio of principal balance of loans if a certain amount of precipitation is observed at a prescribed location. It also provides funding within credit limit even after exemption. Thus, we are working to support customers' BCP and their natural disaster risk response.

Our consulting service initiatives included efforts to support customers' use of intellectual property and intellectual property management through measures such as management support for intellectual property with a focus on "manufacturing support teams" and various seminars held in collaboration with attorneys at law and other specialized institutions. These initiatives have been well received and in January 2020 we became the first company in Shikoku to be awarded the Intellectual Property Utilization Support Encouragement Award (Financial Support Category) in the Japan Patent Attorneys Association's 6th Intellectual Property Utilization Awards.

As an initiative utilizing digital technology, we are promoting API collaboration linking the Bank's system with Fintech companies, and have made efforts to expand various services that support asset formation and asset management. For example, in May 2019, we started collaboration with Moneytree, which allows centralized management of bank and securities accounts, and in September 2019 we renewed Money Manager, the Bank's balance inquiry app, adding a function that allows customers to check balances of new time deposits, investment trusts, and loans. In December, we began collaborating with Money Forward Cloud, which



realizes greater efficiency of accounting operations, etc. by automating the acquisition and journalizing of transaction statement data.

Furthermore, in November 2019, we introduced HOME, a service enabling customers to make applications for home loans with a smartphone. Customers can select options via chat and complete the application procedures simply by uploading the required documents. Digital signing is now also possible when executing the contract. We will continue to proactively utilize digital technology and provide high-value-added financial services to increase ease-of-use and convenience for customers.

### SDG Initiatives

In addition to its financial activities, to realize its mission to “create a bright and prosperous future for the region,” Iyo Bank has worked on SDG initiatives, which are the goals for the entire international community adopted by the United Nations. In July 2019, we established the Iyogin Declaration on SDGs in order to contribute to the achievement of SDGs and overcome social and environmental issues in the region.

As an initiative for local economy and community, we are working on social welfare activities by continuing to provide scholarships and welfare equipment, etc. through the Iyo Bank Social Welfare Fund, a public interest incorporated foundation. As well as strengthening collaboration with local governments, we entered into the Agreement Regarding a Tourism Promotion Collaboration Agreement with Beppu City in September 2019 in line with the 100th anniversary of the opening of the Beppu Branch. We are working on regional vitalization with a focus on the promotion of tourism.

We are undertaking initiatives for the realization of sustainable local community through financial and information services. These include two projects launched in October 2019, which are “Future of Companies” a private placement bond whereby part of the bond issuance fee is used to partially subsidize the cost of goods purchased by the issuing companies to enhance welfare benefits, and “SDGs Private Placement Bonds,” bonds that give a preferential coupon rate to those who work toward the achievement of SDGs. In January 2020, we became the first regional bank to establish a syndicated loan for the purpose of investing in green bonds issued by customers in order to promote the expansion of local ESG financing. These initiatives were well received. We were awarded the Bronze Award in February 2020 at the ESG Finance Awards Japan (Finance Category) sponsored by the Ministry of the Environment.

As for initiatives to build a strong management foundation, we are a company with an Audit & Supervisory Committee, so the number of outside directors exceeds one third of the total number of directors. We made efforts to strengthen audit and supervisory functions and revitalize the Board of Directors. We also formulated an AML program to appropriately combat money laundering and terrorism funding, and are systematically working on the upgrading of our systems and ongoing customer management.

As an initiative for diversity and work style reforms, we held the Work Style Reforms Seminar Utilizing RPA in August 2019 as part of our initiatives based on the Collaborative Agreement for the Realization of an RPA-Advanced Matsuyama City, an agreement concluded in April 2019. In this way, we are seeking to improve productivity utilizing RPA, and are also promoting initiatives aimed at customers’ work style reforms.

As an initiative for environmental protection, as well as

working on grants from Evergreen, the Iyo Bank Environment Foundation (public trust), we are conducting proactive environmental activities, including Iyo Bank Evergreen Forest activities, which are forest cultivating activities in four areas in Ehime Prefecture.

### Special Benefit Program for Shareholders

We have introduced a special benefit program for shareholders as a way of responding to the daily support of our shareholders and with the aims of making it more appealing to buy shares in the Bank and ensuring that greater numbers of people hold shares in the Bank.

Under this program, shareholders listed or recorded in the Shareholder Register who hold not less than 100 shares and less than 1,000 shares as of March 31 each year will receive a special gift (Imabari towel), and shareholders holding 1,000 shares or more can select one of the following options: “Shareholder Special Time Deposit,” “Ehime Prefecture Special Product or TSUBASA Alliance Jointly Planned Specialty Goods,” or “Donation to The Japanese Red Cross Society.”

### IR Activities and Ratings

Iyo Bank is proactively working to improve disclosure. To increase management transparency, we held annual results briefings for analysts and institutional investors in Tokyo in June and December 2019, and held results briefings accompanied by a special lecture presentation in six locations around Ehime Prefecture (Matsuyama, Imabari, Niihama, Shikokuchuo, Yawatahama and Uwajima) in July 2019.

To foster a deeper understanding of its management activities by stockholders, suppliers and investors, the Bank is rated highly, with an “AA” rating by Japan Credit Rating Agency (JCR), an influential Japanese credit rating agency, an “A” rating by Standard & Poor’s (S&P), a global credit rating agency, and an “A+” rating by Rating and Investment (R&I). Furthermore, the Bank and its group company Shikoku Alliance Securities Co., Ltd. both received “A+” ratings under R&I’s Customer-Oriented Investment Trust Sales Company Evaluation in January 2020.

### Compliance and Risk Management

As part of our efforts for compliance, we are working to strengthen our legal compliance system through initiatives to enhance the whistleblowing system, including our registration for whistleblowing compliance management system certification (declaration-of-conformity registration system) in March 2020 under the jurisdiction of the Consumer Affairs Agency.

We have taken measures to sophisticate the risk appetite framework for business management. Through regular discussions and monitoring, we aim to ensure balanced, sustainable growth and soundness. Also, we regularly review our business continuity structure in order to appropriately respond to natural disasters such as the Nankai Trough earthquake and heavy rainfall, the spread of infectious diseases such as COVID-19, and cyberattacks.

Amidst the initiatives described above, we received the strong support of our shareholders and business partners. As a result of devoting the collective strengths of the Iyo Bank Group to our business performance, we have achieved the following business results.



## Business Performance

In fiscal 2019, ended March 31, 2020, performance was as follows: The term-end balance of deposits, including NCDs, increased ¥41.7 billion over the previous fiscal year-end, to ¥5,754.3 billion (US\$52,874 million). The loan balance at the end of the fiscal year rose ¥205.8 billion from the previous fiscal year-end, to ¥ 4,756.6 billion (US\$43,707 million). The balance of securities at the end of the fiscal year increased ¥134.3 billion from the previous fiscal-year end, to ¥1,707.6 billion (US\$15,691 million). The balance of total assets at the end of the fiscal year rose ¥624.1 billion from the previous fiscal year-end, to ¥7,764.9 billion (US\$71,349 million).

Ordinary income decreased ¥824 million on a consolidated basis year on year, to ¥106,398 million (US\$978 million), due to a decrease in other ordinary income caused by the enforcement of the Act on Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector, despite higher investment income, stemming from an increase in interest on loans and discounts. Meanwhile, ordinary expenses on a consolidated basis fell ¥1,057 million to ¥79,816 million, due to a decrease in other ordinary expenses caused by the enforcement of the Act on Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector, despite an increase in interest expenses. As a result, net ordinary income rose ¥232 million to ¥26,581 million (US\$244 million), while profit attributable to owners of parent increased ¥240 million to ¥18,502 million (US\$170 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.85%.

## Issues

The spread of COVID-19 has had an enormous impact on various areas, as evidenced by the stagnancy of domestic and overseas economic activities and the downturn in markets. In addition, the Bank's operating environment is undergoing significant changes, including changes in economic and social structures due to the falling birthrate, increasingly aging population, and population decline, as well as the acceleration of digital innovation.

Under these circumstances, we will do everything within our means to support our customers and sincerely address customers' concerns based on our corporate credo to "create a bright and prosperous future for the region."

This year is the final year of the Bank's Fiscal 2018 Medium-Term Management Plan that we launched in April 2018. In addition to striving to improve customer convenience and productivity, while fully leveraging digital technologies to realize the vision in the plan, the Bank's transformation into a Digital-Human-Digital Bank, we aim to become the leading financial services group in the Setouchi region in terms of customer satisfaction, and would like to move ahead and grow hand in hand with members of the local community in the new era by perfecting our ability to provide value that only humans can do.

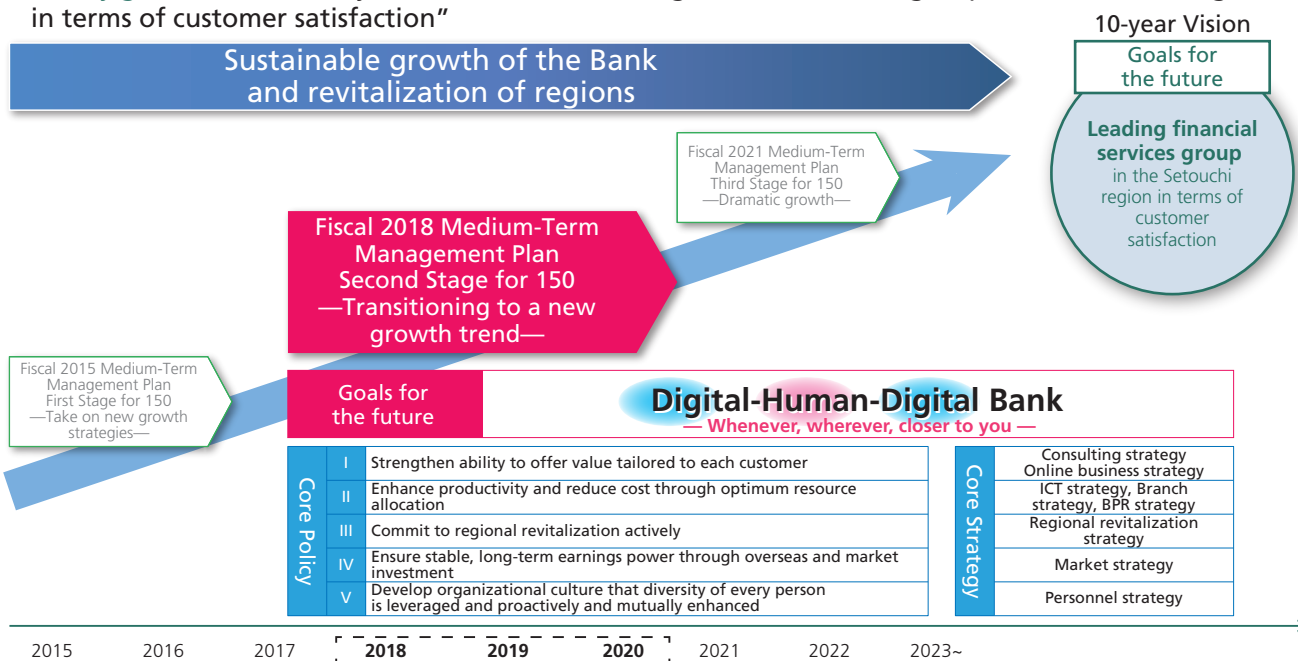
While working to ensure sound management and further strengthening the Bank's business operations, we, as the full-service financial institution in your hometown, will put our full effort into realizing a sustainable and vital regional community. In these endeavors, we ask for the ongoing support of our stockholders.



Kenji Miyoshi, President

## Positioning of 10-year Vision and Medium-Term Management Plan

- Steady growth toward 10-year vision of the "leading financial services group in the Setouchi region in terms of customer satisfaction"





## “Iyogin Declaration on SDGs”

Based on our corporate credo, the Bank aims to realize a bright and prosperous local community by contributing to the achievement of the Sustainable Development Goals (SDGs) advocated by the United Nations and working to overcome social and environmental issues in the region including population decline and an aging population.

### 1. Local economy and community

We will expand our efforts for promoting growth in local economies and regional development, and contribute to enriching the lifestyles and developing the businesses of our customers.

### 2. Financial and information services

We will provide advanced, high-quality, and comprehensive financial and information services, and continue to maintain the trust and meet the expectations of our customers.

### 3. Strong management foundation

We will work to further strengthen and enhance our management foundation, and fulfill our social responsibilities as a regional bank.

### 4. Diversity and work style reforms

We will promote diversity and work style reforms, and endeavor to create an organization in which various types of human resources can actively perform their roles.

### 5. Environmental protection

We will actively and continuously work to reduce the environmental burden and participate in activities for environmental conservation, and endeavor to preserve and protect the natural local environment.

- Efforts toward realizing sustainable local communities through the core business are promoted based on “Iyogin Declaration on SDGs”

#### 1. Local economy and community



- Contribution to **revitalization of local economy and creation of employment** through continual support for commercialization of creative business plans

#### <Results of IYO BANK Business Plan Contest>

(Total for past six contests from 2014 to 2019)

Number of applicants	511
Number of businesses founded	72

#### <Transaction status with businesses founded>

(as of March 31, 2020)

Deposit transaction	69 businesses	¥95 million
Loan transaction	19 businesses	¥79 million

- Continual efforts have been made such as donating welfare equipment and granting scholarships with a view to improving social welfare and assisting human resource development for the next generation

#### <Iyo Bank Social Welfare Fund>

(Public Interest Incorporated Foundation)

- © Cumulative total of ¥655 million has been granted since its foundation in 1976



## 2. Financial and information services



- ◆ Expansion of ESG-related loan products
- ◆ Financial support for customers engaged in SDGs
- ◆ The **actual** ESG-related loan amount for fiscal 2019 was **¥10,980 million**, exceeding the target of ¥10,000 million

### <ESG-related loan results (fiscal 2019)>

Product name	Number executed	Execution amount
SDGs private placement bonds	20	¥1,910 million
Environment private placement bonds	25	¥2,530 million
"Manabiya" (schoolhouse) hometown support private placement bonds	55	¥3,770 million
"Chiiki no Mirai (future in the region)" hometown support private placement bonds	8	¥1,730 million
"Kaisha-no-Mirai (Future of the Company)" welfare support private placement bonds	13	¥1,040 million
Total	121	¥10,980 million

## 3. Strong management foundation



- ◆ Appropriate establishment and implementation of a whistle-blowing system which is an important element of corporate governance
- ◆ Further promotion of compliance management

Registered for the "Whistleblowing Compliance Management System certification" under the Consumer Affairs Agency



## 4. Diversity and work style reforms

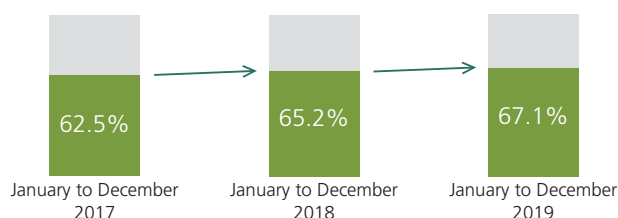


- ◆ Productivity improvement through work style reforms

### <Change in overtime work under the Labor Standards Act>



### <Change in paid leave utilization rate>



## 5. Environmental protection



- ◆ Promotion of financial contributing to environmental preservation
- ◆ The Bank **received the Bronze Prize** in the "ESG Finance Awards Japan (loan category)" sponsored by the Ministry of the Environment



### <Number of arranged project finance for renewable energy>

(Total as of March 31, 2020)

Solar power generation	12
Biomass generation	3

### <Number of other environmental loans executed>

(Total as of March 31, 2020)

Loans relating to the interest subsidy business implemented by the Ministry of the Environment	9
Arrangement of syndicated loans for investment funds for green bonds	1



## Corporate Governance

### Basic Philosophy

Based on our corporate philosophy, to ensure the unshakeable trust of our stockholders, customers, employees and other stakeholders we believe it is vital to raise enterprise value and ensure a more sound and transparent management system, while remaining mindful of our social responsibilities as a regional bank. To meet these responsibilities, we will reinforce and enhance our efforts at corporate governance, which we consider one of our most important management priorities.

Through corporate governance appropriate to the Bank, we seek to achieve sustainable growth and enhance enterprise value over the medium to long term. To this end, we have formulated and publicized our Corporate Governance Guide Line, which outlines our fundamental perspectives and frameworks on corporate governance.

### Internal Control Systems

- The Board of Directors' granting of voting rights to directors on auditing and the Audit and Supervisory Committee members that include multiple outside directors is expected to enhance the auditing and supervisory functions, as well as corporate governance. At the same time, we believe this delegation of authority will contribute to swifter decision-making and heightened management efficiency. To achieve these aims, we have adopted the system of a "company with an Audit and Supervisory Committee."
- The Bank has also separated the management decisionmaking and supervisory functions from business execution, thereby strengthening the Board of Directors' decisionmaking function. To further enhance corporate governance, we have introduced an executive officer system.
- In principle, the Board of Directors meets once a month to decide on important matters stipulated in law and the Articles

of Incorporation, as well as to make important decisions related to management policy and management strategy.

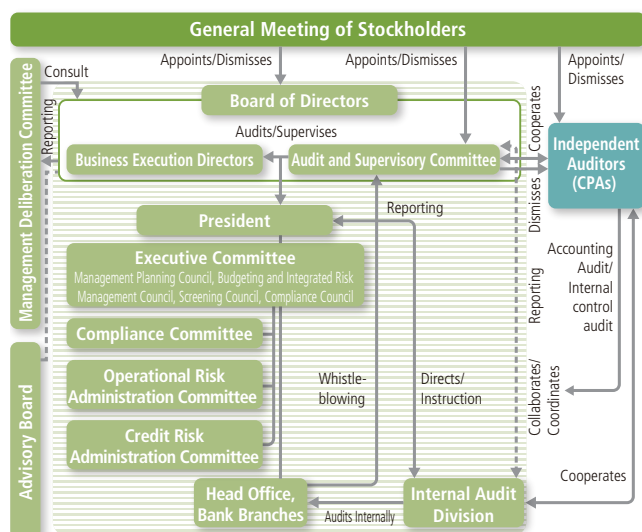
- In principle, the Audit and Supervisory Committee meets at least once each month. In accordance with the law, Articles of Incorporation and Audit and Supervisory Committee Regulations, this committee and the Board of Directors provide a supervisory function, as well as auditing the execution of business by directors.
- In principle, the Executive Committee, consisting of managing directors and higher-ranked directors, meets once a week to discuss important issues affecting all areas of operations, based on the fundamental policies decided upon by the Board of Directors. The Executive Committee comprises four councils, according to the content of matters to be discussed: the Management Planning Council, the Budgeting and Integrated Risk Management Council, the Screening Council and the Compliance Council. Standing members of Audit and Supervisory Committee attend the Executive Committee, where they provide appropriate statements and advice.

The Bank established the Management Deliberation Committee, comprising the Bank's representative directors and the Audit and Supervisory Committee members, to deliberate director nominations and compensation and other important matters.

The Management Deliberation Committee, which is positioned as an advisory body to the Board of Directors, is composed of a majority of members who are independent outside directors.

- In an effort to develop and enhance a structure for legal observance and risk management, we have established the Compliance Committee (secretariat: the Compliance Division; held monthly) chaired by the director in charge of the Compliance Division, as well as the Operational Risk Administration Committee (secretariat: the Risk Management Division; held at least quarterly) and the Credit Risk Management Committee (secretariat: the Risk Management Division; held at least quarterly), both of which are chaired by the director in charge of the Risk Management Division.
- The Bank holds a semi-annual meeting of the Advisory Board (secretariat: the General Planning Division) chaired by the president. To ensure the management transparency and objectivity of the Group, further strengthen the management base and contribute to the local community, we are introducing external perspectives regarding the Group's management strategies and governance.

### Business Executive Functions, Oversight and Internal Controls



## Compliance

As an institution with a public profile and social responsibilities, the Bank regards a good compliance record as indispensable for deepening the trust and support of our customers, shareholders and the communities we serve. We ensure not only that all our employees observe all laws, ordinances and regulations in their duties, but also meet the highest ethical standards.



## Compliance Organizations

We established a Compliance Council chaired by the President. This committee deliberates matters relating to compliance, and seeks to foster a corporate culture in which compliance-related information is shared by all employees from the branch level to top management.

At all head office and branch business departments, we have appointed compliance officers, who assess progress in compliance-related matters and organize training and awareness-raising activities such as study groups.

The Compliance Division, working closely with the Compliance Committee and compliance officers, integrates collection and management of compliance-related information.

## Risk Management

### Basic Philosophy

In its daily business operations, a bank is exposed to credit risks, market risks and other risks. These risks are growing in diversity and complexity as deregulation progresses and the business of banking grows ever more complex. Therefore, finding ways of appropriately managing risk has become a vital challenge for a bank.

On the other hand, for a bank, risk-taking is essential for generation of revenue. Only by assuming a reasonable level of risk, it is possible to ensure acceptable earnings growth. Accordingly, the bank sets reasonable profit targets after factoring in all conceivable risks, and takes every precaution to manage risk. Iyo Bank's management treats risk management as a priority issue.

Each fiscal year, the Board of Directors compiles risk management policies, and, based on these policies, takes steps to strengthen risk management and improve the quality of risk management.

## Risk Management Framework

The Bank's risk management framework has four main pillars:

1. Legal observance under the Compliance Committee
2. Managing revenue-generating risk assets under the ALM Committee
3. The Credit Risk Administration Committee undertakes risk management that focuses on curbing credit risk
4. Management of operational risk to minimize administrative and system risk, under the Operational Risk Administration Committee

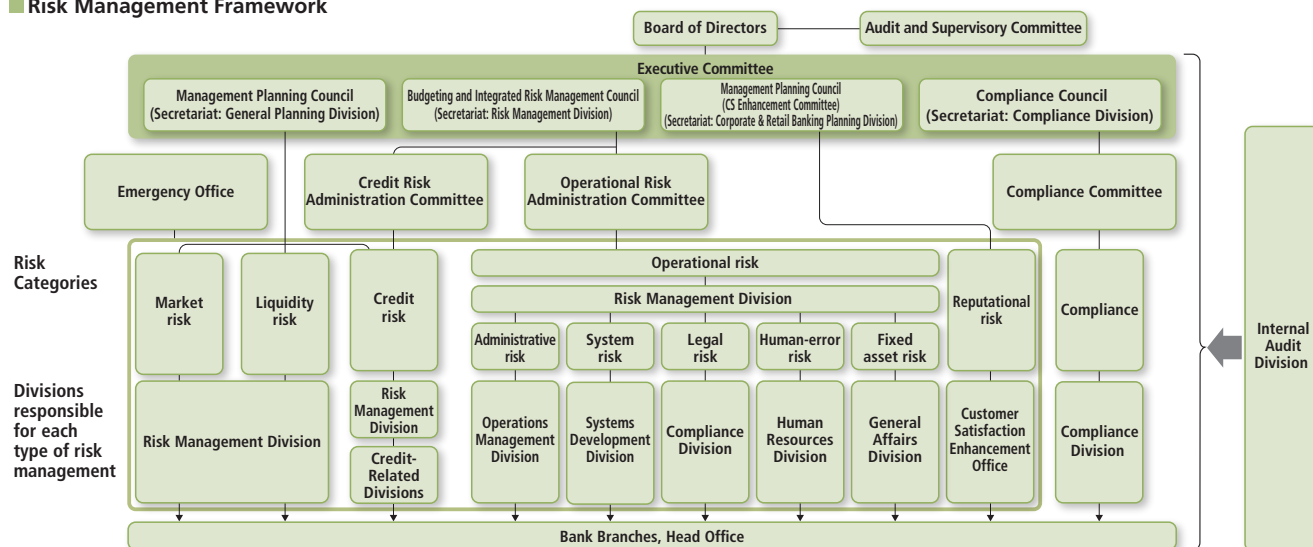
The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

Additionally, the Credit Risk Administration Committee works to manage credit risk, design and evaluate frameworks for the Internal Rating System, and resolve issues concerning Basel Regulations.

At the same time, the Operational Risk Administration Committee is taking measures to refine operational risk management through organization-wide discussion and monitoring regarding important topics arising from reviews of actual operational risk. With regard to administrative risk, system risk, legal risk, human-error risk, and fixed asset risk, which together constitute operational risk, organization-wide responses include establishment of offices for each category of risk, and rigorous risk management. At the same time, the Risk Management Division is responsible for coordination of risk management carried out by the departments in charge of each category of risk.

Moreover the Risk Management Division, which coordinates overall risk management, manages verification of risk management at each department.

### ■ Risk Management Framework





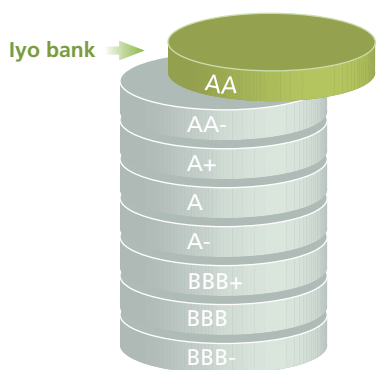
## Financial Highlights

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

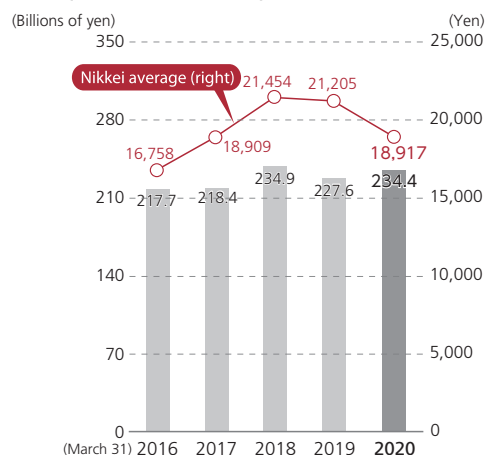
	Millions of yen				
Years ended March 31:	2020	2019	2018	2017	2016
<b>At Year-End:</b>					
<b>Assets</b>					
Securities	¥1,713,574	¥1,574,849	¥1,815,554	¥1,735,981	¥1,739,757
Loans and bills discounted	4,733,091	4,527,810	4,269,697	4,021,442	3,890,085
Total assets	7,795,554	7,165,655	7,096,633	6,849,283	6,510,076
<b>Liabilities</b>					
Deposits	5,728,742	5,688,021	5,525,398	5,437,276	5,324,433
Total liabilities	7,123,706	6,517,327	6,450,329	6,240,221	5,920,369
<b>For the Year:</b>					
Total income	¥ 126,545	¥ 126,291	¥ 121,002	¥ 117,356	¥ 119,819
Total expenses	98,153	98,163	85,209	84,228	79,531
Income before income taxes	28,329	28,129	35,791	33,127	40,287
Profit attributable to owners of parent	18,922	18,527	23,639	21,797	24,451
Net cash provided by operating activities	49,279	(150,925)	3,870	226,523	(64,206)
Net cash provided by investing activities	(134,032)	237,490	(57,093)	6,797	38,624
Net cash provided by financing activities	(5,741)	(4,346)	(4,106)	(7,401)	(19,106)
Cash and cash equivalents	717,887	808,389	726,157	783,504	557,587
<b>Per Share Data:</b>					
Basic net income	¥ 59.77	¥ 58.54	¥ 74.73	¥ 68.93	¥ 77.34
Stockholders' equity	2,052.46	1,975.54	1,969.99	1,864.28	1,790.53
Capital ratio (BIS standards) (%)	14.85	14.38	14.31	14.58	15.42
Return on equity (ROE) (%)	2.95	2.99	3.83	3.77	4.27
Price earnings ratio (PER) (Times)	9.15	10.01	10.71	10.86	9.52
Number of employee	3,109	3,147	3,122	3,082	3,024

Note: Japanese yen amounts, except net income per share, are presented in millions of yen and are rounded down to the nearest million.

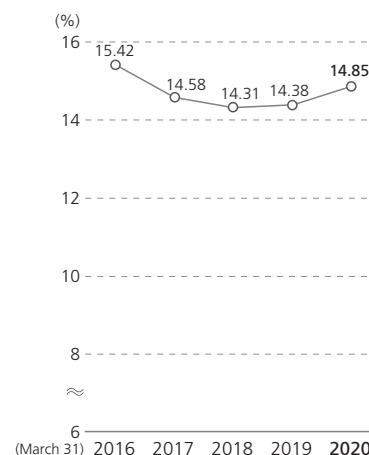
### Ratings [JCR]



### Evaluation gain on securities (Non-consolidated)



### Capital ratio(BIS standards)





# Management Discussion and Analysis of Operations

## ■ Business Environment

Despite impacts of the consumption tax hike, the Japanese economy in fiscal 2019, ended March 31, 2020, showed signs of recovery in consumer spending against the backdrop of a steady improvement in the employment and income environment, while it saw sluggish growth in exports amid a slowdown in the global economy. However, the economic environment underwent a drastic change due to COVID-19, an infectious disease that began to spread toward the end of the fiscal year, leading to growing concerns over a downturn in the global economy.

The economy of Ehime Prefecture continued to see housing investments increase owing to an increase in the number of new housing constructions and public investments increase backed by recovery and reconstruction projects launched after the heavy rainfall disaster in western Japan. The impact of COVID-19 has, however, made the outlook for the prefecture's economy uncertain as the regional economy is forecast to stagnate.

## Overview of Business Results, etc.

Consolidated ordinary income increased ¥220 million year on year to ¥126,506 million (US\$1,162 million). This was mainly due to an increase in interest income from interest on loans as well as an increase in other operating income of consolidated subsidiaries in investment income, etc.

On the other hand, consolidated ordinary expenses decreased ¥535 million to ¥97,093 million (US\$892 million). This was mainly due to a decrease in operating expenses due to a decrease in losses on sales of Japanese government bonds and other bonds, despite an increase in interest on deposits and other interest expenses. As a result, consolidated ordinary income increased ¥755 million year on year to ¥29,413 million (US\$270 million). Profit attributable to owners of parent increased ¥395 million to ¥18,922 million (US\$173 million).

On a non-consolidated basis, gross profit from core business increased ¥592 million year on year, to ¥76,768 million (US\$705 million), mainly due to an increase in other operating profits resulting from an increase in gains on foreign exchange transactions. Operating income increased ¥1,017 million to ¥26,835 million (US\$246 million) due to an increase gross operating profits from core business and a decrease in expenses, etc. Ordinary income increased ¥232 million to ¥26,581 million (US\$244 million). As a result, net income increased ¥240 million year on year to ¥18,502 million (US\$170 million).

## ■ Segment Information

The Iyo Bank Group consists of the Iyo Bank and 16 consolidated subsidiaries. The Group's operations center on commercial banking services, and also cover leasing and other financial services.

## Banking Operations

Ordinary income came to ¥107,743 million (US\$990 million). This was due to ordinary income from customers of ¥107,088 million and ordinary income from intersegment transactions of ¥655 million. Segment profit increased ¥168 million, to ¥28,530 million (US\$262 million).

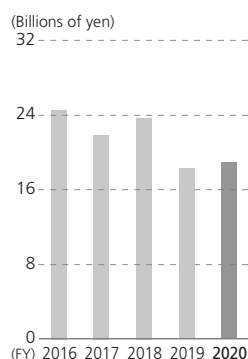
## Leasing Operations

Ordinary income came to ¥17,359 million (US\$159.5 million). This was attributable to ordinary income from customers of ¥16,905 million and ordinary income from intersegment transactions of ¥454 million. Segment profit increased ¥517 million, to ¥709 million (US\$6.5 million).

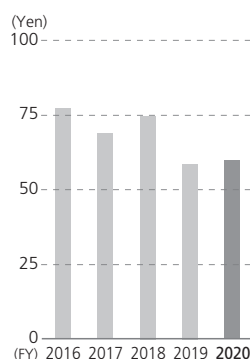
## Other Businesses

Ordinary income came to ¥4,384 million (US\$40.3 million). This was a result of ordinary income from customers of ¥2,513 million, and ordinary income from intersegment

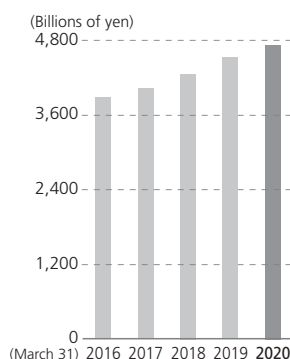
**Profit Attributable to Owners of Parent**



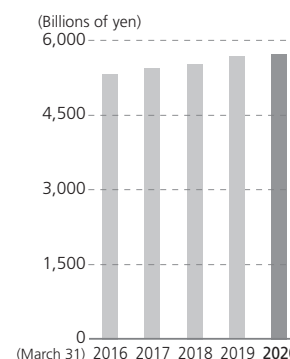
**Net Income per Share**



**Loans and Bills Discounted**



**Deposits**





transactions of ¥1,871 million. Segment profit increased ¥53 million, to ¥124 million (US\$1.1 million).

The term-end balance of deposits, including NCDs, increased ¥40.7 billion over the previous fiscal year-end, to ¥5,728.7 billion (US\$52,639 million).

The loan balance at the end of the fiscal year rose ¥205.2 billion from the previous fiscal year-end, to ¥4,733 billion (US\$43,489.8 million).

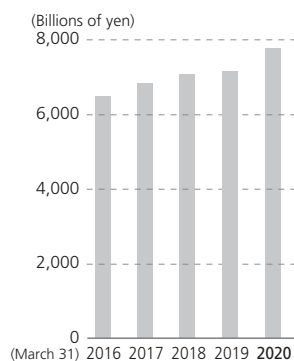
The balance of securities at the end of the fiscal year rose ¥138.7 billion from the previous fiscal year-end, to ¥1,713.5 billion (US\$15,744.7 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.85%.

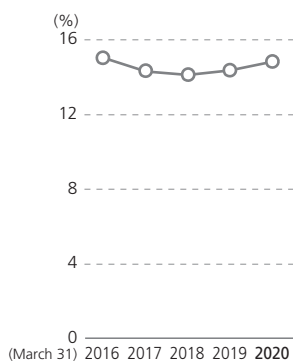
## Loans by Industry

Years ended March 31:	Millions of yen			
	2020		2019	
	Loans and bills discounted outstanding	Share (%)	Loans and bills discounted outstanding	Share (%)
<b>Domestic total (excluding loans booked offshore)</b>	<b>¥4,584,038</b>	<b>100.00</b>	<b>¥4,425,405</b>	<b>100.00</b>
Manufacturing	650,562	14.19	643,028	14.53
Agricultural and forestry	3,115	0.07	3,146	0.07
Fishing	11,918	0.26	11,389	0.26
Mining, quarrying and gravel extraction	7,131	0.16	8,614	0.19
Construction	116,088	2.53	116,306	2.63
Electricity, gas and water utilities, sewage	154,410	3.37	134,015	3.03
Communications	18,940	0.42	22,020	0.50
Transportation and postal service	769,705	16.79	717,925	16.22
Wholesale and retail	504,305	11.00	511,642	11.56
Finance and insurance	159,666	3.48	174,959	3.95
Real estate and rental	514,007	11.21	481,403	10.88
Service	467,637	10.20	438,574	9.91
Local authorities	230,048	5.02	234,824	5.31
Others	976,500	21.30	927,554	20.96
<b>Overseas total (including loans booked offshore)</b>	<b>149,053</b>	<b>100.00</b>	<b>102,405</b>	<b>100.00</b>
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	149,053	100.00	102,405	100.00
<b>Total</b>	<b>¥4,733,091</b>	<b>—</b>	<b>¥4,527,810</b>	<b>—</b>

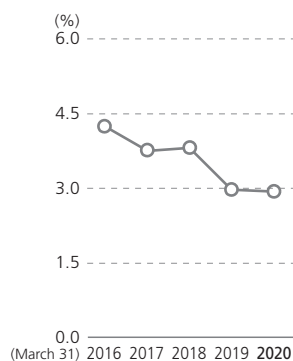
### Total Assets



### Capital Ratio (BIS standards)



### Return on Equity





## ■ Financial Position and Business Results

### Consolidated gross profit

Consolidated gross profit decreased ¥168 million to ¥66,375 million (US\$609.9 million), mainly due to a decrease in profits on investment trusts, stemming from a decrease in gains on cancellation of investment trusts, despite an increase in profits on loans and discounts due to an increase in loans. Other income increased by ¥2,979 million to ¥8,305 million compared to the previous fiscal year, mainly due to an increase in gains on Japanese government bonds and other securities resulting from the sale of foreign bonds that reflect market trends, as well as an increase in gains on foreign transactions and gains on derivatives. As a result, consolidated gross profit increased by ¥2,735 million from the previous fiscal year to ¥84,896 million.

### Operating costs

Operating expenses decreased ¥707 million from the previous fiscal year to ¥51,653 million (US\$474.6 million) due to a decrease in personnel expenses resulting from improved operational efficiency, despite an increase in nonpersonnel expenses mainly amid an increase in strategic investments.

### Credit costs

Credit costs increased ¥848 million to ¥7,379 million (US\$67.8 million). This was mainly due to an increase in provision for reserve for loan losses due to an increase in the actual ratio of bad debt, and an increase in bankruptcies and downgrades.

### Gain (loss) related to stock, etc.

Net gains on stocks decreased ¥2,502 million from the previous fiscal year to ¥1,447 million (US\$13.3 million) due to losses on the sale of E T F (Listed Investment Trust), stemming from a decline in stock prices.

### Extraordinary income (losses)

Extraordinary income(losses) decreased by ¥492 million from the previous fiscal year to (¥1,021 million)(US\$9.4 million) due to impairment losses on fixed assets and other factors.

## Deposits

With deposits held by individuals and corporations both increasing steadily, the balance of deposits, including NCDs, increased ¥40.7 billion over the previous consolidated fiscal year-end, to ¥5,728.7 billion (US\$52,639 million).

### Loans and bills discounted

With corporate and housing loans mainly to individuals both increasing steadily, loans and bills discounted grew ¥205.2 billion over the previous consolidated fiscal year-end, to ¥4,733 billion (US\$43,489.8 million).

### Risk management loans

Risk management loans increased ¥6.2 billion over the previous consolidated fiscal year-end, to ¥79.6 billion (US\$731.4 million).

Risk management loans remained at the low level of 1.68% as a proportion of the outstanding balance of loans and bills discounted.

### Securities

The balance of securities increased by ¥138.7 billion from the previous fiscal year to ¥1,713.5 billion (US\$15,744.7 million) mainly due to the acquisition of foreign currency securities and other securities, despite a decrease in Japanese government bonds as a result of sales and redemptions.

## ■ Cash Flow Analysis

### Consolidated Cash Flows

Cash flow used in operating activities was ¥49,279 million (US\$452.8 million), due to an increase in borrowings and payables under securities lending transactions.

Net cash provided by investing activities was (¥134,032 million) (US\$1,231.6 million). Net cash used in financing activities was (¥5,741 million) (US\$52.8 million) due to the cash dividends paid.

As a result, cash and cash equivalents at the end of the term decreased ¥90,501 million, to ¥717,887 million (US\$6,596.4 million).



# Consolidated Balance Sheet

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
<b>ASSETS</b>			
Cash and due from banks	¥ 719,086	¥ 809,668	\$ 6,607,424
Receivables under resale agreements (Note 2-5)	355,563	—	3,267,141
Monetary claims purchased	8,173	10,921	75,098
Trading account securities	727	349	6,680
Money held in trust	7,074	6,494	65,000
Securities (Note 2-1, 2-5 and 2-9)	1,713,574	1,574,849	15,745,419
Loans and bills discounted (Note 2-3, 2-4, 2-5 and 2-6)	4,733,091	4,527,810	43,490,682
Reserve for loan losses	(31,374)	(27,902)	(288,284)
Foreign exchange (Note 2-4)	10,741	7,164	98,695
Lease receivables and investment assets	33,803	31,443	310,603
Other assets (Note 2-5)	119,495	90,438	1,097,996
Tangible fixed assets (Note 2-8)	72,229	73,757	663,686
Intangible fixed assets	8,048	7,024	73,950
Net defined benefit asset	18,734	17,500	172,140
Deferred tax assets	199	197	1,828
Customers' liabilities for acceptances and guarantees	26,382	35,937	242,414
Total assets	¥7,795,554	¥7,165,655	\$71,630,561
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Deposits (Notes 2-5)	¥5,728,742	¥5,688,021	\$52,639,364
Call money and bills sold	217,618	178,313	1,999,614
Payables under repurchase agreements (Notes 2-5)	30,357	49,820	278,939
Payables under securities lending transactions (Notes 2-5)	198,436	76,968	1,823,357
Borrowed money	770,378	365,856	7,078,728
Foreign exchange	295	249	2,710
Borrowed money from trust account	28	31	257
Other liabilities	64,935	39,677	596,664
Accrued employees' bonuses	1,649	1,659	15,152
Net defined benefit liability	12,487	12,281	114,738
Reserve for losses on repayment of dormant bank accounts	2,393	3,301	21,988
Reserve for contingent losses	591	516	5,430
Reverse for share-based payments	192	86	1,764
Reserve under the special laws	2	1	18
Deferred tax liabilities	59,577	54,835	547,431
Deferred taxes on revaluation excess (Note 2-7)	9,637	9,769	88,550
Acceptances and guarantees	26,382	35,937	242,414
Total liabilities	7,123,706	6,517,327	65,457,190
<b>Net assets</b>			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	192,483
Capital surplus	14,578	11,604	133,952
Retained earnings	433,082	418,320	3,979,435
Treasury stock	(5,131)	(5,189)	(47,146)
Total stockholders' equity	463,478	445,684	4,258,733
Net unrealized holding gains (losses) on securities	166,775	160,696	1,532,435
Net deferred gains (losses) on derivatives under hedge accounting	792	(1,545)	7,277
Land revaluation excess (Note 2-7)	19,315	19,590	177,478
Remeasurements of defined benefit plans	(650)	779	(5,972)
Total accumulated other comprehensive income	186,233	179,519	1,711,228
Stock acquisition rights	343	397	3,151
Non-controlling interests	21,792	22,725	200,238
Total net assets	671,848	648,327	6,173,371
Total liabilities and net assets	¥7,795,554	¥7,165,655	\$71,630,561

See Notes to Consolidated Financial Statements.



## Consolidated Statement of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
<b>INCOME</b>			
Interest and dividend income:			
Interest on loans and discounts	¥ 54,492	¥ 52,758	\$ 500,707
Interest and dividends on securities	23,594	23,966	216,796
Interest on receivables under resale agreements	(6)	—	(55)
Interest on receivables under securities lending transactions	—	62	—
Other interest income	1,522	1,332	13,985
Fees and commissions	15,406	15,121	141,560
Other operating income	25,344	24,220	232,876
Other income	6,192	8,831	56,896
Total income	126,545	126,292	1,162,776
<b>EXPENSES</b>			
Interest expense:			
Interest on deposits	4,416	3,548	40,577
Interest on borrowings and rediscounts	1,699	1,823	15,611
Interest on payables under repurchase agreements	716	625	6,579
Interest on payables under securities lending transactions	1,864	1,308	17,127
Other interest expense	4,529	4,269	41,615
Fees and commissions	5,190	4,829	47,689
Other operating expenses	17,038	18,893	156,556
General and administrative expenses (Note 3-1)	51,653	52,360	474,620
Other expenses (Note 3-2 and 3-3)	11,044	10,503	101,479
Total expenses	98,153	98,163	901,892
Income before income taxes	28,392	28,129	260,883
Income taxes			
Current	7,866	7,953	72,277
Deferred	233	420	2,140
Total taxes	8,099	8,374	74,418
Profit	20,292	19,755	186,455
Profit attributable to noncontrolling interests	1,370	1,227	12,588
Profit attributable to owners of parent	¥ 18,922	¥ 18,527	\$ 173,867

Per share of common stock (yen and U.S. dollars):

	Yen		U.S. dollars (Note 1-1)
Basic net income	¥59.77	¥58.54	\$0.54
Diluted net income	59.69	58.45	0.54
Dividends	14.00	14.00	0.12

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Profit	¥20,292	¥ 19,755	\$186,455
Other comprehensive income (Note 4-1)	8,957	(13,415)	82,302
Net unrealized holding gains (losses) on securities	8,048	(7,220)	73,950
Net deferred gains (losses) on derivatives under hedge accounting	2,338	(305)	21,483
Remeasurements of defined benefit plans	(1,429)	(5,890)	(13,130)
Comprehensive income	¥29,249	¥ 6,339	\$268,758
Comprehensive income attributable to:			
Owners of parent	¥25,910	¥ 6,324	\$238,077
Noncontrolling interests	3,339	14	30,680

See Notes to Consolidated Financial Statements.



# Consolidated Statement of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2020

For the year ended March 31, 2020	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	¥20,948	¥11,604	¥418,320	¥(5,189)	¥445,684
Changes during the accounting period					
Dividends			(4,435)		(4,435)
Profit attributable to owners of parent			18,922		18,922
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		8		58	66
Reversal of land revaluation excess			274		274
Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary		2,966			2,966
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	2,974	14,761	57	17,793
Balance at the end of the accounting period	¥20,948	¥14,578	¥433,082	¥(5,131)	¥463,478

For the year ended March 31, 2020	Thousands of U.S. dollars (Note 1-1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	\$192,483	\$106,625	\$3,843,793	\$(47,679)	\$4,095,231
Changes during the accounting period					
Dividends			(40,751)		(40,751)
Profit attributable to owners of parent			173,867		173,867
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		73		532	606
Reversal of land revaluation excess			2,517		2,517
Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary		27,253			27,253
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	27,327	135,633	523	163,493
Balance at the end of the accounting period	\$192,483	\$133,952	\$3,979,435	\$(47,146)	\$4,258,733

For the year ended March 31, 2020	Millions of yen							
	Total other comprehensive income							
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Noncontrolling interests	Total net assets
Balance at the beginning of the accounting period	¥160,696	¥(1,545)	¥19,590	¥ 779	¥179,519	¥397	¥22,725	¥648,327
Changes during the accounting period								
Dividends								(4,435)
Profit attributable to owners of parent								18,922
Purchase of treasury stock								(0)
Disposal of treasury stock								66
Reversal of land revaluation excess								274
Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary							(2,966)	—
Changes in items other than stockholders' equity, net	6,078	2,338	(274)	(1,429)	6,713	(54)	2,033	8,693
Total changes during the accounting period	6,078	2,338	(274)	(1,429)	6,713	(54)	(932)	23,520
Balance at the end of the accounting period	¥166,775	¥ 792	¥19,315	¥ (650)	¥186,233	¥343	¥21,792	¥671,848



Thousands of U.S. dollars (Note 1-1)

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the year ended March 31, 2020								
Balance at the beginning of the accounting period	\$1,476,578	\$(14,196)	\$180,005	\$ 7,157	\$1,649,535	\$3,647	\$208,811	\$5,957,245
Changes during the accounting period								
Dividends								(40,751)
Profit attributable to owners of parent								173,867
Purchase of treasury stock								(0)
Disposal of treasury stock								606
Reversal of land revaluation excess								2,517
Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary							(27,253)	—
Changes in items other than stockholders' equity, net	55,848	21,483	(2,517)	(13,130)	61,683	(496)	18,680	79,876
Total changes during the accounting period	55,848	21,483	(2,517)	(13,130)	61,683	(496)	(8,563)	216,116
Balance at the end of the accounting period	\$1,532,435	\$ 7,277	\$177,478	\$ (5,972)	\$1,711,228	\$3,151	\$200,238	\$6,173,371

Millions of yen

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2019					
Balance at the beginning of the accounting period	¥20,948	¥11,570	¥404,181	¥(5,255)	¥431,445
Changes during the accounting period					
Dividends			(4,431)		(4,431)
Profit attributable to owners of parent			18,527		18,527
Purchase of treasury stock				(232)	(232)
Disposal of treasury stock		34		298	332
Reversal of land revaluation excess			43		43
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	34	14,138	65	14,238
Balance at the end of the accounting period	¥20,948	¥11,604	¥418,320	¥(5,189)	¥445,684

Millions of yen

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the year ended March 31, 2019								
Balance at the beginning of the accounting period	¥166,703	¥(1,240)	¥19,634	¥ 6,669	¥191,766	¥467	¥22,624	¥646,304
Changes during the accounting period								
Dividends								(4,431)
Profit attributable to owners of parent								18,527
Purchase of treasury stock								(232)
Disposal of treasury stock								332
Reversal of land revaluation excess								43
Changes in items other than stockholders' equity, net	(6,006)	(305)	(43)	(5,890)	(12,246)	(70)	100	(12,215)
Total changes during the accounting period	(6,006)	(305)	(43)	(5,890)	(12,246)	(70)	100	2,023
Balance at the end of the accounting period	¥160,696	¥(1,545)	¥19,590	¥ 779	¥179,519	¥397	¥22,725	¥648,327

See Notes to Consolidated Financial Statements.



# Consolidated Statement of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 28,392	¥ 28,129	\$ 260,883
Depreciation	4,888	4,430	44,914
Impairment losses	931	231	8,554
Increase (decrease) in reserve for loan losses	3,471	3,645	31,893
Increase (decrease) in accrued employees' bonuses	(10)	8	(91)
Decrease (increase) in net defined benefit asset	(1,234)	5,664	(11,338)
Increase (decrease) in net defined benefit liability	205	(221)	1,883
Increase (decrease) in reserve for losses on repayment of dormant bank accounts	(908)	373	(8,343)
Increase (decrease) in reserve for contingent losses	75	89	689
Increase (decrease) in reserve for share-based payments	105	86	964
Increase (decrease) in reserve under special laws	0	0	0
Interest and dividend income	(79,601)	(78,119)	(731,425)
Interest expense	13,226	11,575	121,528
Securities losses (gains), net	(3,469)	(4,155)	(31,875)
Money in trust losses (gains), net	(505)	(408)	(4,640)
Foreign exchange losses (gains), net	5,606	(6,003)	51,511
Losses (gains) on disposal of tangible fixed assets, net	89	297	817
Net changes in loans and bills discounted	(205,280)	(258,113)	(1,886,244)
Net changes in deposits	40,721	162,622	374,170
Net changes in borrowed money (excluding subordinated borrowings)	404,521	(53,484)	3,716,998
Net changes in due from banks	79	890	725
Net changes in call loans	(352,831)	22,811	(3,242,038)
Net changes in call money	19,841	125,201	182,311
Net changes in payables under securities lending transactions	121,468	(149,181)	1,116,126
Net changes in foreign exchange assets	(3,576)	(72)	(32,858)
Net changes in foreign exchange liabilities	46	183	422
Net changes in lease receivables and investment assets	(2,360)	(848)	(21,685)
Interest income received	79,013	77,560	726,022
Interest expense paid	(13,638)	(11,378)	(125,314)
Net increase (decrease) in borrowed money from trust account	(2)	(8)	(18)
Other	(2,920)	(21,070)	(26,830)
Subtotal	56,345	(139,262)	517,734
Income taxes paid	(7,066)	(11,663)	(64,926)
Net cash provided by (used in) operating activities	49,279	(150,925)	452,807
<b>Cash flows from investing activities</b>			
Purchases of securities	(528,275)	(416,769)	(4,854,130)
Proceeds from sales of securities	258,254	516,391	2,373,003
Proceeds from maturities of securities	141,891	144,532	1,303,785
Increase in money held in trust	(438)	(388)	(4,024)
Decrease in money held in trust	—	616	—
Purchases of tangible fixed assets	(2,393)	(3,627)	(21,988)
Proceeds from sales of tangible fixed assets	90	155	826
Purchases of intangible fixed assets	(3,160)	(3,420)	(29,036)
Net cash provided by (used in) investing activities	(134,032)	237,490	(1,231,572)
<b>Cash flows from financing activities</b>			
Proceeds from share issuance to noncontrolling stockholders	13	92	119
Cash dividends paid	(4,435)	(4,431)	(40,751)
Cash dividends paid to noncontrolling stockholders	(5)	(5)	(45)
Purchases of treasury stock	(0)	(232)	(0)
Proceeds from sales of treasury stock	0	231	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,313)	—	(12,064)
Net cash provided by (used in) financing activities	(5,741)	(4,346)	(52,751)
<b>Foreign currency translation adjustments</b>	(6)	13	(55)
<b>Net increase (decrease) in cash and cash equivalents</b>	(90,501)	82,231	(831,581)
<b>Cash and cash equivalents at the beginning of year</b>	<b>808,389</b>	<b>726,157</b>	<b>7,427,997</b>
<b>Cash and cash equivalents at the end of year (Note 5-1)</b>	<b>¥ 717,887</b>	<b>¥ 808,389</b>	<b>\$ 6,596,407</b>

See Notes to Consolidated Financial Statements.



# Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries  
For the year ended March 31, 2020

## 1-1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of The Iyo Bank, Ltd. (the "Bank") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Japanese yen amounts are rounded down to the nearest million. Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Under Japanese laws and regulations, including the Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act and the Banking Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 20% of the dividend or the excess, if any, of 100% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the stockholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act and the Banking Law, however, by resolution of the stockholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

### (Basis of Presenting Consolidated Financial Statements)

#### 1 Scope of consolidation

##### (1) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and the following 16 consolidated subsidiaries.

- The Iyogin Credit Guaranty Company Limited
- The Iyogin Business Service Company Limited
- Iyogin Capital Company Limited
- Iyogin Venture Fund Corporation Limited IV
- Iyogin Venture Fund Corporation Limited V

- Iyogin Venture Fund Corporation Limited VI
- Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund II Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership
- Iyogin Regional Economy Research Center, Inc.
- Iyogin DC Card Co., Ltd.
- Iyogin Challenge & Smile Co., Ltd.
- Iyogin Leasing Company Limited
- Iyogin Computer Service Company Limited
- Shikoku Alliance Securities Co., Ltd.

##### (2) The consolidated financial statements exclude the following subsidiary.

- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership  
Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income are immaterial to the consolidated financial statements.

No unconsolidated subsidiary is accounted for by the equity method. Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of the equity method because its net income and retained earnings are immaterial to the consolidated financial statements.

#### 2 Affiliated companies not accounted for by the equity method

The consolidated financial statements exclude the following affiliated companies.

- Iyogin REVIC Investments Company Limited
- Shikoku Alliance Capital Co., Ltd
- Ozu Machidukuri Fund

Iyogin REVIC Investments Company Limited, Shikoku Alliance Capital Co., Ltd and Ozu Town Creation Fund are excluded from the scope of the equity method because their net income and retained earnings are immaterial to the consolidated financial statements.

#### 3 The fiscal year of consolidated subsidiaries

The consolidated financial statements include the accounts of 7 consolidated subsidiaries with fiscal years that end December 31. Appropriate adjustments are made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities are eliminated.

#### 4 Significant accounting policies

##### (1) Trading account securities

Trading account securities of the Bank and its consolidated subsidiaries are stated at fair market value. Gains and losses realized on the disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such trading account securities are computed using moving average cost.



## **(2) Securities**

- ① Held-to-maturity debt securities are stated at amortized cost by the straight-line method. Available-for-sale securities with available fair market values are stated at fair market value. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with fair values that are extremely difficult to determine are carried at cost using moving average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.
- ② Securities included in the money held in the trust account are treated in the same manner as the securities mentioned above.

## **(3) Derivatives and hedge accounting**

Derivative transactions are valued at fair value with changes in fair value included in current income.

## **(4) Tangible and intangible fixed assets and lease assets**

- ① Tangible and intangible fixed assets are generally stated at cost, less the accumulated depreciation.

Depreciation of tangible fixed assets, except for lease assets, of the Bank and its consolidated subsidiaries is recorded using the declining balance method. However, buildings acquired after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The estimated useful lives of these assets are 15 – 40 years for buildings and 5 – 10 years for equipment.

- ② Depreciation for intangible fixed assets, except for lease assets, of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of mainly five years.
- ③ Both tangible and intangible lease assets under finance leases that are not deemed to transfer ownership of the lease property to the lessee are depreciated using the straight-line method over the lease term with zero residual value. In cases in which there is a residual value guarantee in the contract, the residual value is the guaranteed value. In other cases, it is deemed to be zero.

## **(5) Reserve for possible loan losses**

The Bank and its consolidated subsidiaries write off loans and make provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding amounts written off and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not in the above circumstances but for who there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition.

With regard to other receivables, the Company principally posts estimated losses for the next 1 year or the estimated losses for the next 3 years. The estimated losses are calculated based on actual average loan loss ratios for certain 1 year or 3 years periods with necessary adjustments.

Assessments and classifications are made by each business and credit supervision department and are audited by the Credit Administration Department, an independent department. The reserve for possible loan losses is provided based on such procedures.

The estimated unrecoverable portions of loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition are written off. The estimated unrecoverable amounts are determined after excluding amounts considered recoverable due to the existence of security interests or guarantees. As of March 31, 2020 and 2019, the estimated unrecoverable amounts were ¥19,283 million (\$177,184 thousand) and ¥20,253 million, respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on the actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are separately estimated and a reserve for possible loan losses is provided based on those estimations.

## **(6) Accrued employees' bonuses**

Accrued employees' bonuses are provided for the future payment of employees' bonuses based on the estimated amounts of the future payments that are attributed to the current fiscal year.

## **(7) Reserve for losses on repayment of dormant bank accounts**

Reserve for losses on repayment of dormant bank accounts is provided in connection with inactive bank accounts the balances of which have been derecognized as liabilities. The reserve is provided for the possible future demands on claims of withdrawal from these accounts in an amount based on historical reimbursement experience.

## **(8) Reserve for contingent losses**

Reserve for contingent losses is maintained to provide against possible losses from contingencies which are not covered by other specific reserves. The amount of reserve is based on an estimate of the amount possible future losses.

## **(9) Reserve for share-based payments**

Reserve for share-based payments is provided for the estimated amount of share benefit obligations at the end of the current fiscal year in order to prepare for delivery of the bank's shares to the bank's directors (excluding the audit committee members) and executive officers under the internal share delivery regulations.

## **(10) Reserve under special laws**

Reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other financial related transactions.

## **(11) Accounting method for retirement benefits**

In calculating benefit obligation, the portion of the projected benefit obligation attributed to the current fiscal year is determined using the benefit formula method. Prior service cost is amortized using the straight-line method over 10 years. Actuarial differences are recognized as expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

Some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit cost. This simplified method assumes the Company's retirement benefit obligations to be equivalent to the benefits that would be payable upon the voluntary retirement of all employees at the fiscal year-end to calculate net defined benefit liability and retirement benefit cost.



### **(12) Foreign currency translations**

Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are translated into yen at the rates prevailing at the consolidated balance sheet date. Consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the rate prevailing at their respective balance sheet dates.

### **(13) Revenue Recognition**

#### **① Finance leases**

In connection with finance leases as the lessor, sales and cost of sales are recognized at the time of receiving lease payment.

#### **② Operating leases**

As lessor under operating leases, lease related income is recognized on a straight-line basis over the full term of the lease based on the contractual amount of lease fees per month.

### **(14) Significant hedge accounting methods**

#### **① Hedge interest rate risk**

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in JICPA Industry Audit Committee Report No. 24, February 13, 2002, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry." The effectiveness of hedging is assessed for (i) each identified group of hedged items, such as deposits, loans and similar instruments and (ii) the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

#### **② Hedge against fluctuation in foreign exchange rates**

For certain assets and liabilities, the Bank and its consolidated subsidiaries apply the exceptional treatment permitted for interest rate swaps. The Bank applies the deferred method of hedge accounting to hedge foreign exchange risk associated with various foreign currency denominated monetary assets and liabilities as stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risk of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency positions of the hedged monetary assets and liabilities and the hedging instruments.

The Bank also applies fair value hedge accounting to portfolio hedges of the foreign exchange risk associated with foreign currency denominated available-for-sale securities (other than bonds) identified as hedged items in advance as long as the amount of spot and forward foreign exchange contracts payable exceeds the acquisition costs of the hedged securities in foreign currency.

### **(15) Cash flow statements**

In preparing the consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

### **(16) Consumption taxes**

National and local consumption taxes are accounted for mainly on a tax exclusion basis.

### **(17) Application of consolidated tax reporting**

The Bank and its wholly owned consolidated subsidiaries have adopted a consolidated tax return system.

### **(18) Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system**

In relation to temporary differences that have been affected by the transition to group tax sharing system and revision of single tax payment system in response to the transition, which were established by "Act for Partial Amendment of the Income Tax Act, etc" (Act No.8, 2020), the Bank and some of its consolidated subsidiaries did not apply paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018) but provisions of the previous tax laws to calculate deferred tax assets and liabilities in accordance with paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020).

### **(19) Per share data**

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes the full exercise of outstanding warrants at the time of issuance.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

### **(Accounting standards not yet adopted)**

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

#### **1 Overview**

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

#### **2 Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

**3** The impact of the adoption of this accounting standard is currently under evaluation.

- Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosure of Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)



## 1 Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments defined by in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes defined by "Accounting Standard for Measurement of Inventories."

In addition, "Implementation Guidance on Disclosure of Fair Value of Financial Instruments" was revised to require disclosure of fair value levels.

## 2 Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3 The impact of the adoption of this accounting standard is currently under evaluation.

- "Accounting Standards for Disclosure of Accounting Policies, Changes in Accounting, and Correction of Errors" (Corporate Accounting Standards No. 24, March 31, 2020)

## 1 Overview

This is intended to disclose an overview of adopted accounting principles and procedures when related accounting standards do not provide clear guidances.

## 2 Effective date

Effective from the beginning of the fiscal year ending March 31, 2021.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

## 1 Overview

The purpose of this standard is to disclose information that contributes to the understanding of financial statement users regarding the accounting estimates of items recorded in the financial statements for the current fiscal year that have the risk of materially affecting the financial statements for the following fiscal year.

## 2 Effective date

Effective from the beginning of the fiscal year ending March 31, 2021.

## (Additional Information)

### 1 The share-based payment program using the trust

The Bank has introduced a share-based payment program using a trust for its directors (excluding audit committee members) and executive officers with the aim of raising awareness of contribution to the Bank's medium to long-term performance and enhancement of its corporate value.

#### (a) Overview of transactions

The trust acquires shares of the Bank using funds contributed by the Bank.

In accordance with internal share delivery policies set forth by the Board of Directors of the Bank, the Bank grants points to its directors

(excluding audit committee members) and executive officers. At the time of retirement, shares of the Bank and money will be delivered in accordance with the points through the trust.

#### (b) Shares of the Bank held by the trust

- ① Shares of the Bank held by the trust are recorded as treasury stock in net assets at the book value in the Bank.
- ② The book value of the trust at March 31, 2020 and 2019 is ¥219 million and ¥231 million.
- ③ The number of shares of the Bank held by the Trust at March 31, 2020 and 2019 was 284 thousand shares and 300 thousand shares.

## 2 Impact of COVID-19

The Bank and its consolidated subsidiaries assume that the COVID-19 pandemic will continue to have an impact on the economy for an uncertain period of time and principally, credit risks of loans will be affected accordingly. A reserve for loan losses is provided based on information available and certain assumptions deemed reasonable at the end of the fiscal year. However, these assumptions are too uncertain and the amount of loss may increase due to the rise of the pandemic risk or a prolonged period until its termination.

## (Notes to Consolidated Balance Sheet)

### 2-1. STOCKS AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Stocks in unconsolidated subsidiaries and affiliates amounted to ¥75 million (\$689 thousand) and ¥75 million at March 31, 2020 and 2019, respectively.

Investments in unconsolidated subsidiaries and affiliates amounted to ¥193 million (\$1,773 thousand) and ¥94 million at March 31, 2020 and 2019, respectively.

2-2. Securities received under transactions with resale agreements and others that are entitled to sale or (re)pledge were ¥355,563 million (\$3,267,141) and nil at March 31, 2020 and 2019, respectively.

### 2-3. LOANS AND BILLS DISCOUNTED

Loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Loans to bankrupt customers	¥ 4,544	¥ 2,142	\$ 41,753
Non-accrual loans	57,111	52,652	524,772
Loans overdue three months or more	2,614	2,811	24,019
Restructured loans	15,418	15,883	141,670
Total	¥79,690	¥73,490	\$732,242

Loans to bankrupt customers are loans to customers who are undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest will be uncollectible.

Non-accrual loans are nonperforming loans that are not generating interest income because of nonpayment and for which accrued interest income is not recognized, excluding loans to bankrupt customers and loans on which interest payments are deferred in order to support the borrower's recovery from financial difficulties.

Loans overdue three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.



Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or deferral or waiver of interest and/or principal payments to support customers experiencing financial difficulties.

Amounts described above are before the deduction of reserve for possible loan losses.

## 2-4. COMMERCIAL BILLS

Bills discounted are accounted for as financing transactions in accordance with JICPA's Industry Audit Committee Report No. 24, February 13, 2002, although the Bank has the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥18,514 million (\$170,118 thousand) and ¥26,475 million at March 31, 2020 and 2019, respectively.

## 2-5. ASSETS PLEDGED

Assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Receivables under resale agreements	¥ 355,563	¥ —	\$ —
Securities	701,931	336,215	6,449,793
Loans	370,591	400,033	3,405,228
Total	¥1,428,086	¥736,248	\$13,122,172

The above pledged assets secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Deposits	¥ 27,684	¥ 10,283	\$ 254,378
Payables under repurchase agreements	30,357	49,820	278,939
Payables under securities lending transactions	198,436	76,968	1,823,357
Borrowed money	760,024	355,523	6,983,589

In addition to the above, assets pledged as collateral for transactions such as exchange settlement transactions and others were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Securities	¥ 437	¥ 441	\$ 4,015
Other assets	50,000	50,000	459,432

Other assets included cash collateral paid for financial instruments of ¥9,363 million (\$86,033 thousand), guarantees of ¥75 million (\$689 thousand) and security deposits of ¥280 million (\$2,572 thousand) at March 31, 2020. Other assets included cash collateral paid for financial instruments of ¥3,567 million, guarantees of ¥83 million and security deposits of ¥285 million at March 31, 2019.

## 2-6. COMMITMENT LINES

Commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries will lend the funds upon the request of an obligor to draw down the funds under the loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances related to these loan agreements at March 31, 2020 and 2019 amounted to ¥1,180,388 million (\$10,846,163 thousand) and ¥1,186,205 million, respectively. Of these amounts, ¥1,053,999 million (\$9,684,820 thousand) and ¥1,050,558 million as of March 31, 2020 and 2019, respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the loan agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitments do not necessarily affect future cash flows.

Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit when there is cause to do so, such as when there is a change in the financial condition of the obligor or when it is necessary to protect the Bank's or a consolidated subsidiary's credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank and its consolidated subsidiaries' established internal procedures for confirming an obligor's financial condition, etc., at regular intervals.

## 2-7. LAND REVALUATION EXCESS

In accordance with the Revaluation Act of Land Properties, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The revaluation excess, net of deferred taxes, is shown as a separate component of net assets. The current market value of the revalued land was lower than the revalued amount by ¥13,177 million (\$121,078 thousand) and ¥15,801 million at March 31, 2020 and 2019, respectively.

## 2-8. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets at March 31, 2020 and 2019 amounted to ¥54,297 million (\$498,915 thousand) and ¥54,375 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2020 and 2019 were ¥8,256 million (\$75,861 thousand) and ¥8,399 million, respectively.

## 2-9. GUARANTEE OBLIGATIONS

Guarantee obligations for private placement bonds in securities in accordance with the Article 2-3 of the Financial Instruments and Exchange Law amounted to ¥60,466 million (\$555,600 thousand) and ¥55,413 million at March 31, 2020 and 2019, respectively.

## 2-10. ACCEPTANCES AND GUARANTEES

The principal amount of money trusts to be indemnified by the Bank and its consolidated subsidiaries was ¥28 million (\$257 thousand) and ¥31 million at March 31, 2020 and 2019, respectively.



## (Notes to Consolidated Statement of Income)

### 3-1. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses included salaries and allowances in the amount of ¥21,223 million (\$195,010 thousand) and ¥21,699 million at March 31, 2020 and 2019, respectively.

### 3-2. OTHER EXPENSES

Other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Loans written off	¥ 20	¥ 15	\$ 183
Securities written off	399	1,004	3,666

### 3-3. IMPAIRMENT LOSS

Due to a continuous decline in land prices and a decline in operating cash flow, the book value of the following asset groups has been written down to the recoverable amount and this reduction of ¥931 million has been recorded as an impairment loss under extraordinary losses.

Location	Major use	Type	Impairment loss	
			Millions of yen	Thousands of U.S. dollars (Note 1-1)
Inside Ehime Prefecture	14 offices, including branches	Land and buildings (Land)	912	8,380
		(Buildings)	(678)	(6,229)
			(186)	(1,709)
Inside Ehime Prefecture	Idle assets- 2 items	Land and buildings (Land)	17	156
		(Buildings)	(16)	(147)
			(0)	(0)
Outside Ehime Prefecture	1 branch	Land and buildings (Land)	1	9
		(Buildings)	(0)	(0)
			(0)	(0)
Total		Land and buildings (Land)	931	8,554
		(Buildings)	(696)	(6,395)
			(188)	(1,727)

With respect to the calculation of impairment loss on fixed assets, the minimum operational unit recognized for management accounting purposes by the Bank is a branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch.

## (Notes to Consolidated Statement of Changes in Net Assets)

### 1 Type and number of shares issued and treasury stock

Type and number of shares issued and treasury stock in the year ended March 31, 2020 were as follows:

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,302	0	81	7,222
Total	7,302	0	81	7,222

1 The increase in number of shares of treasury stock was from the purchase of fractional shares (0 thousand shares).

2 The decrease in number of shares of treasury stock was due to the delivered shares of the Bank through the Trust (15 thousand shares) and the exercise of stock acquisition rights (65 thousand shares).

3 The number of shares of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payment system (300 thousand shares and 284 thousand shares, respectively).

With respect to the consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss on fixed assets for the reporting period, the amount deemed recoverable, i.e., the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards.

## (Notes to Consolidated Statement of Comprehensive Income)

### 4-1. RECLASSIFICATION ADJUSTMENTS AND THE RELATED TAX EFFECTS CONCERNING OTHER COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Net unrealized holding gains (losses) on securities			
Incurred during the period	¥15,553	¥ (6,419)	\$142,910
Reclassification adjustments	(3,529)	(4,156)	(32,426)
Before tax effect adjustments	12,023	(10,575)	110,475
Tax effect	(3,975)	3,355	(36,524)
Net unrealized holding gains (losses) on securities	8,048	(7,220)	73,950
Net deferred gains (losses) on derivatives under hedge accounting			
Incurred during the period	(287)	(4,334)	(2,637)
Reclassification adjustments	3,652	3,895	33,556
Before tax effect adjustments	3,365	(439)	30,919
Tax effect	(1,026)	133	(9,427)
Net deferred gains (losses) on derivatives under hedge accounting	2,338	(305)	21,483
Remeasurements of defined benefit plans			0
Incurred during the period	(1,070)	(7,771)	(9,831)
Reclassification adjustments	(985)	(704)	(9,050)
Before tax effect adjustments	(2,056)	(8,475)	(18,891)
Tax effect	627	2,585	5,761
Remeasurements of defined benefit plans	(1,429)	(5,890)	(13,130)
The total amount of other comprehensive income	¥ 8,957	¥(13,415)	\$ 82,302



## 2 Stock acquisition rights and own stock acquisition rights

Stock acquisition rights and own stock acquisition rights in the year ended March 31, 2020 were as follows:

Division	Details of stock acquisition rights	Type of shares to be issued	Number of shares subject to stock acquisition rights				Closing balance	
			Beginning balance	Increase	Decrease	Closing balance	Millions of yen	Thousands of U.S. dollars (Note 1-1)
The Bank	Stock acquisition rights as stock options			—			343	3,151
Total				—			343	3,151

## 3 Dividends

(1) The following dividends were paid in the year ended March 31, 2020

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1-1)	Yen	U.S. dollars (Note 1-1)		
Directors' meeting held on May 10, 2019	Common stock	¥2,217	\$20,371	¥7.00	\$0.06	March 31, 2019	June 6, 2019
Directors' meeting held on November 8, 2019	Common stock	¥2,217	\$20,371	¥7.00	\$0.06	September 30, 2019	December 10, 2019

1. The total amount of dividends on common stock resolved at the Directors' meeting held on May 10, 2019 includes ¥2 million in dividends to the Bank's shares held by the Trust for the share-based payment system.
2. The total amount of dividends on common stock resolved at the Directors' meeting held on November 8, 2019 includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

(2) Dividends whose record date is attributable to the year ended March 31, 2020 but which became effective after March 31, 2020

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1-1)		Yen	U.S. dollars (Note 1-1)		
Directors' meeting held on May 26, 2020	Common stock	¥2,217	\$20,371	Retained earnings	¥7.00	\$0.06	March 31, 2020	June 5, 2020

The total amount of dividends on common stock includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

## 1 Type and number of shares issued and treasury stock

Type and number of shares issued and treasury stock in the year ended March 31, 2019 were as follows:

	Number of shares at the beginning of the accounting period	Thousands			Number of shares at the end of the accounting period
		Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period		
Shares issued					
Common stock	323,775	—	—		323,775
Total	323,775	—	—		323,775
Treasury stock					
Common stock	7,422	302	422		7,302
Total	7,422	302	422		7,302

- 1 The increase in number of shares of treasury stock was from the acquisition of shares by the Trust for the share-based payment system (300 thousand shares) and from the purchase of fractional shares (2 thousand shares).
- 2 The decrease in number of shares of treasury stock was due to the disposal of treasury stock through the third-party allocation to the Trust for the share-based payment system (300 thousand shares) and due to the exercise of stock acquisition rights (122 thousand shares).
- 3 The number of shares of treasury stock at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payment system (300 thousand shares).

## 2 Stock acquisition rights and own stock acquisition rights

Stock acquisition rights and own stock acquisition rights in the year ended March 31, 2019 were as follows:

Division	Details of stock acquisition rights	Type of shares to be issued	Number of shares subject to stock acquisition rights				Closing balance	
			Beginning balance	Increase	Decrease	Closing balance	Millions of yen	
The Bank	Stock acquisition rights as stock options			—			397	
Total				—			397	



### 3 Dividends

#### (1) The following dividends were paid in the year ended March 31, 2019

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Directors' meeting held on May 11, 2018	Common stock	¥2,214	¥7.00	March 31, 2018	June 7, 2018
Directors' meeting held on November 9, 2018	Common stock	¥2,217	¥7.00	September 30, 2018	December 10, 2018

The total amount of dividends on common stock resolved at the Directors' meeting held on November 9, 2018 includes ¥2 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

#### (2) Dividends whose record date is attributable to the year ended March 31, 2019 but which became effective after March 31, 2019

Date of resolution	Type of shares	Amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Directors' meeting held on May 10, 2019	Common stock	¥2,217	Retained earnings	¥7.00	March 31, 2019	June 6, 2019

The total amount of dividends on common stock includes ¥2 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

### (Notes to Consolidated Statement of Cash Flows)

#### 5-1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statements of cash flows included due from banks, except for deposits with the Bank of Japan, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Cash and due from banks in the balance sheets	¥719,086	¥809,668	\$6,607,424
Due from banks, except for deposits with the Bank of Japan	(1,198)	(1,278)	(11,007)
Cash and cash equivalents in the statements of cash flows	¥717,887	¥808,389	\$6,596,407

### (Notes to Lease Transactions)

#### 1. LEASE TRANSACTIONS

##### (1) Finance Leases

Finance leases that do not transfer ownership of the lease assets

##### (a) Details of lease assets

- (i) Tangible fixed assets
  - Automatic teller machines
- (ii) Intangible fixed assets
  - Not applicable

##### (b) The method used to depreciate for lease assets

See "SIGNIFICANT ACCOUNTING POLICIES - Tangible and intangible fixed assets and lease assets."

##### (2) Operating Leases

Future lease payment payables and receivables under noncancelable operating leases were as follows:

##### As lessee

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Due within one year	¥ 92	¥114	\$ 845
Due after one year	42	105	385
Total	¥134	¥219	\$1,231

##### As lessor

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Due within one year	¥ 65	¥ 68	\$ 597
Due after one year	147	205	1,350
Total	¥213	¥273	\$1,957

### (Notes to Financial Instruments)

#### 1 Financial instruments

##### (1) Policy on financial instruments

The Bank and its consolidated subsidiaries engage mainly in the financial services business and provide lending services and leasing services. Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and undertakes asset and liability management (ALM) in order to curb any unfavorable impact from interest rate fluctuations. The Bank also engages in derivative transactions as part of its ALM.

##### (2) Descriptions and risks of financial instruments

The financial assets of the Bank and its consolidated subsidiaries consist mainly of loans to customers, which are subject to default risk. Also, the Bank holds securities that are mainly stocks, bonds and mutual funds for investment, management or trading purposes. They are subject to the issuer's credit risk, interest rate risk and market price risk.

The foreign currency denominated financial assets and liabilities are subject to foreign currency risk. The Bank uses currency swaps to manage the risk.



The Bank's derivative transactions include interest rate swaps. The Bank applies hedge accounting to the interest on loans to hedge interest rate risks regarding the interest rate swaps as hedge instruments. The effectiveness is ensured by maintaining a balance of hedge instruments that does not exceed the balance of the hedged items, which are grouped by incidence and remaining period.

Other transactions not qualifying for hedge accounting expose the Bank to foreign exchange and interest rate risks.

### **(3) Risk management system for financial products**

#### **① Credit risk management**

The Bank prescribes its credit risk management policy in its "Risk Management Plan," which is issued by the Board of Directors biannually. In particular, the Bank diversifies credit risk by ensuring that credit granted is not overconcentrated in certain customers, groups or industries. The Bank periodically analyzes and evaluates the credit conditions classified by internal ratings, business area and industry. The Bank strives to optimize its credit portfolio by promoting effective credit risk management. Feedback regarding credit risk management is reported to the Board of Directors on a regular basis.

The Bank manages each customer's credit in compliance with its "Internal Rating System," part of the Bank's credit risk management. The Risk Management Division (RMD), which is completely independent from other banking business divisions, is responsible for planning and administering the internal rating system and conducting, coordinating and monitoring the internal ratings. The Loan Group is responsible for supervising the individual credit granted and examining each customers' finances, purpose for the loan and ability to repay. The group is independent from the business promotion group and is divided into four divisions: the Credit Division - responsible for general loans, the Ship Finance Division - responsible for the loans such as loans in the shipping and shipbuilding industries, the Credit Management Division - responsible for the planning of loan administration and troubled credit and the Corporate Consulting Division - responsible for supporting company rehabilitation. The assets are initially assessed by each branch and then by the head office, followed by a validation by RMD, which is also responsible for the formulation of the assessment standards.

The credit granted by the consolidated subsidiaries is managed for each customer along with the credit granted by the Bank. RMD also manages the credit risk of issuers and counterparty risk in derivative transactions by monitoring and periodically evaluating credit information and market prices.

#### **② Market risk management**

In order to properly manage market risk and maintain the Bank's soundness and profitability, the Bank has established a comprehensive risk management structure set forth by the ALM Committee. The ALM Committee uses various measures such as the gap method, market value analysis, periodic income/loss simulation and the VaR method to control risk. The ALM Committee also coordinates risk management plans and hedging strategies by analyzing the profitability structure and forecasting the market and the economic environment. RMD, set up as an independent supervisor, evaluates the appropriateness of market transactions dealt with by other divisions.

The Bank sets limits on the quantity of risk that may be undertaken in its "Risk Management Plan," which is developed by the Board of Directors biannually. RMD monitors compliance with the plan and reports to the Board of Directors on a monthly basis.

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance-covariance model (holding period: 120 business days; confidence interval: 99.9%; and historical observation period: 1,200 business days) is applied in the measurement of VaR.

The major market risks for the Bank are equity risk and interest rate risk. Financial instruments affected by interest rate risk are loans and bills discounted, available-for-sale securities, deposits, borrowed money, interest swap transactions and interest rate cap derivative transactions. At March 31, 2020 and 2019, the quantity of market risk (expected loss), which included equity risk and interest rate risk, amounted to ¥167.1 billion (\$1,535 million) and ¥139.3 billion, respectively.

The Bank confirms the validity of the measurement model by biannually performing back-testing which compares VaR with actual fluctuations in profit and loss during the observation period. However, VaR, the quantity of market risk which is statistically measured with historical market fluctuations, may not reflect drastic changes in the market.

#### **③ Liquidity risk management**

The liquidity risk management of the Bank is conducted through asset-liability management (ALM) and the duration of funds procured with consideration for the market environment.

### **(4) Supplementary explanation of matters related to fair values of financial instruments and others**

The fair values of financial instruments include values based on market prices and values reasonably estimated when the financial instruments do not have market prices. Since certain assumptions underlie the estimates of such values, the values may differ when other assumptions are applied.



## 2 Fair values of financial instruments

The following tables summarize book values, fair values and any differences between them. Unlisted stocks and others for which the fair value was deemed extremely difficult to determine were excluded from the tables below (see Note ii).

	Millions of yen			Thousands of U.S. dollars (Note 1-1)		
	2020			2020		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 719,086	¥ 719,086	¥ —	\$ 6,607,424	\$ 6,607,424	\$ —
(2) Call loans and bills purchased	355,563	355,563	—	3,267,141	3,267,141	—
(3) Monetary claims purchased	8,173	8,173	—	75,098	75,098	—
(4) Trading account securities						
Trading securities	727	727	—	6,680	6,680	—
(5) Money held in trust	7,074	7,074	—	65,000	65,000	—
(6) Securities						
Available-for-sale securities	1,694,560	1,694,560	—	15,570,706	15,570,706	—
(7) Loans and bills discounted	4,733,091	4,661,074		43,490,682	42,828,944	
Reserve for loan losses (*1)	(29,591)			(271,901)		
	4,703,500	4,661,074	(42,425)	43,218,781	42,828,944	(389,828)
Total Assets	¥7,488,686	¥7,446,261	¥(42,425)	\$68,810,860	\$68,421,032	\$(389,828)
(1) Deposits	¥5,246,611	¥5,246,865	¥ 254	\$48,209,234	\$48,211,568	\$ 2,333
(2) Negotiable certificates of deposit	482,131	482,131	—	4,430,129	4,430,129	—
(3) Call money and bills sold	217,618	217,618	—	1,999,614	1,999,614	—
(4) Payables under repurchase agreements	30,357	30,357	—	278,939	278,939	—
(5) Payables under securities lending transactions	198,436	198,436	—	1,823,357	1,823,357	—
(6) Borrowed money	770,378	770,659	281	7,078,728	7,081,310	2,582
Total Liabilities	¥6,945,532	¥6,946,068	¥ 535	\$63,820,012	\$63,824,937	\$ 4,915
Derivative Transactions (*2)						
Derivative transactions to which hedge accounting is not applied	¥ (2,439)	¥ (2,439)	¥ —	\$ (22,411)	\$ (22,411)	\$ —
Derivative transactions to which hedge accounting is applied	960	960	—	8,821	8,821	—
Total Derivative Transactions	¥ (1,479)	¥ (1,479)	¥ —	\$ (13,590)	\$ (13,590)	\$ —

(\*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(\*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(\*3) Immaterial items are omitted.

	Millions of yen		
	2019		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 809,668	¥ 809,668	¥ —
(2) Call loans and bills purchased	—	—	—
(3) Monetary claims purchased	10,921	10,921	—
(4) Trading account securities			
Trading securities	349	349	—
(5) Money held in trust	6,494	6,494	—
(6) Securities			
Available-for-sale securities	1,555,923	1,555,923	—
(7) Loans and bills discounted	4,527,810	4,473,089	
Reserve for loan losses (*1)	(26,114)		
	4,501,696	4,473,089	(28,606)
Total Assets	¥6,885,053	¥6,856,447	¥(28,606)
(1) Deposits	¥5,228,365	¥5,229,025	¥ 659
(2) Negotiable certificates of deposit	459,656	459,656	0
(3) Call money and bills sold	178,313	178,313	—
(4) Payables under repurchase agreements	49,820	49,820	—
(5) Payables under securities lending transactions	76,968	76,968	—
(6) Borrowed money	365,856	366,014	158
Total Liabilities	¥6,358,979	¥6,359,798	¥ 818
Derivative Transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ 1,071	¥ 1,071	¥ —
Derivative transactions to which hedge accounting is applied	(4,494)	(4,494)	—
Total Derivative Transactions	¥ (3,423)	¥ (3,423)	¥ —

(\*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(\*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(\*3) Immaterial items are omitted.



Note i. Methods used to calculate fair value of financial instruments

#### Assets

##### (1) Cash and due from banks

The fair value of due from banks with no maturity is considered equal to the book value since the fair value approximates the book value. The fair value of due from banks with maturity is calculated as the present value discounted at rates that reflect the proper market risk and credit risk per contractual terms. The fair value of due from banks with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

##### (2) Receivables under resale agreements

The fair value of receivables under resale agreements is considered equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

##### (3) Monetary claims purchased

The fair value of trustee beneficial rights in monetary claims purchased is based on the price quoted by correspondent financial institutions. For monetary claims purchased with short contractual terms (within one year), the fair value is considered equal to the book value since the fair value approximates the book value.

##### (4) Trading account securities

The fair value of securities such as bonds held for trading is based on the market price or the price quoted by correspondent financial institutions.

##### (5) Money held in trust

The fair value of money held in trust is based on the price quoted by correspondent financial institutions. Information on money held in trust classified by the purpose for which it is held is disclosed in (Notes to Money held in trust).

##### (6) Securities

The fair value of stocks is based on market price. The fair value of bonds is based on market price or the price quoted by correspondent financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated as the present value discounted at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. Information on securities classified by the purpose for which they are held is disclosed in (Notes to Securities).

##### (7) Loans and bills discounted

The fair value of loans and bills discounted with floating rates are considered equal to the book value since the rate reflects the market rate in a short period, and the fair value approximates the book value unless the creditworthiness of the borrower changes significantly after the inception date. The fair value of loans and bills discounted with fixed rates is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within one year) is considered equal to the book value since the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debt since the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees.

For loans and bills discounted, the fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

#### Liabilities

##### (1) Deposits and (2) Negotiable certificates of deposit

The fair value of demand deposits is considered the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits is calculated as the present value, discounting the future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. The fair value of deposits with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

##### (3) Call money and bills sold (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair value of call money, bills sold and payables under securities lending transactions is considered equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

##### (6) Borrowed money

The fair value of borrowed money with a floating rate is considered equal to the book value since the rate reflects the market rate in a short period, the creditworthiness of the Bank and its consolidated subsidiaries has not changed significantly since the inception date and the fair value of these items approximates the book values.

The fair value of borrowed money with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank.

#### Derivative Transactions

Information on derivative transactions is disclosed in (Notes to Derivative Transactions.)

Note ii. Financial instruments whose fair value is deemed extremely difficult to determine are not included in "Available-for-sale-securities" in the table above.

Category	Consolidated balance sheet amount		
	(2020)	(2019)	(2020)
	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1-1)
Unlisted stocks (*1) (*2)	¥12,772	¥12,476	\$117,357
Investments in partnerships (*3)	6,242	6,449	57,355
Total	¥19,014	¥18,925	\$174,712

(\*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(\*2) The amount of impairment on unlisted stock during the year ended March 31, 2020 and the year ended March 31, 2019 was ¥59 million (\$542 thousand) and ¥1 million.

(\*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.



Note iii. Expected redemption of monetary claims and securities with maturities

	Millions of yen					
	2020					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 670,720	¥ —	¥ —	¥ —	¥ —	¥ —
Receivables under resale agreements	355,563	—	—	—	—	—
Monetary claims purchased	4,447	—	—	—	—	3,703
Securities	204,308	224,327	111,573	139,899	264,948	234,992
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	204,308	224,327	111,573	139,899	264,948	234,992
Japanese government bonds	144,000	91,100	9,500	57,500	10,000	16,000
Municipal bonds	19,294	45,053	27,358	55,054	76,033	38,414
Corporate bonds	18,616	38,383	28,749	4,586	2,314	13,676
Loans and bills discounted (*)	1,166,894	863,408	653,800	485,150	516,944	950,875
Total	¥2,401,933	¥1,087,735	¥765,374	¥625,050	¥781,893	¥1,189,571

	Millions of yen					
	2019					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 761,918	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims purchased	4,323	—	173	1,800	—	4,503
Securities	155,695	373,276	84,768	141,199	236,887	79,418
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	155,695	373,276	84,768	141,199	236,887	79,418
Japanese government bonds	90,700	257,100	—	63,500	3,500	16,000
Municipal bonds	24,993	48,802	25,806	35,151	73,487	36,563
Corporate bonds	19,962	34,465	29,393	9,533	1,797	4,880
Loans and bills discounted (*)	1,145,924	828,922	626,203	477,829	490,230	867,610
Total	¥2,067,861	¥1,202,199	¥711,145	¥620,828	¥727,118	¥951,532

	Thousands of U.S. dollars (Note 1-1)					
	2020					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	\$6,163,006	\$ —	\$ —	\$ —	\$ —	\$ —
Receivables under resale agreements	3,267,141	—	—	—	—	—
Monetary claims purchased	40,861	—	—	—	—	34,025
Securities	1,877,313	2,061,260	1,025,204	1,285,481	2,434,512	2,159,257
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	1,877,313	2,061,260	1,025,204	1,285,481	2,434,512	2,159,257
Japanese government bonds	1,323,164	837,085	87,292	528,346	91,886	147,018
Municipal bonds	177,285	413,975	251,382	505,871	698,640	352,972
Corporate bonds	171,055	352,687	264,164	42,139	21,262	125,663
Loans and bills discounted (*)	10,722,172	7,933,547	6,007,534	4,457,870	4,750,013	8,737,250
Total	\$22,070,504	\$9,994,808	\$7,032,748	\$5,743,361	\$6,681,227	\$10,930,543

(\*) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors amounted to ¥61,656 million (\$566,534 thousand) and ¥54,795 million at March 31, 2020 and 2019, respectively, and loans and bills with no maturities amounted to ¥34,361 million (\$315,730 thousand) and ¥36,295 million at March 31, 2020 and 2019, respectively.

Note iv. Amounts to be repaid for borrowed money and other interest bearing liabilities

	Millions of yen					
	2020					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,877,705	¥329,435	¥ 36,061	¥1,951	¥1,457	¥ —
Certificates of deposit	482,131	—	—	—	—	—
Call money and bills sold	217,618	—	—	—	—	—
Payables under repurchase agreements	30,357	—	—	—	—	—
Payables under securities lending transactions	198,436	—	—	—	—	—
Borrowed money	583,010	4,625	182,157	261	203	120
Total	¥6,389,259	¥334,060	¥218,219	¥2,213	¥1,660	¥120

	Millions of yen					
	2019					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,838,849	¥348,674	¥36,992	¥2,395	¥1,453	¥ —
Certificates of deposit	457,826	1,830	—	—	—	—
Call money and bills sold	178,313	—	—	—	—	—
Payables under repurchase agreements	49,820	—	—	—	—	—
Payables under securities lending transactions	76,968	—	—	—	—	—
Borrowed money	358,872	4,016	2,146	385	264	170
Total	¥5,960,650	¥354,521	¥39,138	¥2,781	¥1,717	¥170



	Thousands of U.S. dollars (Note 1-1)					
	2020					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	\$44,819,489	\$3,027,060	\$ 331,351	\$17,927	\$13,387	\$ —
Certificates of deposit	4,430,129	—	—	—	—	—
Call money and bills sold	1,999,614	—	—	—	—	—
Payables under repurchase agreements	278,939	—	—	—	—	—
Payables under securities lending transactions	1,823,357	—	—	—	—	—
Borrowed money	5,357,070	42,497	1,673,775	2,398	1,865	1,562
Total	\$58,708,618	\$3,069,558	\$2,005,136	\$20,334	\$15,253	\$1,562

(\*) Demand deposits are included in "Within 1 year."

## (Notes to Securities)

\*1 In addition to "Securities" on the consolidated balance sheets, this includes "Trading account securities" and trust beneficiary interests in "Monetary claims purchased."

### 1 Trading securities:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Unrealized gains (losses) included in profit and loss for the fiscal year	¥(14)	¥(4)	\$(128)

### 2 Held-to-maturity debt securities:

None

### 3 Available-for-sale securities in the year ended March 31, 2020:

	Millions of yen			Thousands of U.S. dollars (Note 1-1)		
	2020			2020		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with unrealized gains						
Equity securities	¥ 268,844	¥ 64,949	¥203,895	\$ 2,470,311	\$ 596,793	\$1,873,518
Bonds	561,236	548,412	12,823	5,156,997	5,039,161	117,825
Japanese government bonds	266,666	260,898	5,768	2,450,298	2,397,298	53,000
Municipal bonds	198,109	192,842	5,266	1,820,352	1,771,956	48,387
Corporate bonds	96,461	94,672	1,788	886,345	869,907	16,429
Other	467,537	415,228	52,309	4,296,030	3,815,381	480,648
Total	¥1,297,619	¥1,028,591	¥269,028	\$11,923,357	\$ 9,451,355	\$2,472,002
Securities with unrealized losses						
Equity securities	¥ 19,491	¥ 26,005	¥ (6,513)	\$ 179,095	\$ 238,950	\$ (59,845)
Bonds	168,552	170,547	(1,994)	1,548,764	1,567,095	(18,322)
Japanese government bonds	68,342	69,679	(1,336)	627,970	640,255	(12,276)
Municipal bonds	68,210	68,530	(319)	626,757	629,697	(2,931)
Corporate bonds	31,999	32,337	(338)	294,027	297,133	(3,105)
Other	212,623	223,046	(10,422)	1,953,716	2,049,490	(95,764)
Total	400,667	419,598	(18,930)	3,681,585	3,855,536	(173,941)
Total	¥1,698,286	¥1,448,189	¥250,097	\$15,604,943	\$13,306,891	\$2,298,052

### 4 Available-for-sale securities sold in the year ended March 31, 2020

	Millions of yen			Thousands of U.S. dollars (Note 1-1)		
	2020			2020		
	Amount sold	Gains	Losses	Amount sold	Gains	Losses
Equity securities	¥ 4,357	¥3,171	¥ —	\$ 40,034	\$29,137	\$ —
Bonds	37,294	222	—	342,681	2,039	—
Japanese government bonds	36,745	221	—	337,636	2,030	—
Corporate bonds	548	1	—	5,035	9	—
Other	144,560	3,245	2,770	1,328,310	29,817	25,452
Total	¥186,212	¥6,638	¥2,770	\$1,711,035	\$60,994	\$25,452



## 5 Securities impaired

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) for the year ended March 31, 2020 was ¥339 million (\$3,114 thousand), including ¥339 million (\$3,114 thousand) of equity securities. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the change in the quoted market price during a certain period in the past, the related business performance and other factors.

### 3 Available-for-sale securities in the year ended March 31, 2019:

	Millions of yen		
	2019		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Equity securities	¥ 285,418	¥ 81,193	¥204,224
Bonds	787,329	766,468	20,861
Japanese government bonds	438,138	427,245	10,893
Municipal bonds	252,660	244,999	7,661
Corporate bonds	96,530	94,224	2,306
Other	357,278	340,206	17,071
Total	¥1,430,026	¥1,187,868	¥242,158
Securities with unrealized losses			
Equity securities	¥ 6,685	¥ 8,282	¥ (1,597)
Bonds	32,454	32,749	(294)
Japanese government bonds	6,263	6,267	(4)
Municipal bonds	—	—	—
Corporate bonds	26,191	26,481	(290)
Other	93,390	95,848	(2,458)
Total	132,530	136,880	(4,350)
Total	¥1,562,556	¥1,324,749	¥237,807

### 4 Available-for-sale securities sold in the year ended March 31, 2019

	Millions of yen		
	2019		
	Amount sold	Gains	Losses
Equity securities	¥ 7,760	¥4,964	¥ 0
Bonds	84,039	262	86
Japanese government bonds	77,929	255	73
Corporate bonds	6,109	7	13
Other	188,560	4,014	3,920
Total	¥280,360	¥9,241	¥4,007

## 5 Securities impaired

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation)

for the year ended March 31, 2019 was ¥1,086 million, including ¥1,002 million of equity securities and ¥83 million of bonds. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the change in the quoted market price during a certain period in the past, the related business performance and other factors.

### (Notes to Money Held in Trust)

The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses for money held in trust included in profit and loss for the fiscal year.

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Money held in trust for investment			
Book value (fair value)	¥2,992	¥2,994	\$27,492
Amount of net unrealized gain (loss) included in profit and loss for the fiscal year	¥ 8	¥ (0)	\$ 73
Other money held in trust			
Book value (fair value)	4,081	3,500	37,498
Acquisition cost	3,821	2,974	35,109
Difference	260	526	2,389
Unrealized gains	260	526	2,389
Unrealized losses	—	—	—

### (Notes to Net Unrealized Holding Gains (losses) on Securities)

Unrealized holding gains on securities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Valuation gains			
Available-for-sale securities	¥250,097	¥237,807	\$2,298,052
Other money held in trust	260	526	2,389
Deferred tax liabilities	76,747	(72,771)	705,200
Net unrealized holding gains on securities (before adjustment for minority interests)	173,610	165,562	1,595,240
Noncontrolling interests	6,835	(4,866)	62,804
Net unrealized holding gains on securities	¥166,775	¥160,696	\$1,532,435



**(Notes to Derivative Transactions)**

At March 31, 2020

**1 Derivative transactions to which hedge accounting was not applied**

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

**(1) Interest rate contracts**

	Millions of yen				Thousands of U.S. dollars (Note 1-1)			
	2020				2020			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>								
Swaps:								
Receive fixed rate and pay floating rate	¥61,085	¥60,306	¥ 2,149	¥ 2,149	\$561,288	\$554,130	\$ 19,746	\$ 19,746
Receive floating rate and pay fixed rate	61,085	60,306	(1,523)	(1,523)	561,288	554,130	(13,994)	(13,994)
Total	—	—	¥ 625	¥ 625	—	—	\$ 5,742	\$ 5,742

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

**(2) Currency and foreign exchange contracts**

	Millions of yen				Thousands of U.S. dollars (Note 1-1)			
	2020				2020			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>								
Currency swaps	¥439,183	¥355,276	¥ 174	¥ 174	\$4,035,495	\$3,264,504	\$ 1,598	\$ 1,598
Forward exchange contracts:								
Sell	283,411	109,966	(3,398)	(3,398)	2,604,162	1,010,438	(31,223)	(31,223)
Buy	404,592	21,795	166	166	3,717,651	200,266	1,525	1,525
Currency options:								
Sell	80,060	55,625	(2,340)	584	735,642	511,118	(21,501)	5,366
Buy	80,060	55,625	2,340	72	735,642	511,118	21,501	661
Total	—	—	¥(3,057)	¥(2,399)	—	—	\$(28,089)	\$(22,043)

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on discounted present value.

**(3) Credit derivatives**

	Millions of yen				Thousands of U.S. dollars (Note 1-1)			
	2020				2020			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>								
Credit default swaps								
Sell	¥1,000	¥1,000	¥(8)	¥(8)	\$9,188	\$9,188	\$(73)	\$(73)
Buy	—	—	—	—	—	—	—	—
Total	—	—	¥(8)	¥(8)	—	—	\$(73)	\$(73)

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

**(4) Others**

	Millions of yen				Thousands of U.S. dollars (Note 1-1)			
	2020				2020			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>								
Earthquake derivatives								
Sell	¥2,440	¥—	¥(40)	¥—	\$22,420	\$—	\$(367)	\$—
Buy	2,440	—	40	—	22,420	—	367	—
Total	—	—	—	—	—	—	—	—

Transactions above for which the values were not readily determinable are stated at cost.



## 2 Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

### (1) Interest rate contracts

		Millions of yen			Thousands of U.S. dollars (Note 1-1)			
		2020			2020			
		Contract amount	Portion maturing over one year	Fair value	Contract amount	Portion maturing over one year	Fair value	
Method of hedge accounting	Hedged items							
Interest rate swaps								
Receive fixed rate and pay floating rate	Loans	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	
Receive floating rate and pay fixed rate		100,494	100,494	(98)	923,403	923,403	(900)	
Total	—	—	—	¥(98)	—	—	\$(900)	

1 The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 24, February 13, 2002, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."

2 The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

### (2) Currency and foreign exchange contracts

		Millions of yen			Thousands of U.S. dollars (Note 1-1)		
		2020			2020		
		Contract amount	Portion maturing over one year	Fair value	Contract amount	Portion maturing over one year	Fair value
Method of hedge accounting	Hedged items						
Currency swaps	Foreign currency monetary assets	¥149,709	¥127,728	¥1,062	\$1,375,622	\$1,173,646	\$9,758
Fund related swaps		213	—	(3)	1,957	—	(27)
Total		—	—	¥1,059	—	—	\$9,730

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

At March 31, 2019

## 1 Derivative transactions to which hedge accounting was not applied

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

### (1) Interest rate contracts

		Millions of yen		
		2019		
		Contract amount	Portion maturing over one year	Recognized gains (losses)
Over-the-counter transactions:				
Swaps:				
Receive fixed rate and pay floating rate		¥50,901	¥33,985	¥1,035
Receive floating rate and pay fixed rate		50,890	33,985	(847)
Total	—	—	¥ 187	¥ 187

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.



**(2) Currency and foreign exchange contracts**

	Millions of yen			
	2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>				
Currency swaps	¥547,099	¥420,837	¥ 166	¥ 166
Forward exchange contracts:				
Sell	123,538	13,781	479	479
Buy	87,327	13,882	241	241
Currency options:				
Sell	69,154	50,208	(2,200)	376
Buy	69,154	50,208	2,200	213
Total	—	—	¥ 888	¥1,478

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value.

**(3) Credit derivatives**

	Millions of yen			
	2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>				
Credit default swaps				
Sell	¥1,000	¥1,000	¥ (4)	¥ (4)
Buy	—	—	—	—
Total	—	—	¥ (4)	¥ (4)

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

**(4) Others**

	Millions of yen			
	2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
<b>Over-the-counter transactions:</b>				
Earthquake derivatives				
Sell	¥2,260	¥—	¥(37)	¥—
Buy	2,260	—	37	—
Total	—	—	—	—

Transactions above for which the values were not readily determinable are stated at cost.

**2 Derivative transactions to which hedge accounting was applied**

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

**(1) Interest rate contracts**

None

**(2) Currency and foreign exchange contracts**

	Hedged item	Millions of yen		
		2019		
		Contract amount	Portion maturing over one year	Fair value
<b>Method of hedge accounting</b>				
Currency swaps	Foreign currency monetary assets	¥161,992	¥116,336	¥(4,507)
Fund related swaps		36,510	—	13
Total		—	—	¥(4,494)

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.



## (Notes to Retirement Benefits)

### 1 Outline of retirement and severance benefits plans

The retirement benefit plans of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system. Extra retirement benefits may be paid upon the retirement of employees. In addition, the Bank set up a retirement benefit trust. On April 1, 2014, the Bank transformed its corporate pension fund plan to a cash balance plan and established a defined contribution pension plan. Consolidated subsidiaries use the simplified method in calculating net defined benefit liability and retirement benefit expenses for their retirement lump-sum grant systems.

### 2 Defined benefit plan

#### (1) Reconciliation of retirement benefit obligations between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Retirement benefit obligations at the beginning of the period	¥73,581	¥66,616	\$676,109
Service cost	2,402	2,178	22,071
Interest cost	116	154	1,065
Actuarial differences incurred	(981)	7,866	(9,014)
Retirement benefits paid	(3,086)	(3,233)	(28,356)
Prior service cost	—	—	—
Retirement benefit obligations at the end of the period	72,032	73,581	661,876

#### (2) Reconciliation of pension assets between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Pension assets at the beginning of the period	¥78,800	¥77,278	\$724,065
Expected return on pension assets	1,051	1,028	9,657
Actuarial differences incurred	(2,052)	94	(18,855)
Employer's contributions	2,722	2,579	25,011
Retirement benefits paid	(2,242)	(2,181)	(20,600)
Pension assets at the end of the period	78,279	78,800	719,277

(Note) Pension assets include assets in the retirement benefit trust.

#### (3) Reconciliation of retirement benefit obligations and pension assets at the end of the period to net defined benefit liability and net defined benefit asset in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Retirement benefit obligations of the savings plan	¥ 71,619	¥ 73,200	\$ 658,081
Pension assets	(78,279)	(78,800)	(719,277)
	(6,660)	(5,600)	(61,196)
Retirement benefit obligations of the non-savings plan	413	381	3,794
Net liabilities and assets recorded on the consolidated balance sheets	(6,247)	(5,218)	(57,401)
Net defined benefit liability	12,487	12,281	114,738
Net defined benefit asset	(18,734)	(17,500)	(172,140)
Net liabilities and assets on the consolidated balance sheets	(6,247)	(5,218)	(57,401)

(Note) Pension assets include assets in the retirement benefit trust.

#### (4) Retirement benefit cost and its breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Service cost	¥ 2,209	¥ 1,989	\$20,297
Interest cost	116	154	1,065
Expected return on pension assets	(1,051)	(1,028)	(9,657)
Recognized actuarial differences	(388)	(107)	(3,565)
Amortization of prior service cost	(597)	(597)	(5,485)
	289	410	2,655

(Note 1) Retirement benefit costs of consolidated subsidiaries using the simplified method are included in "Service cost."

(Note 2) Employee contribution to the corporate pension fund is deducted from "Service cost."

#### (5) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Prior service cost	¥ (597)	¥ (597)	\$ (5,485)
Actuarial differences	(1,459)	(7,878)	(13,406)
Total	(2,056)	(8,475)	(18,891)

#### (6) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Unrecognized prior service cost	¥(2,656)	¥(3,253)	\$(24,405)
Unrecognized actuarial differences	3,592	2,132	33,005
Total	935	(1,120)	8,591



## (7) Pension assets

### ① Pension asset portfolio

	2020	2019
Bonds	52.3%	50.9%
Equity securities	40.1%	42.1%
Other	7.6%	7.0%
Total	100.0%	100.0%

(Note) 29.8% of the total pension assets as of March 31, 2020 (29.7% as of March 31, 2019) represent assets in the retirement benefit trust for the corporate pension fund, 3.6% of which as of March 31, 2020 (3.6% as of March 31, 2019) corresponds to the lump-sum grant system.

### ② Determination of the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined based on the average investment yield on the pension assets for the past three years. When the average rate is below 1.25% or above 2.0%, it is stated as 1.25% and 2.0%, respectively.

## (8) Actuarial assumptions

The weighted average rate for assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2020 and 2019 were as follows:

	2020	2019
<i>Discount rates</i>		
Retirement lump-sum grant system	0.00%	0.00%
Corporate pension fund plans	0.30%	0.20%
<i>Long-term expected return on assets</i>		
Pension assets of corporate pension fund	2.00%	2.00%
Retirement benefit trust (Retirement lump-sum grant system and corporate pension fund plans)	0.00%	0.00%

(Note) A point system is applied to the substantive portion of the retirement lump-sum grant system and a cash balance plan to defined benefit corporate pension fund plans, respectively. The "Estimate rate of salary increase" is not disclosed due to the insignificant impact it would have on the calculation of retirement benefit obligations.

## 3 Defined contribution plan

The amount of required contribution by the Bank to the defined contribution plans was ¥338 million (\$3,105 thousand) and ¥340 million at March 31, 2020 and 2019, respectively.

## (Notes to Stock Options)

### 1 Stock options to be expensed

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
General and administrative expenses	¥—	¥30	\$—

(Note) At the 115th Ordinary General Meeting of Shareholders held on Jun. 28, 2018, the Bank abolished compensation type stock options and introduced a share-based payment system using the trust. In line with the introduction of this system, the Bank will not grant new stock options. However, the unexercised stock acquisition rights already granted as stock options will continue to exist.

## 2 Outline of stock options and changes

### (1) Outline of stock options

	2017 Stock Options	2016 Stock Options	2015 Stock Options	2014 Stock Options	2013 Stock Options	2012 Stock Options	2011 Stock Options
Title and number of grantees	Directors of the Bank: 8 Executive Officers of the Bank: 12	Directors of the Bank: 7 Executive Officers of the Bank: 15	Directors of the Bank: 7 Executive Officers of the Bank: 14	Directors of the Bank: 16 Executive Officers of the Bank: 4	Directors of the Bank: 18	Directors of the Bank: 17	Directors of the Bank: 17
Number of stock options (*)	Common shares: 140,900	Common shares: 184,600	Common shares: 79,500	Common shares: 123,100	Common shares: 140,900	Common shares: 199,500	Common shares: 156,800
Grant date	July 14, 2017	July 15, 2016	July 15, 2015	July 16, 2014	July 16, 2013	July 17, 2012	July 15, 2011
Conditions for vesting	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Exercise period	July 15, 2017 to July 14, 2047	July 16, 2016 to July 15, 2046	July 16, 2015 to July 15, 2045	July 17, 2014 to July 16, 2044	July 17, 2013 to July 16, 2043	July 18, 2012 to July 17, 2042	July 16, 2011 to July 15, 2041

(\*) Reported in terms of shares of stock



## (2) Stock options granted and changes

The table below represents stock options outstanding at the year-end and the number of stock options is converted into the number of stock.

### ① Number of stock options

	2017 Stock Options shares	2016 Stock Options shares	2015 Stock Options shares	2014 Stock Options shares	2013 Stock Options shares	2012 Stock Options shares	2011 Stock Options shares
Before vesting							
Previous fiscal year-end	114,300	119,100	45,700	58,600	47,500	62,000	34,100
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	23,700	29,300	10,500	16,500	15,600	15,200	6,300
Outstanding	90,600	89,800	35,200	42,100	31,900	46,800	27,800
After vesting							
Previous fiscal year-end	—	—	—	—	—	—	—
Vested	23,700	29,300	10,500	16,500	15,600	15,200	6,300
Exercised	14,700	18,200	5,600	8,800	10,400	7,600	—
Forfeited	—	—	—	—	—	—	—
Exercisable	9,000	11,100	4,900	7,700	5,200	7,600	6,300

### ② Price information

	2017 Stock Options Yen (U.S. dollars)	2016 Stock Options Yen (U.S. dollars)	2015 Stock Options Yen (U.S. dollars)	2014 Stock Options Yen (U.S. dollars)	2013 Stock Options Yen (U.S. dollars)	2012 Stock Options Yen (U.S. dollars)	2011 Stock Options Yen (U.S. dollars)
Exercise price	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share
Average exercise price	¥552 (\$5) per share	¥552 (\$5) per share	¥ 552 (\$5) per share	¥552 (\$5) per share	¥552 (\$5) per share	¥552 (\$5) per share	—
Fair value at the grant date	¥867 (\$7) per share	¥601 (\$5) per share	¥1,473 (\$13) per share	¥989 (\$9) per share	¥918 (\$8) per share	¥550 (\$5) per share	¥704 (\$6) per share

## (Notes to Income Taxes)

### 1 Significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Deferred tax assets:			
Excess reserve for loan losses	¥ 13,900	¥ 13,171	\$ 127,722
Net defined benefit liability	774	966	7,112
Reserve for losses on repayments on dormant bank accounts	730	1,049	6,707
Impairment loss on land	648	576	5,954
Excess depreciation	548	541	5,035
Accrued employees' bonuses	504	507	4,631
Write-down of securities	440	406	4,043
Other	1,933	2,726	17,761
Valuation reserve	(937)	(990)	(8,609)
Total deferred tax assets	18,543	18,956	170,385
Deferred tax liabilities:			
Unrealized holding gains on securities	¥(76,674)	¥(72,689)	\$(704,530)
Deferred gains on real property	(898)	(904)	(8,251)
Retirement benefit asset	(347)	—	(3,188)
Total deferred tax liabilities	(77,921)	(73,593)	(715,988)
Net deferred tax liabilities:	¥(59,377)	¥(54,637)	\$(545,594)

### 2 A reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2020 and 2019 is as follows:

	2020	2019
Statutory tax rate	30.5%	—
(Adjustments)		
Entertainment expenses and other expenses not deductible permanently for income tax purposes	0.4%	—
Dividend income and other income excluded permanently for income tax purposes	(1.4%)	—
Valuation reserve	(0.5%)	—
Other	(0.4%)	—
Effective income tax rate	28.5%	—

For the fiscal year ended March 31, 2019, a reconciliation of the statutory tax rate and the effective income tax rate is not stated as the difference between the two was less than 5% of the statutory tax rate.

## (Notes to Business Combinations, etc.)

### Transactions under common control

Additional acquisition of shares in subsidiaries

### 1 Summary of transaction

#### (1) Combined entity's name and business

Iyogin Regional Economy Research Center, Inc. (research and development of industries, economics, finance, etc.)  
Iyogin Computer Service Company Limited. (outsourced information processing, software development, etc.)

#### (2) Date of business combination

March 31, 2020



**(3) Legal form of business combination**

Acquisition of shares from non-controlling shareholders

**(4) The Name of company**

The names remain the same after the business combination.

**(5) Other matters concerning the outline of transaction**

The Company acquired a portion of the shares held by non-controlling shareholders in order to strengthen governance and group management.

**2 Accounting method**

In accordance with the "Business Combination Standards" (ASBJ Statement No. 21, Jan. 16, 2019) and the "Guidelines for the Application of the Business Combination Standards and the Business Separation Standards" (ASBJ Statement Application Guideline No. 10, Jan. 16, 2019), we treat trading with entities under common control the same as trading with non-controlling shareholders.

**3 Additional acquisition of shares in subsidiary**

Consideration paid for acquisition : Cash and due from banks in the amount of ¥1,313 million

**4 Changes in portion held by the Company in connection with the transactions with non-controlling interests**

**(1) Main reasons for changes in capital surplus**

Additional acquisition of subsidiary's share

**(2) Increase in capital surplus due to transactions with non-controlling interest**

¥2.966 billion

**(Notes to Segment Information)**

**1 Summary of reportable segments**

Reportable segments are components of the Bank and its consolidated subsidiaries for which separate financial information is available and is subject to periodic examination by the Board of Directors to determine the allocation of management resources and assess performances.

The Bank and 16 consolidated subsidiaries (15 consolidated subsidiaries as of March 31, 2019) are engaged mainly in the financial services business that includes commercial banking services and leasing services. Therefore, the Bank and its consolidated subsidiaries' reportable segments comprise 'Commercial Banking' and 'Leasing' and are distinguished by the financial services provided. 'Commercial Banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial Banking' represents the Bank's banking services as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management services. 'Leasing' includes leasing services by Iyogin Leasing Company Limited, one of the consolidated subsidiaries.

**2 Methods used to calculate ordinary income, profit and loss, amounts of assets, debt and other items by reportable segment**

The accounting policies described in the Note in (Basis of Presenting Consolidated Financial Statements) have been adopted for the reportable segments. Reportable segment profit corresponds to ordinary profits. Ordinary income arising from intersegment transactions is based on arm's length prices.

**(Notes to Asset Retirement Obligations)**

The total amount of asset retirement obligations is not significant and is therefore omitted.

**(Notes to Real Estate for Rent)**

The total amount of real estate for rent is not significant and is therefore omitted.



### 3 Information about reported ordinary income, profits and losses, amounts of assets, debts and other items

Segment information as of and for the years ended March 31, 2020 and 2019 was as follows:

	Millions of yen						
	2020						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial Banking	Leasing	Total				
Ordinary income							
Customers	¥ 107,088	¥16,905	¥ 123,993	¥ 2,513	¥ 126,506	¥ —	¥ 126,506
Intersegment	655	454	1,109	1,871	2,980	(2,980)	—
Total	¥ 107,743	¥17,359	¥ 125,102	¥ 4,384	¥ 129,487	¥ (2,980)	¥ 126,506
Segment profit	¥ 28,530	¥ 709	¥ 29,239	¥ 124	¥ 29,364	¥ 48	¥ 29,413
Segment assets	¥7,769,824	¥61,069	¥7,830,894	¥12,515	¥7,843,410	¥(47,855)	¥7,795,554
Segment debt	¥7,114,784	¥39,954	¥7,154,739	¥ 6,002	¥7,160,742	¥(37,035)	¥7,123,706
Other items							
Depreciation	¥ 4,928	¥ 25	¥ 4,954	¥ 74	¥ 5,029	¥ (140)	¥ 4,888
Interest income received	79,596	120	79,716	4	79,721	(119)	79,601
Interest expense paid	13,207	120	13,328	5	13,333	(106)	13,226
Extraordinary income	39	—	39	—	39	—	39
Gain on disposal of noncurrent assets	(39)	—	(39)	—	(39)	—	(39)
Extraordinary losses	986	—	986	73	1,060	—	1,060
Losses on disposal of fixed assets	(127)	—	(127)	(0)	(128)	—	(128)
Impairment loss	(858)	—	(858)	(72)	(931)	—	(931)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expense	7,805	234	8,039	56	8,096	3	8,099
Increase in tangible fixed assets and intangible fixed assets	5,695	4	5,699	61	5,761	(79)	5,682

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statement of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reportable segments.
- Adjustments are as below.
  - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥48 million (\$441 thousand).
  - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥47,855 million (\$439,722 thousand).
  - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥37,035 million (\$340,301 thousand).
  - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥140 million (\$1,286 thousand), adjustment of interest income received of negative ¥119 million (\$1,093 thousand), adjustment of interest expense paid of negative ¥106 million (\$973 thousand), adjustment of tax expense of negative ¥3 million (\$27 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥79 million (\$725 thousand).
- Segment profit is adjusted to ordinary income in the consolidated statement of income.

	Millions of yen						
	2019						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial Banking	Leasing	Total				
Ordinary income							
Customers	¥ 107,879	¥16,301	¥ 124,180	¥ 2,106	¥ 126,286	¥ —	¥ 126,286
Intersegment	537	483	1,021	2,160	3,181	(3,181)	—
Total	¥ 108,416	¥16,784	¥ 125,201	¥ 4,266	¥ 129,468	¥ (3,181)	¥ 126,286
Segment profit	¥ 28,362	¥ 192	¥ 28,554	¥ 71	¥ 28,626	¥ 32	¥ 28,658
Segment assets	¥7,145,436	¥55,124	¥7,200,560	¥11,166	¥7,211,726	¥(46,071)	¥7,165,655
Segment debt	¥6,512,183	¥36,964	¥6,549,148	¥ 4,646	¥6,553,794	¥(36,466)	¥6,517,327
Other items							
Depreciation	¥ 4,484	¥ 32	¥ 4,517	¥ 68	¥ 4,586	¥ (156)	¥ 4,430
Interest income received	78,126	106	78,232	4	78,237	(117)	78,119
Interest expense paid	11,555	124	11,679	0	11,680	(104)	11,575
Extraordinary income	5	—	5	—	5	—	5
Gain on disposal of noncurrent assets	(5)	—	(5)	—	(5)	—	(5)
Extraordinary losses	533	—	533	1	535	—	535
Losses on disposal of fixed assets	(302)	—	(302)	(0)	(303)	—	(303)
Impairment loss	(231)	—	(231)	—	(231)	—	(231)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expense	8,265	59	8,325	51	8,376	(2)	8,374
Increase in tangible fixed assets and intangible fixed assets	7,535	1	7,536	73	7,610	(83)	7,526

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statement of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reportable segments.



3. Adjustments are as below.

- (1) Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥32 million.
- (2) Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥46,071 million.
- (3) Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥36,466 million.
- (4) Eliminations of intersegment transactions include adjustment of depreciation of negative ¥156 million, adjustment of interest income received of negative ¥117 million, adjustment of interest expense paid of negative ¥104 million, adjustment of tax expense of negative ¥2 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥83 million.

4. Segment profit is adjusted to ordinary income in the consolidated statement of income.

Thousands of U.S. dollars (Note 1-1)							
2020							
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial Banking	Leasing	Total				
Ordinary income							
Customers	\$ 983,993	\$155,334	\$ 1,139,327	\$ 23,091	\$ 1,162,418	\$ —	\$ 1,162,418
Intersegment	6,018	4,171	10,190	17,191	27,382	(27,382)	—
Total	\$ 990,011	\$159,505	\$ 1,149,517	\$ 40,283	\$ 1,189,809	\$ (27,382)	\$ 1,162,418
Segment profit	\$ 262,151	\$ 6,514	\$ 268,666	\$ 1,139	\$ 269,815	\$ 441	\$ 270,265
Segment assets	\$71,394,137	\$561,141	\$71,955,288	\$114,995	\$72,070,293	\$(439,722)	\$71,630,561
Segment debt	\$65,375,209	\$367,123	\$65,742,341	\$ 55,150	\$65,797,500	\$(340,301)	\$65,457,190
Other items							
Depreciation	\$ 45,281	\$ 229	\$ 45,520	\$ 679	\$ 46,209	\$ (1,286)	\$ 44,914
Interest income received	731,379	1,102	732,481	36	732,527	(1,093)	731,425
Interest expense paid	121,354	1,102	122,466	45	122,512	(973)	121,528
Extraordinary income	358	—	358	—	358	—	358
Gain on disposal of noncurrent assets	(358)	—	(358)	—	(358)	—	(358)
Extraordinary losses	9,060	—	9,060	670	9,739	—	9,739
Losses on disposal of fixed assets	(1,166)	—	(1,166)	(0)	(1,176)	—	(1,176)
Impairment loss	(7,883)	—	(7,883)	(661)	(8,554)	—	(8,554)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expense	71,717	2,150	73,867	514	74,391	27	74,418
Increase in tangible fixed assets and intangible fixed assets	52,329	36	52,366	560	52,935	(725)	52,209

(4) Related information

Information by service

Millions of yen					
2020					
	Loans	Securities investments	Lease	Other businesses	Total
Ordinary income customers	¥58,321	¥31,156	¥16,905	¥20,123	¥126,506

Millions of yen					
2019					
	Loans	Securities investments	Lease	Other businesses	Total
Ordinary income customers	¥55,878	¥34,058	¥16,301	¥20,048	¥126,286

Thousands of U.S. dollars (Note 1-1)					
2020					
	Loans	Securities investments	Lease	Other businesses	Total
Ordinary income customers	\$535,890	\$286,281	\$155,334	\$184,903	\$1,162,418

Millions of yen					
2020					
	Reportable segments			Other businesses	Total
	Commercial Banking	Leasing	Total		
Impairment loss	¥858	¥—	¥858	¥72	¥931

(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

Millions of yen					
2019					
	Reportable segments			Other businesses	Total
	Commercial Banking	Leasing	Total		
Impairment loss	¥231	¥—	¥231	¥—	¥231



(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

	Thousands of U.S dollars (Note 1-1)				
	2020				
	Reportable segments			Other businesses	Total
	Commercial banking	Leasing	Total		
Impairment loss	\$7,883	\$—	\$7,883	\$661	\$8,554

### (Notes to Related Party Transactions)

For the year ended March 31, 2020

#### (1) Transactions between the Bank and related parties.

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	¥55	Temporary staffing	—	Temporary staffing	Temporary staffing	¥ 2	—	¥—
	Chuo Doryoku, Inc.	Ehime	50	Construction	—	Banking	Loaing	25	Loans and bills discounted	—
	Tatsumi Kogyo, Inc.	Oita	10	Construction	—	Banking	Loaing	25	Loans and bills discounted	20
Type	Name	Location	Capital (Thou- sands of U.S. dollars)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	\$505	Temporary staffing	—	Temporary staffing	Temporary staffing	\$ 18	—	\$ —
	Chuo Doryoku, Inc.	Ehime	459	Construction	—	Banking	Loaing	229	Loans and bills discounted	—
	Tatsumi Kogyo, Inc.	Oita	91	Construction	—	Banking	Loaing	229	Loans and bills discounted	183

(Notes)

1. The conditions of the above transactions were the same as these of arm's length transactions.
2. Loan transaction amounts were reported at the average balance for the period.
3. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.
4. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of parent of Chuo Doryoku, Inc. and Tatsumi Kogyo, Inc.

#### (2) Transactions between consolidated subsidiaries of the Bank and related parties.

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	¥55	Temporary staffing	19.2%	Direct holding	Temporary staffing	¥28	Other liabilities	¥0
Type	Name	Location	Capital (Thou- sands of U.S. dollars)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	\$505	Temporary staffing	19.2%	Direct holding	Temporary staffing	\$257	Other liabilities	\$0

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.



For the year ended March 31, 2019

**(1) Transactions between the Bank and related parties.**

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary staffing	—	Temporary staffing	Temporary staffing	¥3	—	¥—

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(2) Transactions between consolidated subsidiaries of the Bank and related parties.**

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary staffing	19.2%	Direct holding	Temporary staffing	¥17	Other liabilities	¥0

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(Consolidated Supplementary Schedules)**

**1 BORROWED MONEY AND LEASE LIABILITIES**

Borrowed money consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1-1)
	2020	2019	2020
Borrowings from banks	¥770,378	¥365,856	\$7,078,728
Lease liabilities (due within one year)	252	288	2,315
Lease liabilities (due after one year)	502	627	4,612

The weighted average interest rates on the outstanding balances at March 31, 2020 and 2019 were as follows:

	2020	2019
Borrowings from banks	0.32%	0.39%
Lease liabilities (due within one year)	—	—
Lease liabilities (due after one year)	—	—

(Note) The "average interest rate" is not shown for lease obligations because the Bank uses a method in which amounts equal to the interest in the total capital lease obligations are spread equally over each fiscal year of the lease period.





## **Independent Auditor's Report**

To the Board of Directors of The Iyo Bank, Ltd.:

### **Opinion**

We have audited the accompanying consolidated financial statements of The Iyo Bank, Ltd. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.



## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1-1 to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

奥田 賢 印

Satoshi Okuda  
Designated Engagement Partner  
Certified Public Accountant

小池 亮介 印

Ryosuke Koike  
Designated Other Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
July 31, 2020

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Act, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG network”), a Swiss entity.



## Nonconsolidated Balance Sheet (Unaudited)

The Iyo Bank, Ltd.  
March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>ASSETS</b>			
Cash and due from banks	¥ 718,427	¥ 808,815	\$ 6,601,369
Receivables under resale agreements	355,563	—	3,267,141
Monetary claims purchased	8,173	10,921	75,098
Trading account securities	727	349	6,680
Money held in trust	4,948	4,759	45,465
Securities	1,707,613	1,573,300	15,690,645
Loans and bills discounted	4,756,637	4,550,809	43,707,038
Reserve for loan losses	(26,847)	(23,137)	(246,687)
Foreign exchange	10,741	7,164	98,695
Other assets	102,789	74,788	944,491
Tangible fixed assets	71,154	72,635	653,808
Intangible fixed assets	8,051	6,982	73,977
Prepaid pension cost	20,597	17,452	189,258
Customers' liabilities for acceptances and guarantees	26,382	35,937	242,414
Total assets	¥7,764,961	¥7,140,776	\$71,349,453
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Deposits	¥5,754,395	¥5,712,677	\$52,875,080
Call money	217,618	178,313	1,999,614
Payables under repurchase agreements	30,357	49,820	278,939
Payables under securities lending transactions	198,436	76,968	1,823,357
Borrowed money	764,056	360,251	7,020,637
Foreign exchange	295	249	2,710
Borrowed money from trust account	28	31	257
Other liabilities	53,847	30,427	494,780
Accrued employees' bonuses	1,494	1,511	13,727
Employees' severance and retirement benefits	13,002	12,973	119,470
Reserve for losses on repayment of dormant bank accounts	2,393	3,301	21,988
Reserve for contingent losses	591	516	5,430
Reserve for share-based payment	192	86	1,764
Deferred tax liabilities	56,242	52,823	516,787
Deferred taxes on revaluation excess	9,637	9,769	88,550
Acceptances and guarantees	26,382	35,937	242,414
Total liabilities	7,128,972	6,525,658	65,505,577
<b>Net assets</b>			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	192,483
Capital surplus	10,480	10,480	96,296
Legal reserve	20,948	20,948	192,483
Other retained earnings	406,442	392,106	3,734,650
Treasury stock	(6,611)	(6,683)	(60,746)
Net unrealized holding gains (losses) on securities	163,329	158,875	1,500,771
Net deferred gains (losses) on hedging instruments	792	(1,545)	7,277
Land revaluation excess	19,315	19,590	177,478
Stock acquisition rights	343	397	3,151
Total net assets	635,989	615,117	5,843,875
Total liabilities and net assets	¥7,764,961	¥7,140,776	\$71,349,453



## Nonconsolidated Statement of Income (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>INCOME</b>			
Interest and dividend income:			
Interest on loans and discounts	¥ 54,574	¥ 52,834	\$501,460
Interest and dividends on securities	23,323	23,770	214,306
Interest on receivables under resale agreements	(6)	—	(55)
Interest on receivables under securities lending transactions	0	62	0
Other interest income	1,515	1,327	13,920
Fees and commissions	13,833	13,559	127,106
Other operating income	6,871	6,746	63,135
Other income	6,326	8,927	58,127
Total income	106,437	107,228	978,011
<b>EXPENSES</b>			
Interest expense:			
Interest on deposits	4,418	3,549	40,595
Interest on borrowings and rediscounts	1,679	1,802	15,427
Interest on payables under repurchase agreements	716	625	6,579
Interest on payables under securities lending transactions	1,864	1,308	17,127
Other interest expense	4,527	4,267	41,596
Fees and commissions	6,718	6,495	61,729
Other operating expenses	1,395	3,868	12,818
General and administrative expenses	49,065	49,770	450,840
Other expenses	10,423	9,717	95,773
Total expenses	80,811	81,407	742,543
Income before income taxes	25,626	25,821	235,468
Income taxes:			
Current	6,961	7,035	63,962
Deferred	162	523	1,488
Net income	¥ 18,502	¥ 18,262	\$170,008
	Yen		U.S. dollars
Basic net income per share	¥58.45	¥57.71	\$0.53
Diluted net income per share	58.37	57.61	0.53



# Nonconsolidated Statement of Changes in Net Assets (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2020

For the year ended March 31, 2020	Millions of yen			
	Stockholders' equity			
	Common stock	Capital reserve	Capital surplus	
			Other capital surplus	Total capital surplus
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥—	¥10,480
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(5)	(5)
Transfer of loss on disposal of treasury stock			5	5
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥—	¥10,480

For the year ended March 31, 2020	Thousands of U.S. dollars			
	Stockholders' equity			
	Common stock	Capital reserve	Capital surplus	
			Other capital surplus	Total capital surplus
Balance at the beginning of the accounting period	\$192,483	\$96,296	\$ —	\$96,296
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(45)	(45)
Transfer of loss on disposal of treasury stock			45	45
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	\$192,483	\$96,296	\$ —	\$96,296

For the year ended March 31, 2020	Millions of yen						
	Stockholders' equity						
	Legal reserve	Retained earnings			Total retained earnings	Treasury stock	Total stockholders' equity
		Deferred gains on real property	General reserve	Retained earnings brought forward			
Balance at the beginning of the accounting period	¥20,948	¥2,059	¥370,594	¥ 19,452	¥413,054	¥(6,683)	¥437,800
Changes during the accounting period							
Dividends				(4,435)	(4,435)		(4,435)
Reversal of deferred gains on real property		(11)		11	—		
Provision of general reserve			14,000	(14,000)	—		
Net income				18,502	18,502		18,502
Purchase of treasury stock						(0)	(0)
Disposal of treasury stock						72	66
Transfer of loss on disposal of treasury stock				(5)	(5)		—
Reversal of land revaluation excess				274	274		274
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(11)	14,000	347	14,336	71	14,408
Balance at the end of the accounting period	¥20,948	¥2,048	¥384,594	¥19,799	¥427,390	¥(6,611)	¥452,208



	Thousands of U.S. dollars						
	Stockholders' equity						
	Retained earnings						
	Other retained earnings						
For the year ended March 31, 2020	Legal reserve	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	\$192,483	\$18,919	\$3,405,255	\$178,737	\$3,795,405	\$(61,407)	\$4,022,787
Changes during the accounting period							
Dividends				(40,751)	(40,751)		(40,751)
Reversal of deferred gains on real property		(101)		101	—		
Provision of general reserve			128,640	(128,640)	—		
Net income				170,008	170,008		170,008
Purchase of treasury stock						(0)	(0)
Disposal of treasury stock						661	606
Transfer of loss on disposal of treasury stock				(45)	(45)		—
Reversal of land revaluation excess				2,517	2,517		2,517
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(101)	128,640	3,188	131,728	652	132,389
Balance at the end of the accounting period	\$192,483	\$18,818	\$3,533,896	\$181,925	\$3,927,134	\$(60,746)	\$4,155,177

	Millions of yen					
	Valuation and translation adjustments					
For the year ended March 31, 2020	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at the beginning of the accounting period	¥158,875	¥(1,545)	¥19,590	¥176,919	¥397	¥615,117
Changes during the accounting period						
Dividends						(4,435)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						18,502
Purchase of treasury stock						(0)
Disposal of treasury stock						66
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						274
Changes in items other than stockholders' equity, net	4,453	2,338	(274)	6,517	(54)	6,463
Total changes during the accounting period	4,453	2,338	(274)	6,517	(54)	20,871
Balance at the end of the accounting period	¥163,329	¥792	¥19,315	¥183,437	¥343	¥635,989

	Thousands of U.S. dollars					
	Valuation and translation adjustments					
For the year ended March 31, 2020	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at the beginning of the accounting period	\$1,459,845	\$(14,196)	\$180,005	\$1,625,645	\$3,647	\$5,652,090
Changes during the accounting period						
Dividends						(40,751)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						170,008
Purchase of treasury stock						(0)
Disposal of treasury stock						606
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						2,517
Changes in items other than stockholders' equity, net	40,917	21,483	(2,517)	59,882	(496)	59,386
Total changes during the accounting period	40,917	21,483	(2,517)	59,882	(496)	191,776
Balance at the end of the accounting period	\$1,500,771	\$7,277	\$177,478	\$1,685,537	\$3,151	\$5,843,875



	Millions of yen			
	Stockholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
For the year ended March 31, 2019				
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥ —	¥10,480
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(56)	(56)
Transfer of loss on disposal of treasury stock			56	56
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥ —	¥10,480

	Millions of yen						
	Stockholders' equity						
	Retained earnings						
	Other retained earnings						
For the year ended March 31, 2019	Legal reserve	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	¥20,948	¥2,066	¥352,594	¥23,627	¥399,236	¥(6,839)	¥433,826
Changes during the accounting period							
Dividends				(4,431)	(4,431)		(4,431)
Reversal of deferred gains on real property		(6)		6	—		
Provision of general reserve			18,000	(18,000)	—		
Net income				18,262	18,262		18,262
Purchase of treasury stock						(232)	(232)
Disposal of treasury stock						388	332
Transfer of loss on disposal of treasury stock				(56)	(56)		—
Reversal of land revaluation excess				43	43		43
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(6)	18,000	(4,175)	13,817	155	13,973
Balance at the end of the accounting period	¥20,948	¥2,059	¥370,594	¥19,452	¥413,054	¥(6,683)	¥437,800

	Millions of yen					
	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
For the year ended March 31, 2019						
Balance at the beginning of the accounting period	¥163,880	¥(1,240)	¥19,634	¥182,274	¥467	¥606,568
Changes during the accounting period						
Dividends						(4,431)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						18,262
Purchase of treasury stock						(232)
Disposal of treasury stock						332
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						43
Changes in items other than stockholders' equity, net	(5,005)	(305)	(43)	(5,354)	(70)	(5,424)
Total changes during the accounting period	(5,005)	(305)	(43)	(5,354)	(70)	8,549
Balance at the end of the accounting period	¥158,875	¥(1,545)	¥19,590	¥176,919	¥397	¥615,117



## Corporate Data

(As of March 31, 2020)

### Year of Foundation

1878

### Common Stock

Authorized 600,000,000 shares  
 Issued 323,775,366 shares  
 Capital ¥20,948 million

### Number of Stockholders

24,204

### Major Stockholders

Name	Shares (thousands)	%
Japan Trustee Services Bank, Ltd.	47,978	15.14
The Master Trust Bank of Japan, Ltd.	16,836	5.31
Nippon Life Insurance Company	8,878	2.80
Meiji Yasuda Life Insurance Company	8,867	2.79
Sumitomo Forestry Co., Ltd.	5,911	1.86
Sumitomo Life Insurance Company	5,415	1.70
Employee stock ownership of Iyo Bank	4,811	1.51
JP MORGAN CHASE BANK 385151 (Standing proxy Mizuho Bank, Ltd. Settlement & Clearing Services Department)	4,691	1.48
Sompo Japan Nipponkoa Insurance Inc.	4,293	1.35
MUFG Bank, Ltd.	3,988	1.25

### Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)  
 3,109

### Number of Branches

150 (Domestic 149, Foreign 1)

## Directory

(As of March 31, 2020)

### Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514  
 Tel: (089) 941-1141  
<http://www.iyobank.co.jp/>

### International Division

Tel: (089) 931-9899  
 SWIFT Address: IYOBJPJ

### Treasury and Foreign Exchange Department

Tel: (03) 3242-1801  
 SWIFT Address: IYOBJPJ

### Board of Directors and Corporate Auditors

(As of June 26, 2020)

<b>President</b>	Kenji Miyoshi
<b>Deputy President</b>	Kenji Takata
<b>Senior Managing Director</b>	Tetsuo Takeuchi
<b>Managing Directors</b>	Haruhiko Kono Kensei Yamamoto
<b>Directors (Audit and Supervisory Committee Members)</b>	Shiro Hirano Kaname Saeki Takeshi Ichikawa Yasunobu Yanagisawa Junko Miyoshi Keiji Joko
<b>Senior Managing Executive Officers</b>	Kenji Morioka
<b>Managing Executive Officers</b>	Shinya Fujita Yasuji Fujita Masamichi Ito Hiroshi Nagata Keiji Joko Hirohisa Semba Koichi Kihara
<b>Executive Officers</b>	Kazuya Chikata Shinichi Doi Seiji Komoda Yoshiki Kume Toshiki Hamaguchi Yasumi Inada Naoaki Fujita Norihiko Kawasaki Takashi Tokunaga

### Singapore Branch

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 Tel: (65) 6394-9830

### Hong Kong Representative Office

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 Central, Hong Kong  
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### Shanghai Representative Office

Room 1603 Shanghai International Trade Center, 2201 Yan-an Road (West), Shanghai 200336, People's Republic of China  
 Tel: (021) 6270-7488





## **THE IYO BANK, LTD.**

HEAD OFFICE

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