



Kenji Miyoshi, President

### Introduction

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

Even amid the changes to the environment brought about by factors such as COVID-19, Iyo Bank will continue to strive to solve the challenges facing its local communities and customers and create new value. Based on our corporate credo to “create a bright and prosperous future for the region,” we will provide services using digital technology, achieve high productivity, and implement meticulous consulting activities through our people.

As a comprehensive financial institution in your hometown, we will strive for sound management while strengthening our capabilities. Management and employees alike will continue to work together as a group, ever mindful of our gratitude to the people of the region, to realize a sustainable and vibrant local community. We sincerely thank you for your continued support and encouragement.

### Financial and Economic Environment

Due to the impact of COVID-19, the situation of the Japanese economy in fiscal 2020, ended March 31, 2021, was generally severe. Consumer spending was down, manufacturing activities stagnated, corporate earnings fell, and the employment situation deteriorated. At the moment, the resurgence of COVID-19 is increasing downward pressure on the economy, hampering the move towards recovery. Looking ahead, although there is a high degree of uncertainty, as we recover from the effects of the pandemic, the economy is expected to improve, albeit gradually, supported by renewed foreign demand and the government's economic stimulus package.

Like Japan as a whole, the economy of Ehime Prefecture as a whole is expected to recover gradually, although there is still a sense of stagnation due to a recent resurgence in COVID-19 cases.

### Business Performance

Under these circumstances, in line with our “Digital-Human-Digital Bank” vision set forth in the Fiscal 2018 Medium-Term Management Plan, we endeavored to expand our fields of operation and strengthen profitability by leveraging digital technologies to improve customer convenience and productivity, and by refining our ability to provide value that only people can provide.

### 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.

Using the framework of the Shikoku Alliance, in April 2020, we established a regional trading company, Shikoku Brand Co., Ltd. as an advanced banking service company through joint investments by four banks to promote Shikoku's abundant raw commodities and tourism resources both domestically and internationally. The new company will create added value by providing a one-stop shop for branding and sales channel development to address the challenges faced by customers in the region. It will also implement *Shikoku Sōsei* (Shikoku Creation), which aims to create a virtuous cycle for the economy.

As an initiative for community development and tourism promotion, in July 2020, as the Ozu Town Creation Fund LLP's first project, we invested in a corporation established by Kita Management, a general incorporated association and a destination management organization (DMO) for Ozu City. By supporting businesses through investment, we are promoting regional vitalization initiatives, such as the opening of NIP-PONIA HOTEL Ozu Castle Town, a hotel spread over several renovated historical mansions, townhouses, and traditional houses around the Ozu castle town.

As an initiative to provide support for those affected by COVID-19, while working to prevent the spread, we are

taking all possible measures as the region's financial infrastructure to support our customers' cash flow and resolve their business issues.

In addition to confirming the impact of COVID-19 through a survey of all business locations, and providing appropriate and timely information on interest-free loans and other financing support, in April 2020, we launched the Iyogin Business Support Loan "Just." The loan allows customers to take flexible measures such as defer principal repayments depending on their cash situation. We are actively working to stabilize customers' cash flow and reduce their repayment burden.

Additionally, to provide not just financing support, but support across a wide range of business issues, we established a COVID-19 support team, also in April. Our branches and headquarters are working together to provide management support. Then in July, to help businesses facing a changing environment due to the pandemic, we launched a website to support local products and services in the categories of food, alcohol, sightseeing and experiences, crafts, and others. We are expanding the circle in the local area for people to support businesses by eating or using their products and services.

## Bank Branches and ATMs

Iyo Bank has continued to have a broad-ranging branch network that covers 13 prefectures in Japan, the largest number of prefectures covered by a regional bank. And given the current decline in population and branch foot traffic, we have been reviewing the allocation of our branches while maintaining touch points with local customers. We relocated eight branches—Iioka and Funaki (July 2020), Haramachi, Okada, and Miyanishi (September), Ozu Honmachi (January 2021), and Nakanosho and Yanomachi (March)—to neighboring branches. Thus, we are working to ensure the best way to operate branches depending on each area's characteristics.

So that we can listen to our customers' challenges and provide higher value-added consulting services, we are aiming to transform our branches from a "place mainly for administrative tasks" to a "place where customers' issues are solved." We opened two pilot branches: Yogo Branch, a newly built branch in April 2020, and the refurbished Yawatahama Branch in September. In addition to these two branches, Matsuyamakita Branch has extended its consultation service hours to 5pm on weekdays. In solving customers' challenges, such as asset management and borrowing, we are working to create an environment that enables us to deliver value that only people can provide.

In addition, we have been working to improve customer convenience by simplifying administrative procedures and reducing waiting time. We installed the AGENT System on tablet devices across all our branches, enabling customers to carry out procedures at the bank without their personal seal or filling forms. We also expanded the "Satto (quick) counter" in 76 branches (as of March 31, 2021) which provides semi-self-served cash transactions and tax payments among others. In April 2020, in order to simplify administrative procedures for both customers and the Bank, we introduced CUBE, a system that allows customers to sign electronically rather than use a traditional personal seal when they entrust the Bank with cash or their bank book. In addition, we have been working to expand business opportunities by taking the AGENT System tablets to our sales liaison activities since July.

We have installed out-of-store ATMs in 180 locations (as of March 31, 2021; 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

With regard to deposit products, since the aging population has increased demand for adult guardianship, in April 2020, we launched a deposit system to support guardianship. The system was created to prevent trouble with guardians related to the protection and management of assets, and to protect the customers' valued assets themselves.

As for financing products, in September 2020, we added a service to our Flood Damage Responsive Financing that can detect and warn of flooding using IoT technology. Additionally, we became Japan's first financial institution to offer a financing scheme that exempts debt obligations for a prescribed ratio of principal balance of loans when IoT sensors installed on the customer's premises detect flooding. Thus, we are working to support customers' BCP and their natural disaster risk response.

As part of our consulting services, we launched in April 2020 a staffing business to provide solutions to securing personnel, a key management challenge for businesses across the region. After listening to our clients' recruitment needs, we collaborate with partner staffing agencies to introduce the right people. In December, we launched an SDG diagnosis service to enable our customers to objectively grasp their efforts toward achieving the SDGs. We are supporting their efforts to improve their corporate image and create new business opportunities. Going forward, we will continue to support the growth and development of our customers' businesses in the non-financial sector by expanding our consulting services.

As for initiatives utilizing digital technology, we expanded the API collaboration linking Fintech companies with the Bank's systems to provide services that support asset formation, asset management, and accounting efficiency. In November 2020, we renewed our Money Manager smartphone app, adding a transfer function, revamping the screen design, and making it possible to conduct banking transactions even more conveniently. In May, we also began offering SAFETY, a smartphone card-loan app that automatically calculates monthly shortfalls. It notifies the customer when such a shortfall occurs, allowing them to borrow 24 hours a day with a single tap. In December, as an addition to our HOME, a service enabling customers to make applications for home loans with a smartphone, we introduced HOME House Builder, which aims to reduce the burden on customers in the loan process through collaboration between the Bank and housing-related companies. This service enables housing-related companies to submit the large number of documents necessary for the home loan procedure on behalf of customers via a dedicated website and without the need for face-to-face meetings. We will continue to proactively utilize digital technology and provide high-value added financial services to increase ease-of-use and convenience for customers.

### SDGs Initiatives

In terms of our work on the SDGs, goals for the entire international community adopted by the United Nations, in July 2019, we established the Iyogin Declaration on SDGs to overcome the social and environmental challenges in the region. We are promoting efforts to address the SDGs through our core business in addition to our existing social contribution activities.

In our efforts to support the local economy and community, we are working to revitalize the economy by supporting startups and business succession. In the crowdfunding business, which is part of our support for startups, we have organized a total of about 50 projects since its inception in September 2018. In addition to actively supporting new challenges and initiatives in the region, we have provided business succession support to more than 3,900 customers and will continue to respond to the diversifying needs of succession and inheritance. In addition, the Iyo Bank Social Welfare Fund, a public interest incorporated foundation, continues to provide welfare equipment and scholarships to help improve social welfare and develop the next generation of human resources.

We are undertaking initiatives for the realization of sustainable local community through financial and information services. In light of the current rapid shift toward digital brought about by COVID-19, we are focusing on ICT consulting services, such as the introduction of groupware and cloud tools to improve the productivity and operational efficiency of both our customers and the Bank through digitalization. We will continue to support our customers as they introduce ICT, as well as hold online seminars and other events to raise awareness of ICT utilization in the region.

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 have also established a system to ensure the management transparency and objectivity through the establishment of a Management Deliberation Committee and an Advisory Board. In July 2020, as a collaborative measure with the TSUBASA Alliance, we helped establish TSUBASA Alliance Co., Ltd. for the purpose of consolidating operations and functions common to each bank. As the first step, we opened the AML (Anti-Money Laundering) Center in October. Combining the knowledge and expertise of each bank, the center is working to improve the systems to combat money laundering in light of international requirements.

With respect to diversity and work style reforms and with the aim of realizing a society in which a diverse range of personnel can play an active role, we introduced in April 2020 a side-job system to help secure a diverse and talented workforce with knowledge, skills, and personal connections developed outside the Bank. Through investment in gender bonds issued by the Asian Development Bank, we support the activities of projects that promote the advancement of women from a financial perspective. In December, the Bank was awarded three stars in the "L Star" program, for making excellent efforts to promote the activities of women.

Lastly, for environmental protection, we are promoting initiatives to reduce the environmental burden through our business and social contribution activities such as financing and forestation that contribute to environmental protection, focusing on solar power generation, biomass power generation, and other renewable energy sources. In February 2021, we endorsed the recommendations of the Task Force on

Climate-related Financial Disclosure (TCFD) to contribute to the realization of a lower-carbon society while assuming the risks that climate change poses to our customers and the Bank. We will strive to enhance our information disclosure going forward.

### 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 no 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

Regarding our efforts to increase management transparency, due to the COVID-19 impact, we did not hold annual results briefings for analysts and institutional investors. However, we strove to provide vigorous disclosure through our briefing materials.

To provide an objective understanding for stockholders, suppliers, and investors of our creditworthiness by external rating agencies, 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 Rating and Investment (R&I), and an "A-" rating by Standard & Poor's (S&P), a global credit rating agency.

### Compliance and Risk Management

With respect to compliance, since June 2020, when companies were obliged to prevent power harassment, we have established Harassment Prevention Regulations to strengthen our legal compliance system and clearly state our commitment to eradicating various types of harassment.

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 the spread of infectious diseases such as COVID-19, natural disasters such as the Nankai Trough earthquake and heavy rainfall, 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 2020, ended March 31, 2021, our non-consolidated performance was as follows: The term-end balance of deposits, including NCDs, increased ¥768.2 billion over the previous fiscal year-end to ¥6,522.6 billion (US\$58,916 million). The loan balance at the end of the fiscal year rose ¥242.6 billion over the previous fiscal year-end to ¥4,999.3 billion (US\$45,157 million). The balance of securities at the end of the fiscal year increased ¥182.9 billion over the previous fiscal year-end to ¥1,890.5 billion (US\$17,076 million). The balance of total assets at the end of the fiscal year rose ¥741.8 billion over the previous fiscal year-end to ¥8,506.7 billion (US\$76,838 million).

Ordinary revenue decreased ¥1,970 million over the previous fiscal year-end to ¥104,428 million (US\$943 million), mainly due to a decrease in investment income. Ordinary expenses increased ¥835 million over the previous fiscal year to ¥80,651 million (US\$728 million), mainly due to an increase in other ordinary expenses caused by an increase in the provision of reserve for loan losses, despite a decrease in interest expenses caused by a decline in overseas interest rates. As a result, ordinary income decreased ¥2,805 million to ¥23,776 million (US\$214 million), while net profit decreased ¥1,823 million to ¥16,679 million (US\$150 million).

On consolidated basis, the capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.65%.

## Issues

In addition to the structural socioeconomic changes due to Japan's shrinking and aging population and the maturing economy, the Bank is facing irreversible and drastic changes through digitalization, the COVID-19 pandemic, and the need to respond to deregulation and ESG/SDGs.

We started the Fiscal 2021 Medium-Term Management Plan in April this year amid this environment. At the outset of our new plan, we have set our long-term vision to become "a corporate group that continues to create and provide new value." We aim to create and unerringly deliver value needed by the community and our customers, implement these values as an integrated group, and take on new business challenges. While further deepening and evolving our Digital-Human-Digital model, and by adapting to changes in the business environment and working to transform our business model as a group, we will strive to solve the issues facing our local communities and customers and aim to achieve sustainable growth enhancing our corporate value.

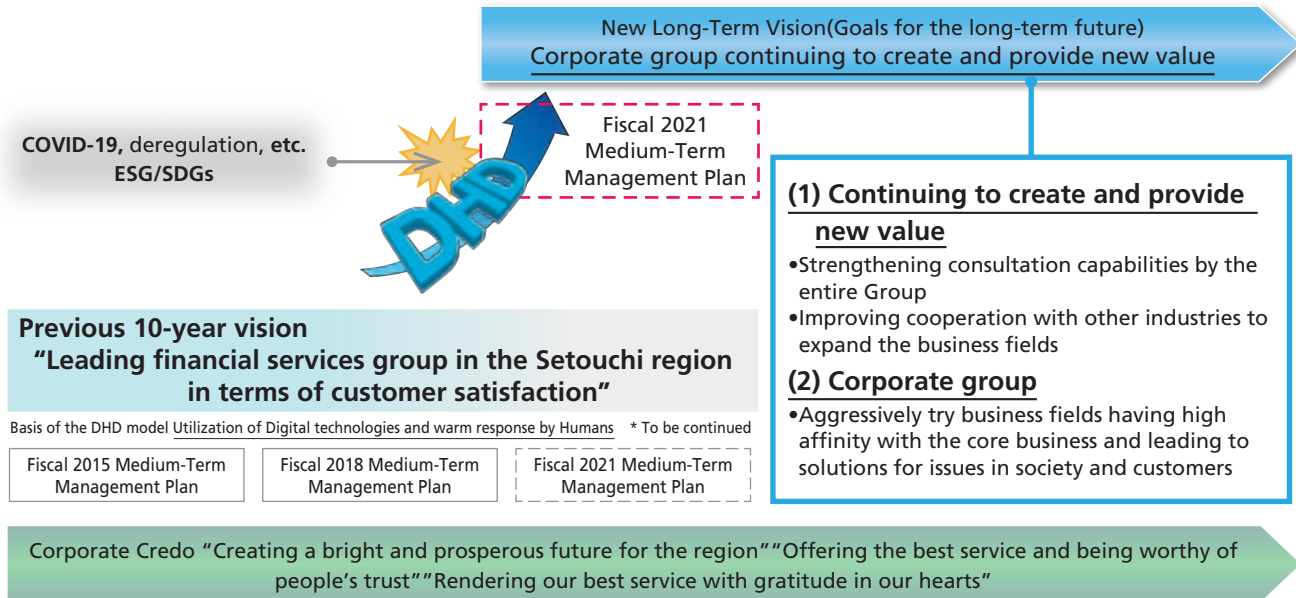
It is our firm belief that the source of the Bank's development is to work together with and contribute to the community, and to enrich the community both materially and spiritually. We will continue to fulfill our mission to "create a bright and prosperous future for the region." In these endeavors, we ask for the ongoing support of our stockholders.



Kenji Miyoshi, *President*

## Positioning and New Long-Term Vision

- ◆ The new "Long-Term Vision" looking 10 years ahead was established to promptly solve issues in society and customers and address industry deregulation by further deepening and evolving the DHD model



## Future Vision Following the Long-Term Vision

