

Fiscal 2017 Earnings Briefing

Dōgo Onsen

Dōgo Onsen Honkan is the first public bathhouse registered as a nationally important cultural property and has a long history as this year marks 124 years since its construction. The “Dogo ONSENART 2018” art festival is currently being held for the first time in four years, attracting many tourists.



伊予銀行

June 1, 2018

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I . Summary of Earnings for Fiscal 2017

Shimonada Station

Shimonada Station, where railroad tracks used to be close to the seashore such that waves rolled in beneath the platform, was called as the station nearest to the sea in Japan.

Presently, the station is often used as a location for films and dramas and is also popular as a "perfect sunset view spot" and "holy place for lovers."

Shimonada
Station

Matsuyama
City

Approx. 45 minutes
by JR Yosai Line
from Matsuyama
Station

Profit and Loss Conditions in Fiscal 2017

IYO BANK

- Core business gross profit, core business net income, net income were up year-on-year
- Net income was maintained at a high level of over ¥20.0 billion for the fifth consecutive year

Earnings for Fiscal 2017 (Nonconsolidated) (Units: Millions of yen)

	Fiscal 2017	YoY	Increase/ Decrease	Fiscal 2016
Core business gross profit (Note 1)	77,562	+3,671	+ 5.0%	73,891
Interest and dividend income	69,769	+2,415		67,354
Fees and commissions	6,642	+ 990		5,652
Of which, revenue on assets in custody	1,926	+278		1,648
Other operating income (Excluding profit/loss associated with bonds including JGBs, etc.)	1,150	+267		883
Expenses (-)	49,111	+ 834	+ 1.7%	48,277
Personnel expenses	26,375	(21)		26,396
Nonpersonnel expenses	19,801	+ 587		19,214
Taxes	2,934	+ 267		2,667
Core business net income (Note 2)	28,450	+ 2,837	+ 11.1%	25,613
Credit costs (-) ①+②-③	3,516	+ 2,817		699
Provision of reserve for general loan losses ①	(688)	+ 150		(838)
Amortization of non-performing loans ②	4,787	+ 2,387		2,400
Recoveries of written off claims ③	581	(280)		861
Gain (loss) related to securities	6,043	(916)		6,959
Gain (loss) related to bonds including JGBs	281	(457)		738
Gain (loss) related to stock, etc.	5,761	(459)		6,220
Other temporary gain (loss)	1,945	+ 758		1,187
Ordinary income	32,923	(137)	(0.4%)	33,060
Extraordinary income (loss)	(313)	+ 1,998		(2,311)
Income before income taxes	32,610	+ 1,862		30,748
Net income	22,662	+ 1,248	+ 5.8%	21,414
Ordinary revenue	102,209	+ 2,918	+ 2.9%	99,291
Business net income	29,421	+ 2,231	+ 8.2%	27,190

(Note 1) Core business gross profit: "Business gross profit" excluding profit/loss related to bonds including JGBs, etc.

(Note 2) Core business net income: Core business gross profit - Expenses

Key factors in increase / decrease, etc. (YoY)

Core business gross profit: Up 3,671 million YoY

- ◎Interest and dividend income up due to increases in loan interest and interest and dividends from securities
- ◎Fees and commissions up due to increases in revenue on assets in custody, solution-related commissions

Expenses: Up ¥834 million YoY

- ◎Nonpersonnel expenses up as investments increased, etc.

Core business net income up as core business gross profit increased, up ¥2,837 million YoY

Credit costs: Up ¥2,817 million YoY

- ◎Reversal of reserve for general loan losses decreased due to narrowing rate of decline of loan loss result
- ◎Amortization of non-performing loans increased due to an increase in bankruptcies and downgrades, etc.

Gain (loss) related to securities: Down ¥916 million YoY

Gain (loss) related to bonds including JGBs (Down ¥457 million YoY)

- ◎Gain (loss) related to bonds including JGBs down due to lower gains on sales of bonds including JGBs

Gain (loss) related to stock, etc. (Down ¥459 million YoY)

- ◎Gain (loss) related to stock, etc. down due to decrease in gains on sales of securities, etc.

Other temporary gain (loss): Up ¥758 million YoY

- ◎Temporary retirement benefit expenses down

Due to an increase in credit costs and other factors, ordinary income decreased, down ¥137 million YoY

Extraordinary income (loss): Up ¥1,998 million YoY

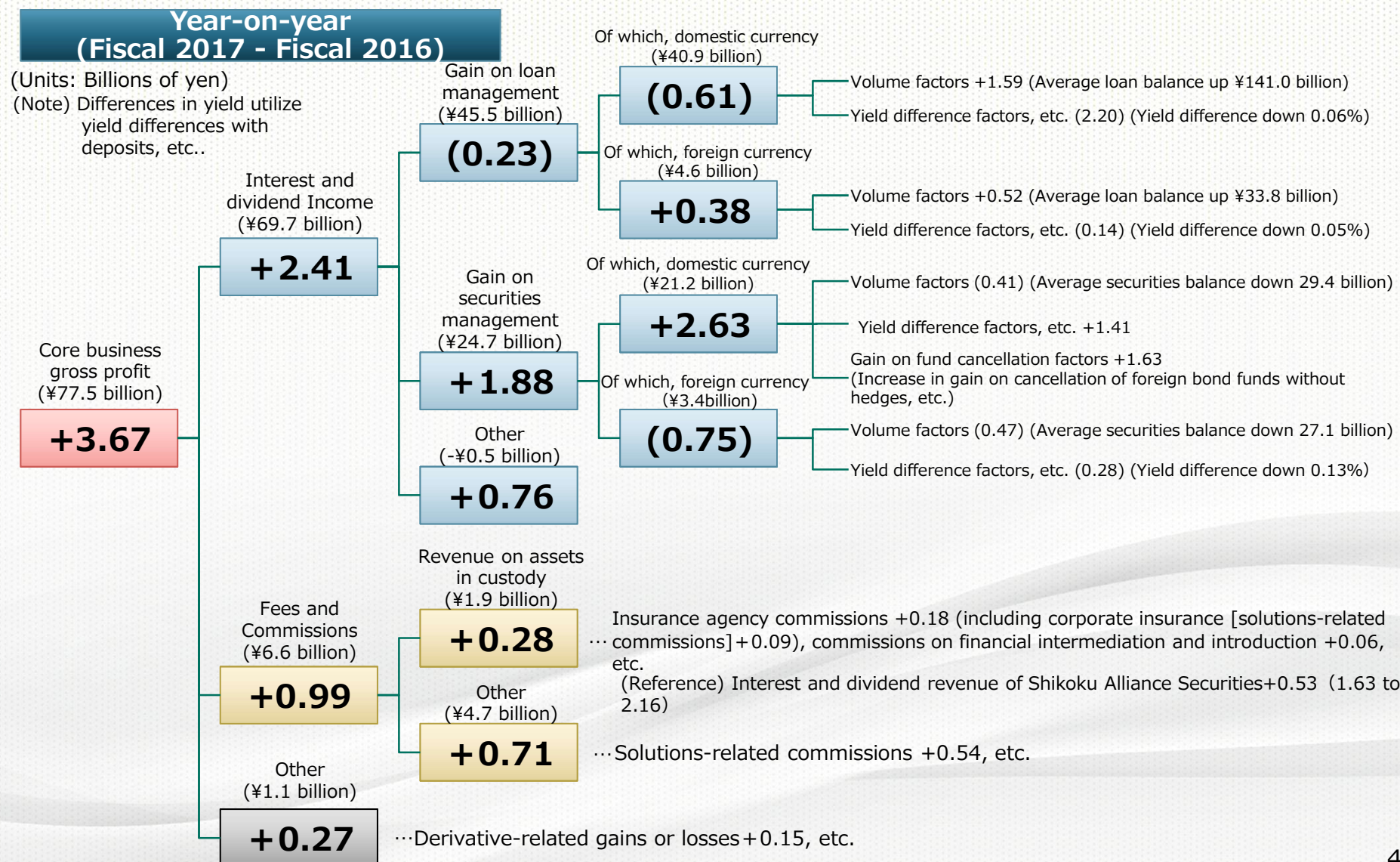
- ◎Impairment losses on fixed assets down

As a result, net income was up ¥1,248 million YoY

Factors in Increase / Decrease in Core Business Gross Profit (Fiscal 2017)

IYO BANK

- Interest and dividend income was up due to an increase in gain on fund cancellation and an increase in loan balance, etc.
- Fees and commissions were up due to higher solutions-related commissions and revenue on assets in custody, etc.



Conditions in Loans, Deposits, and Assets in Custody IYO BANK

- “Deposits, etc.” were up 1.6% year-on-year
- “Loans” were up 6.2% year-on-year. Loans and deposits both grew for the 21st consecutive year

Balance of deposits, etc. by region

(Units: Billions of yen)

Region	Fiscal 2016	Fiscal 2017	YoY	Increase/Decrease
Within Ehime Prefecture	4,296.4	4,301.2	+4.8	+0.1%
Shikoku (excluding Ehime)	243.8	251.1	+7.3	+3.0%
Kyushu	173.6	171.4	(2.2)	(1.3)%
Chugoku	229.8	254.9	+25.1	+10.9%
Kinki	122.8	128.6	+5.8	+4.7%
Tokyo and Nagoya	355.1	391.1	+36.0	+10.1%
Overseas, etc.	35.2	47.2	+12.0	+34.1%
Total	5,457.0	5,546.0	+89.0	+1.6%

Balance of assets in custody

(Units: Billions of yen)

	Fiscal 2016	Fiscal 2017	YoY	Increase/Decrease
Group assets in custody	495.8	544.4	+48.6	+9.8%
Balance at the Bank	332.0	343.0	+11.0	+3.3%
Balance at Shikoku Alliance Securities	163.7	201.4	+37.7	+23.0%
Sales of Group assets in custody	113.6	138.5	+24.9	+21.9%
Sales at the Bank	49.7	61.4	+11.7	+23.5%
Sales at Shikoku Alliance Securities	63.9	77.0	+13.1	+20.5%

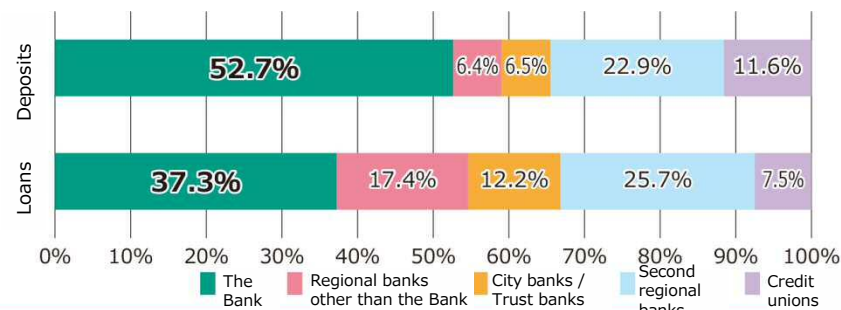
Balance of loans by region

(Units: Billions of yen)

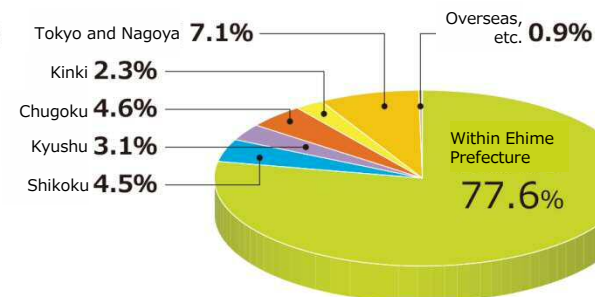
Region	Fiscal 2016	Fiscal 2017	YoY	Increase/Decrease
Within Ehime Prefecture	2,244.4	2,285.0	+40.6	+1.8%
Shikoku (excluding Ehime)	256.8	273.0	+16.2	+6.3%
Kyushu	269.1	281.9	+12.8	+4.8%
Chugoku	344.5	377.7	+33.2	+9.6%
Kinki	290.0	328.3	+38.3	+13.2%
Tokyo and Nagoya	572.9	596.0	+23.1	+4.0%
Financial Market Business Office	63.9	85.4	+21.5	+33.6%
Total (domestic branches)	4,041.8	4,227.5	+185.7	+4.6%
Overseas, etc.	1.4	65.1	+63.7	—
Total	4,043.3	4,292.6	+249.3	+6.2%

*Please refer to pages 10 and 11 of the Reference Materials section for the breakdown, etc. of the balance of loans and deposits at the end of the period.

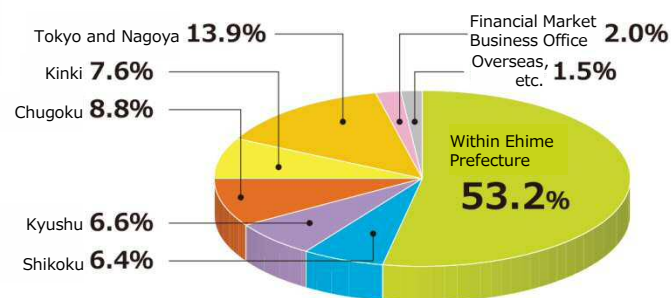
Share within Ehime Prefecture as of March 31, 2018
(excluding Japan Post, agricultural cooperatives, etc.)



Composition by region for balance of deposits, etc.



Composition by region for balance of loans



Conditions in Credit Costs and Disclosed Non-performing Loans

IYO BANK

- Credit costs were up year-on-year, but continued to remain at a low level
- Ratio of disclosed non-performing loans was 1.44%, falling to a record low

Credit costs by factor

(Units: Billions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	YoY
Credit costs total	(1.9)	1.8	0.6	3.5	+ 2.8
Provision of reserve for general loan losses	(2.4)	(1.3)	(0.8)	(0.6)	+ 0.2
Amortization of non-performing loans	1.6	4.5	2.4	4.7	+ 2.4
Bankruptcies	0.5	1.4	0.2	0.8	+ 0.6
Downgrades, etc.	4.6	5.9	5.0	6.3	+ 1.2
Upgrades and collections	(3.5)	(2.8)	(2.9)	(2.3)	+ 0.6
Recoveries of written off claims (-)	1.1	1.3	0.8	0.5	(0.3)
Credit management expense ratio (*)	(0.05%)	0.05%	0.02%	0.09%	+ 0.07P

(*) Credit management expense ratio = Credit costs / Average loan balance

Amounts and ratios of disclosed non-performing loans under the Financial Reconstruction Act

(Units: Billions of yen)

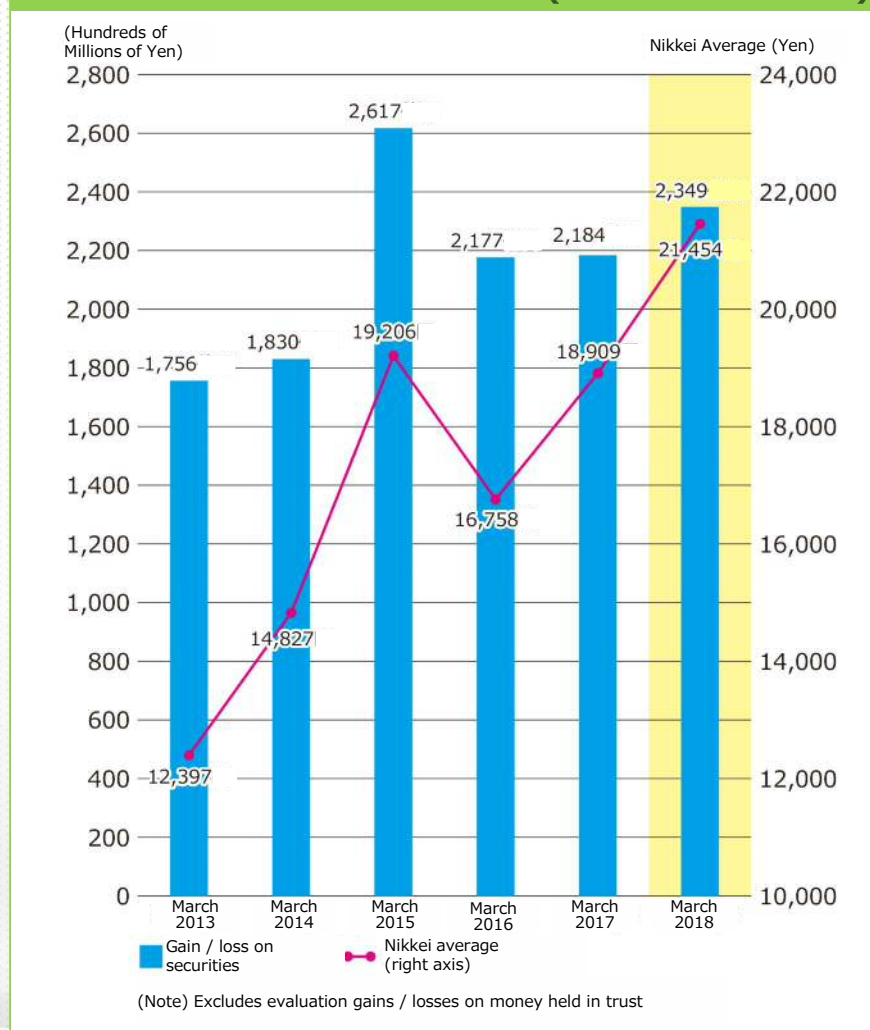
	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	YoY
Loans to bankrupt or effectively bankrupt borrowers	3.8	4.2	4.4	3.0	(1.4)
Doubtful assets	50.2	45.5	39.8	44.1	+ 4.3
Credit subject to specific risk management	17.2	16.9	18.1	18.0	(0.1)
Total disclosed non-performing loans	71.3	66.7	62.4	65.2	+ 2.8
Ratio of disclosed non-performing loans	1.77%	1.64%	1.48%	1.44%	(0.04P)

Conditions in Evaluation Gain on Securities and Equity Ratio

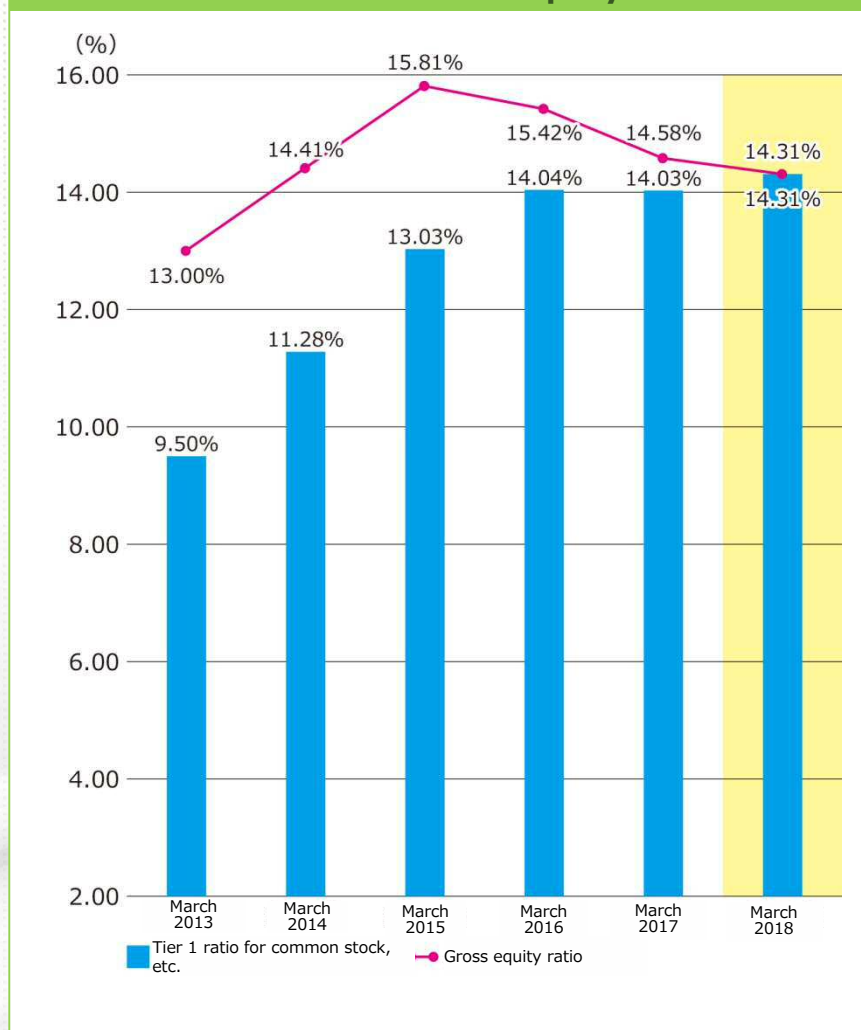
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- Evaluation gain on securities was ¥234.9 billion, **maintaining a top class level among regional banks**
- Consolidated equity ratio (BIS standards) was 14.31%

Evaluation Gain on Securities (Nonconsolidated)



Consolidated Gross Equity Ratio



Review of Fiscal 2015 Medium-Term Management Plan IYO BANK

- Amid a difficult business environment, numerical targets of most items have been achieved through various measures

Target items	Reference: Fiscal 2017 Targets before revision	Fiscal 2017 Targets
Net income	¥25.0 billion	¥22.0 billion
Loans (average)	¥4,065.0 billion	¥4,065.0 billion
Deposits (average)	¥5,540.0 billion	¥5,450.0 billion
Consolidated assets in custody	¥570.0 billion	¥570.0 billion
Core OHR	60.0% or less	65.0% or less
Equity ratio (BIS standard)	15.0% or more	15.0% or more
Ratio of non- performing loans	2.0% or less	2.0% or less
ROE (net asset basis)	6.0% or more	5.0% or more

(Note) Non-achieved items are shaded.

Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	vs. Target
¥26.4 billion	¥24.0 billion	¥21.4 billion	¥22.6 billion	+ ¥0.6 billion
¥3,783.9 billion	¥3,902.8 billion	¥3,943.2 billion	¥4,118.0 billion	+ ¥53.0 billion
¥5,247.7 billion	¥5,342.7 billion	¥5,368.6 billion	¥5,453.7 billion	+ ¥3.7 billion
¥463.9 billion	¥464.9 billion	¥495.8 billion	¥544.4 billion	(¥25.6 billion)
56.94%	59.79%	65.33%	63.31%	(1.69)%
15.81%	15.42%	14.58%	14.31%	(0.69)%
1.77%	1.64%	1.48%	1.44%	(0.56)%
7.48%	6.40%	5.41%	5.46%	+ 0.46%

Ⅱ.Fiscal 2018

Medium-Term Management Plan

Second Stage for 150
(April 1, 2018 – March 31, 2021)

Ishizuchi Mountain

As one of the One Hundred Mountains of Japan and one of the Seven Holy Mountains in Japan, Ishizuchi Mountain, with beautiful scenery changing with the four seasons, is a sacred mountain as the whole mountain is worshipped as a god.

Also as a place with spiritual energy, tourists from outside Ehime Prefecture visit this highest mountain in western Japan.

Positioning and Overview of Fiscal 2018 Medium-Term Management Plan

IYO BANK

10-Year Vision

— Leading financial services group in the Setouchi region in terms of customer satisfaction —

Fiscal 2015 Medium-Term Management Plan
First Stage for 150
—Take on new growth strategies—

Fiscal 2018 Medium-Term Management Plan
Second Stage for 150
—Transitioning to a new growth trend—

Fiscal 2021 Medium-Term Management Plan
Third Stage for 150
—Dramatic growth—

Goals for the future

Digital-Human-Digital Bank

— Whenever, wherever, closer to you —

Core Policy	I	Strengthen ability to offer value tailored to each customer
	II	Enhance productivity and reduce cost through optimum resource allocation
	III	Commit to regional revitalization actively
	IV	Ensure stable, long-term earnings power through overseas and market investment
	V	Develop organizational culture that diversity of every person is leveraged and proactively and mutually enhanced

Core Strategy	Consulting strategy
	Online business strategy
	ICT strategy, Branch strategy, BPR strategy
	Regional revitalization strategy
	Market strategy
Core Strategy	Personnel strategy

Digital-Human-Digital Bank (New Business Model)

IYO BANK

Digital touch point

Customer contact points
(easy to use)

Human consulting

Group employees
(customer-oriented)

Digital operation

Administrative procedures
(simple)

Customer contact points
(touch point)

Establish daily contact points

Relationship with customers
through digitization

Establish a scheme where a continuous connection with customers are allowed

- Conduct periodical follow-up efficiently through digitization

Digital touch point

Digital operation

Respond to each and every customer
through humanity and digitization

Channels not depending on time
and place

Establish channels which provide connectivity "whenever and wherever" needed

**Counseling for
customers**

Provide timely and appropriate information and advice responding to consultation from customers

- Counseling on management strategy and life planning

Human consulting

Consulting

Make customer-oriented proposals

- Solution of issues and risk-taking through business feasibility assessments
- Proposal of management and investment of personal assets based on fiduciary duty

- Students and workers
→ Utilize branches on the web and open on weekends and public holidays
- Elderly people
→ Branches and the web (transportation not needed)
- Innovation of application procedures through elimination of paper, etc.

Major Numerical Targets of Fiscal 2018 Medium-Term Management Plan

IYO BANK

- Net income is planned for ¥20.5 billion due to implementation of various measures, despite continued expectations for a difficult business environment

Target items	Fiscal 2015 Medium-Term Management Plan (Fiscal 2017 results)
Core business gross profit	¥77.5 billion
Fees and commissions	¥6.6 billion
Net income	¥22.6 billion
ROE	3.83%
Core OHR	63.31%
Equity ratio (BIS standard)	14.31%
Ratio of non-performing loans	1.44%



Fiscal 2018 Medium-Term Management Plan (Fiscal 2020 targets)
¥76.5 billion
¥8.5 billion
¥20.5 billion
3.0% or more
65.0% or less
15.0% or more
2.0% or less

Plans for Loans, Deposits, and Assets in Custody

IYO BANK

- Deposits, etc., are planned to be increased approx. **¥132.5 billion** during the three years of the new Medium-Term Management Plan, with an average balance totaling **¥5,586.0 billion** during fiscal 2020
- Loans are planned to be increased approx. **¥499.0 billion** during the three years of the new Medium-Term Management Plan, with an average balance totaling **¥4,617.0 billion** during fiscal 2020

Plans for average deposits, etc., balance and assets in custody balance

(Units: Billions of yen)

	Fiscal 2017 results	Fiscal 2018		Fiscal 2019		Fiscal 2020		
		Plan	YoY	Plan	YoY	Plan	YoY	Increase/decrease during the Plan
Average deposits, etc., balance	5,453.7	5,499.0	+45.5	5,543.0	+44.0	5,586.0	+43.0	+132.5
Of which, individual deposits	3,387.1	3,420.0	+32.5	3,435.0	+15.0	3,450.0	+15.0	+62.5
Group assets in custody balance (including Shikoku Alliance Securities)	544.4	585.0	+41.0	622.0	+37.0	669.0	+47.0	+125.0
Of which, balance of assets in custody at the Bank	343.0	366.0	+23.0	386.0	+20.0	415.0	+29.0	+72.0
Of which, balance at Shikoku Alliance Securities	201.4	219.0	+18.0	236.0	+17.0	254.0	+18.0	+53.0

Plans for average loan balance

(Units: Billions of yen)

	Fiscal 2017 results	Fiscal 2018		Fiscal 2019		Fiscal 2020		
		Plan	YoY	Plan	YoY	Plan	YoY	Increase/decrease during the Plan
Average loan balance	4,118.0	4,342.0	+224.0	4,474.0	+132.0	4,617.0	+143.0	+499.0
Corporate loans	2,784.6	2,894.0	+109.0	2,948.0	+54.0	3,012.0	+64.0	+227.0
Of which, within Ehime	1,254.3	1,293.0	+38.5	1,293.0	0.0	1,301.0	+8.0	+46.5
Individual loans	996.5	1,020.0	+24.0	1,046.0	+26.0	1,077.0	+31.0	+81.0
Municipal loans	236.8	241.0	+4.0	246.0	+5.0	250.0	+4.0	+13.0
Financial Market Business Office	74.4	100.0	+26.0	125.0	+25.0	147.0	+22.0	+73.0
Singapore Branch	25.5	87.0	+61.0	109.0	+22.0	131.0	+22.0	+105.0

[Core Policy I] Strengthen ability to offer value tailored to each customer

IYO BANK

Consulting Strategy (Human)

Personal banking

- Provide “safe and secure” comprehensive financial services
- Transform to asset management services that connect generations
- Provide a new loan service towards realization of a dream

Corporate banking

- Enhance effectiveness of business feasibility assessments and strengthen support functions of headquarters
- Improve ICT consulting functions
- Strengthen support of core local industry clusters



Provide values responding to **life events**



Establishment



Growth

Provide values responding to **business stages**



Stability



Regeneration

Online Business Strategy (Digital)

Personal banking

- Develop markets through direct channels
- Improve direct marketing
- Provide valuable information responding to life stages

Corporate banking

- Strengthen corporate internet banking functions
- Diversify customer contact points by expanding targets of the Business Support Center

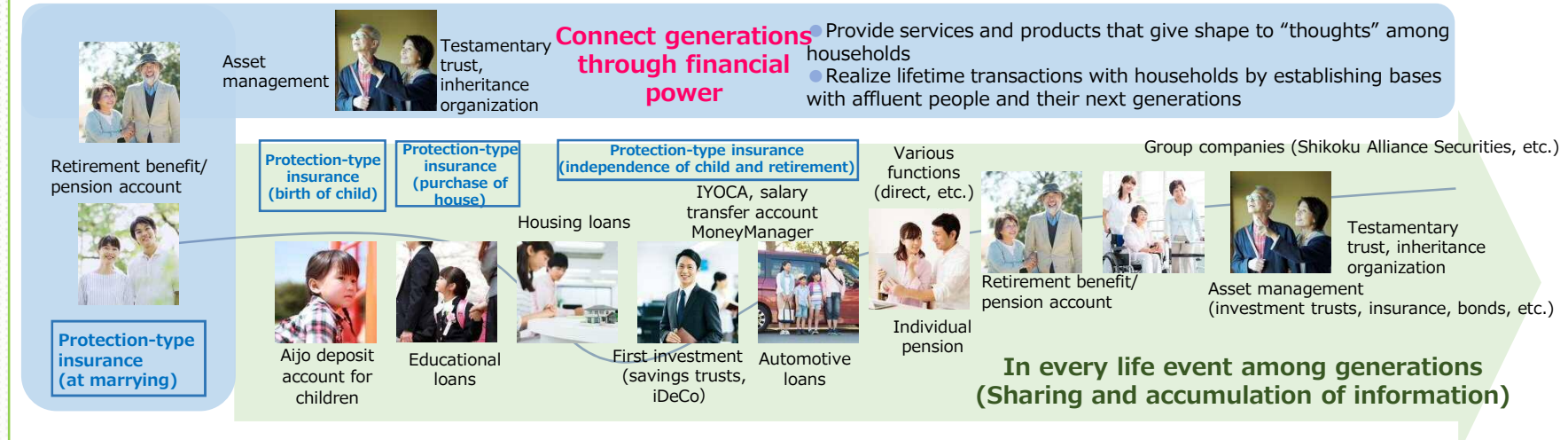
Consulting Strategy (Personal Banking)

IYO BANK

- Provide customer-oriented services through “consulting with a high level of expertise”

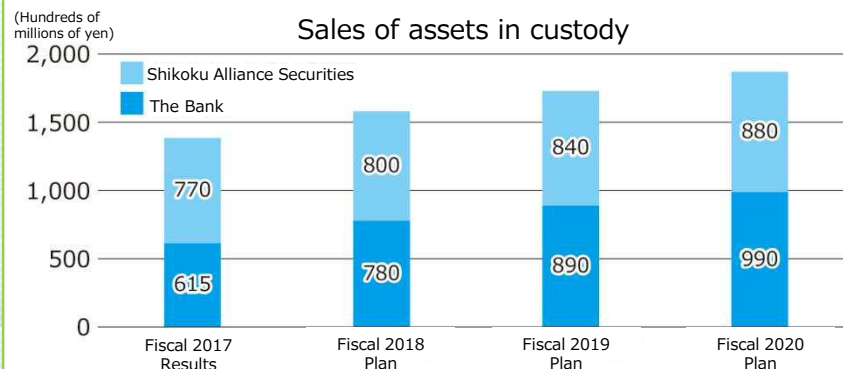
Provide “Safe and Secure” Comprehensive Financial Services

- Make comprehensive proposals responding to **life events** and customers’ “thoughts”
- Conduct **consulting with a high level of expertise** by the group as a whole



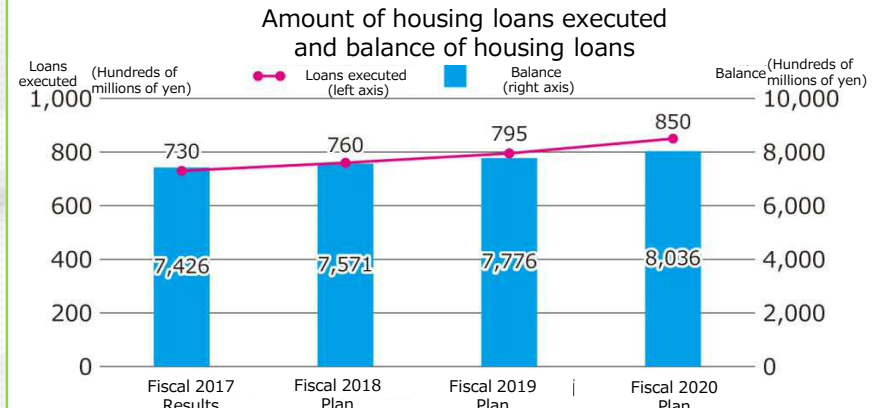
Transform to Asset Management Services That Connect Generations

- Support various needs of affluent people and others with asset management needs through **bank-securities cooperation**



Support Customers’ Wish of Acquiring “Their Own House”

- Respond to housing acquisition needs in a **speedy** and **specialized way** and provide values for each life event



Consulting Strategy (Corporate Banking I)

IYO BANK

- Share our customers' management issues by thorough **"get to know customers" sales** and offer **smooth financing and solutions for issues**
- **Expand consulting functions further** and **brush up support menus** to strengthen fee business

Enhance Effectiveness of Business Feasibility Assessment and Strengthen Support Functions of Headquarters

Thorough "get to know customers" sales

- Provide values responding to **business stages** by thorough "get to know customers" sales
- Understanding of actual conditions of companies
- Sector and market analyses
- Identification and sharing of management issues through business feasibility assessments

Business feasibility assessment investigation committee

- Conduct the **"business feasibility assessment investigation committee"** based on accumulated information and understanding of actual conditions of companies
- Strengthen **support for "borrowers requiring close monitoring"** that require management support and resolve management issues in cooperation among the head office and branches

Fiscal 2017 Results

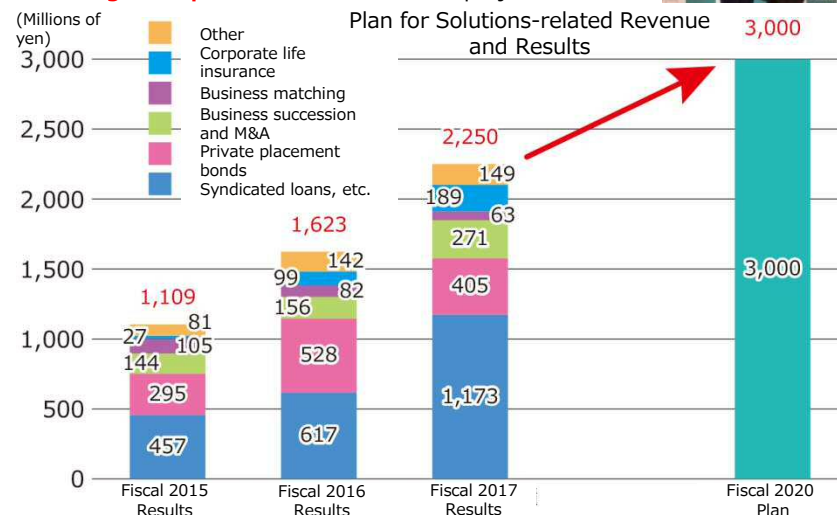
Normal borrowers 439
Borrowers requiring close monitoring 84
Total 523

Fiscal 2018 Plan

Normal borrowers 311
Borrowers requiring close monitoring 379
Total 690

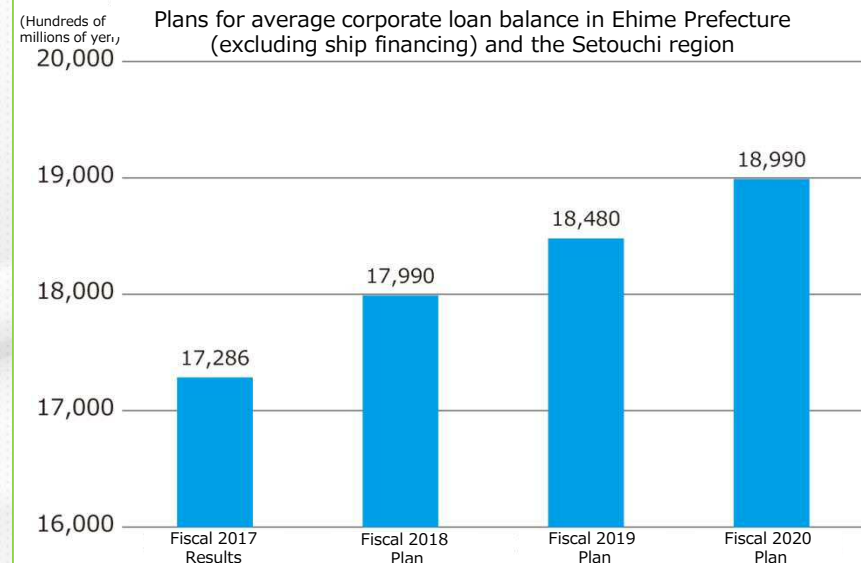
Expand Consulting Menus to Strengthen Fee Business

- **Expand consulting menus** including ICT consulting
Organize a consortium for supporting improvement of productivity with Cybozu, Inc. and two other companies and start introduction of ICT tools and support of their utilization
- **Strengthen specialized fields** such as project finance



Strengthen Corporate Loans by Smooth Financing

- Strengthen corporate loans by **smooth financing** for business establishment and growth



- Placed the **Ship Finance Division** at **Imabari City**, a center of the international maritime industry, to **strengthen ability to collect and provide information**
- Fully demonstrate **consulting functions** by **providing timely and high-quality information**

Ship Finance Division

- August 2017
Transferred to **Imabari** where **people, goods, money and information** regarding the international maritime industry gather
- **Dramatically expanded opportunities to contact with maritime industry companies** as more than 100 companies have visited the division, from domestic operators and trade companies to operators from overseas such as Hong Kong and Singapore which rarely visited in the past.



Singapore Branch

- December 2016
Upgraded from a representative office to a branch
- April 2017
Started full-scale business activities in the international maritime city
Strengthened the market analysis and local information collection



Risk Management Structure

- Endeavor to **improve** thorough **risk management and environmental analysis functions** for the entire industry
- Conduct periodical stress tests for foreign exchange, interest rates and charter fees

Human Resource Development

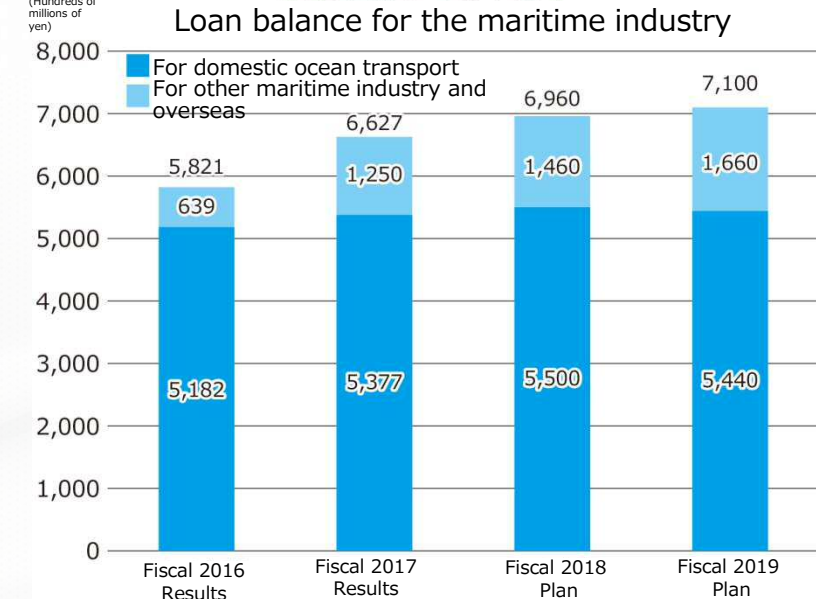
- Develop **professional personnel** through Sending employees for training to operators and trading companies, etc.

Support for the Maritime Industry

- Built strong relationship with local ship owners by **making transactions with over 60% of Ehime ship owners** who are considered the most powerful in Japan
- Expanded transactions with shipbuilding, ship equipment manufacturers and other companies in the overall **maritime industry**



Contribution to growth and development of the maritime industry



Online Business Strategy (Personal and Corporate Banking)

IYO BANK

- Provide further values to customers and improve services through direct channels

Services for Individual Customers

- Develop markets through direct channels

- Introduction of a smartphone payment application **"Iyogin PayB"**



Payment completed
by barcode scanning



- Consideration of adoption of **discretionary investment management services by a robot advisor**



Creation of
opportunities to
contact with asset
builders

- Introduction of **web-based automotive loans**



Completing and sealing on the
written contract were required

Not required

Provision of Values by Utilizing Direct Channels

- **Improve direct marketing**
 - Implementation of telemarketing by **utilizing AI**
 - **Realization of 1-to-1 response** through a digital channel
- **Provide valuable information responding to life stages**
 - Utilization of comprehensive local and financial information site **"iyomemo"**
 - **Linkage with manned services** by utilizing ATM advertising



[iyomemo (website)]

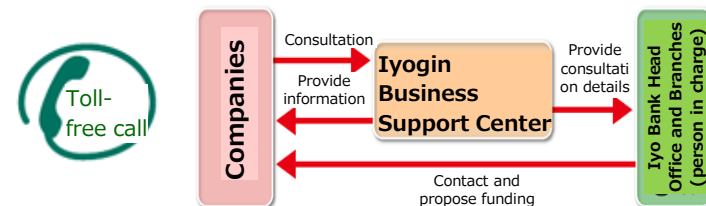


[ATM]



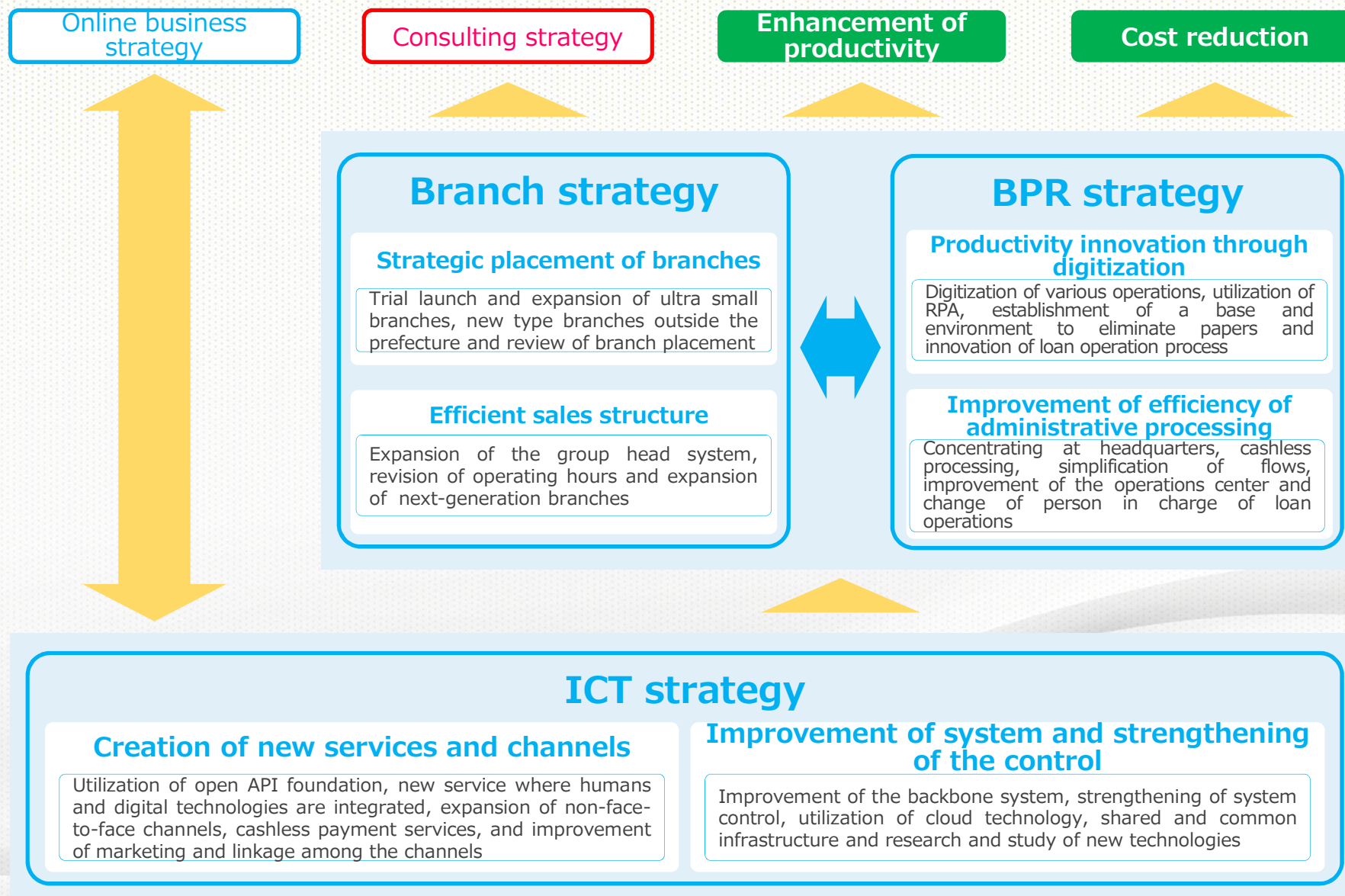
Services for Corporates and Sole Proprietors

- **Strengthen the corporate and foreign exchange internet banking functions**
 - Renewal of the screen design for corporations
 - Launch of the **foreign currency deposit transfer service** and **exchange contract service**
- **Utilize the Business Support Center**
 - Support of SME **by covering entire Ehime Prefecture**



[Core Policy II] Enhance Productivity and Reduce Cost Through Optimum Resource Allocation

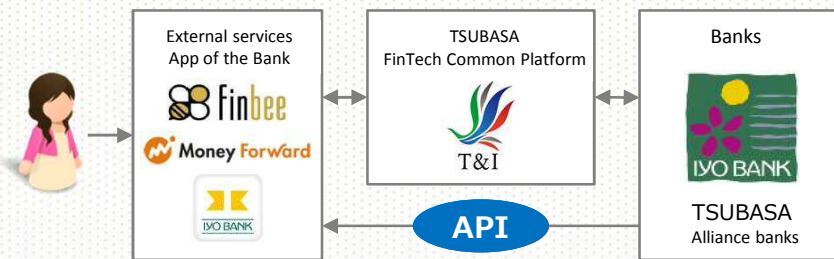
IYO BANK



- Create **new services and channels utilizing digital technologies** and **expand optimum communication with customers**

- **Start operation of “TSUBASA FinTech Common Platform”**

- API linkage with “finbee” and “Money Forward” starts in July 2018
- The “Money Manager” smartphone app and cooperation with external companies



Creation of new services by utilizing API

- **Accelerate initiatives to promote cashless services**

- Development of new cashless payment services based on the demonstration test of an electronic local currency
- Expansion of linkage between external payment services and accounts of the Bank



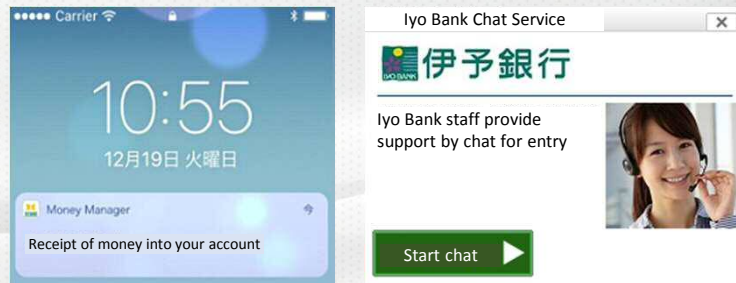
Expansion of cashless payment services

Utilization of digital technologies

Expansion of non-face-to-face channels

- **Enhance and improve functions of web channels and smartphone apps**

- Full-scale launch of web chat service
- Overall renewal of web page system
- Additional functions to “Money Manager”



Improvement of database marketing and linkages with channels

- **Improve every phase of collection, analysis and utilization of data**

- Collection and arrangement of wide range of data including behavior history on the web
- More sophisticated data analysis by utilizing AI, etc. and proactive EBM for non-face-to-face channels



● Review branch functions drastically to **improve customer contact points**

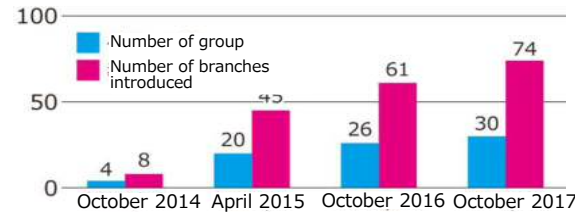
Aggregation and Review of Branch Functions (First Stage for 150)

Introduction of the next-generation branches and integration of Bank Branch functions through introduction of group head system

Trial launch and expansion of next-generation branches
* Matsuyamakita Branch



Introduction of group head system



Strategic Placement of Branches (Second Stage for 150)

Retain contact points with local customers through drastic review of branch functions and digitization



Strengthening of sales capabilities

"Promote **new type full branches** and **ultra small branches** in line with review of branch functions"

"Aim to **improve contact points** with local customers by combining **next-generation-branches** and **the Bank employees** (in charge of sales)"

" Aim to establish an environment where we can **always connect** with customers by accelerating **digitization** of bank operations"

<Plan of transition to next-generation branches>

Transform all the branches in Ehime Prefecture to the next-generation branch by Fiscal 2020

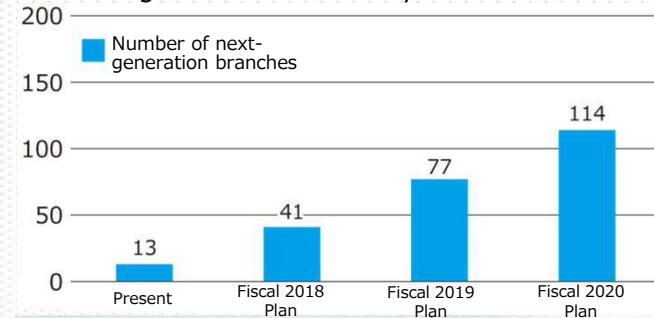


Image of DHD- Full branch



Image of DHD- Ultra small branch



BPR Strategy

IYO BANK

- Accelerate digitization of administrative processing to **reduce Bank Branch administrative staff by half**

Improvement of Efficiency of Administrative Processing (First Stage for 150)

Minimization of administrative work at Bank Branches (concentrating at headquarters, cashless processing, simplification of administration flows)

《Concentrating at headquarters》

Call reception concentration



Concentrated storage of documents



《Cashless processing》

Satto Madoguchi (Quick Counter)



Outsourcing of instore ATM management



《Simplification of administration flows》

Simplification of administration flows



Insurance application via tablet devices



Digitization of Administrative Work (Second Stage for 150)

In addition to BPR measures implemented in the past, accelerate digitization of administrative work to reduce administrative work significantly (Reception via tablet devices for administrative work of Bank Branches, utilization of RPA, etc.)

《Digitization of administrative work at Bank Branches》

Digitization of approx. 40% of administrative work at a Bank Branch

Realization of transactions "not required to complete a form" and "not required to put a seal"

Reception via tablet devices for administrative work of Bank Branches



To be launched in
February 2019

Reception on the web for administrative work of Bank Branches

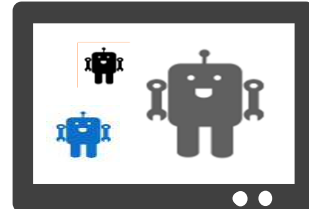


To be launched in
April 2019

《RPA》

Robotization of work at headquarters totaling 4,500 hours, targeting 10,000 hours by the end of fiscal 2018

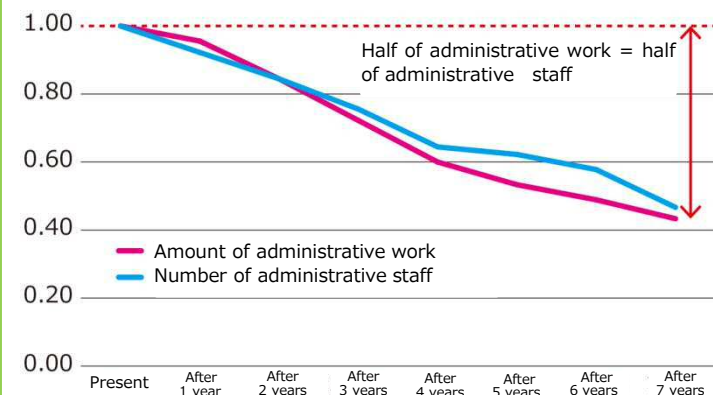
Introduction of RPA into work at headquarters



Launched in April
2018

Increase in productivity

Cost reduction



* Current "amount of administrative work" and "number administrative staff" are supposed to be 1.0.

"Aim to **reduce** an amount of administrative work **by half** with more efficient administrative processing and digitization of administrative work"

"Aim to **reduce** the number of administrative staff **by half** by reducing the amount of administrative work **by half**"

[Core Policy III] Commit to Regional Revitalization Actively

Regional Revitalization Strategy

IYO BANK

- Discover “core business for the region” **through cooperation among industry, academia, government and finance**
- Support revitalization of regional economy by utilizing “**Shikoku Alliance**”

Regional Vitalization Division

- Continue to create regional “**earnings power**” and “**employment**” by focusing on “**establishment of business**,” “**primary sector of industry**” and “**tourism**”
- Discover new establishment of **innovative and unique** businesses by setting up the entrepreneur network by utilizing ICT
- Promote **scale expansion, transfer to the sixth sector, and utilization ICT** of primary sector of industry
- **Discover tourism business opportunities** with inbound tourists as a key and support such efforts in cooperation with DMOs, etc.

Raise regional revitalization to a new stage

Initiatives up to the previous Medium-Term Management Plan

- Concluded cooperation agreement with the prefecture, cities and towns
- Shared information with administrative and their related bodies
- Improved support tools (establishment-related plan, DMO participation, etc.)
- Discovered targets

Initiatives under the new Medium-Term Management Plan

- Submit plans and proposals to the prefecture, cities and towns as well as their related bodies to create **collaborative businesses**
- Support commercialization by **making business proposals and providing solutions** to targets
- Utilize the **Shikoku Alliance** framework

Discover “core business for the region”

Discover “Core Business for the Region”

- Concluded “**Cooperation Agreement on Tourism Town Creation Through Utilization of Town Houses, Traditional Houses and Other Historic Resources in Ozu City, Ehime Prefecture**”
- National Tangible Cultural Property “Old Ozu Lords Kato Family Residence” is scheduled to open as an accommodation facility in 2020
- Promote regional revitalization through town creation **through public-private partnership**



Shikoku Alliance

(Comprehensive Cooperation Among Four Regional Banks in Shikoku)



- Established two funds that **support succession, establishment and turnaround of businesses** under a fund management company (**Shikoku Alliance Capital Co., Ltd**) that each bank has a 25% stake
- Started business activities by 13 employees in April this year to discover business opportunities in a few years
- Support revitalization of companies and regions from a medium to long term perspective by establishing a platform, etc. for **improving business matching** and **increasing additional values of resources of the Shikoku region**

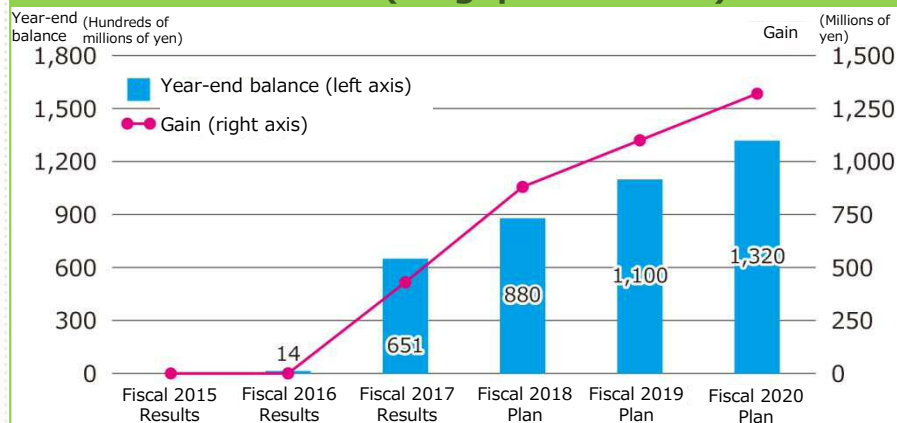


[Core Policy IV] Ensure Stable, Long-Term Earnings Power Through Overseas Market Strategy

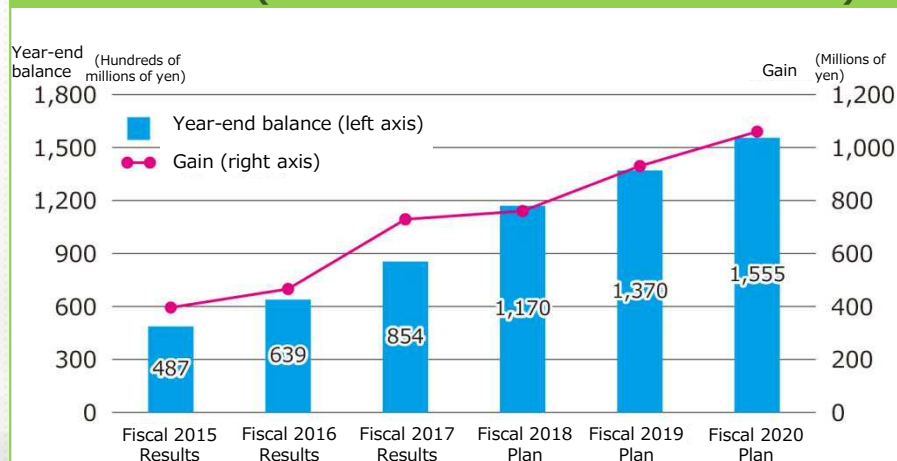
IVO BANK

- Increase regional ship-related loans and corporate loans in Singapore
- Financial Market Business Office recorded ¥730 million gain on investment in fiscal 2017 and targets over ¥1,000 million in the last fiscal year of the new Medium-Term Management Plan
- Promote diversified investment and expand portfolio to maintain ¥20.0 billion of gain on securities management amid low interest environment

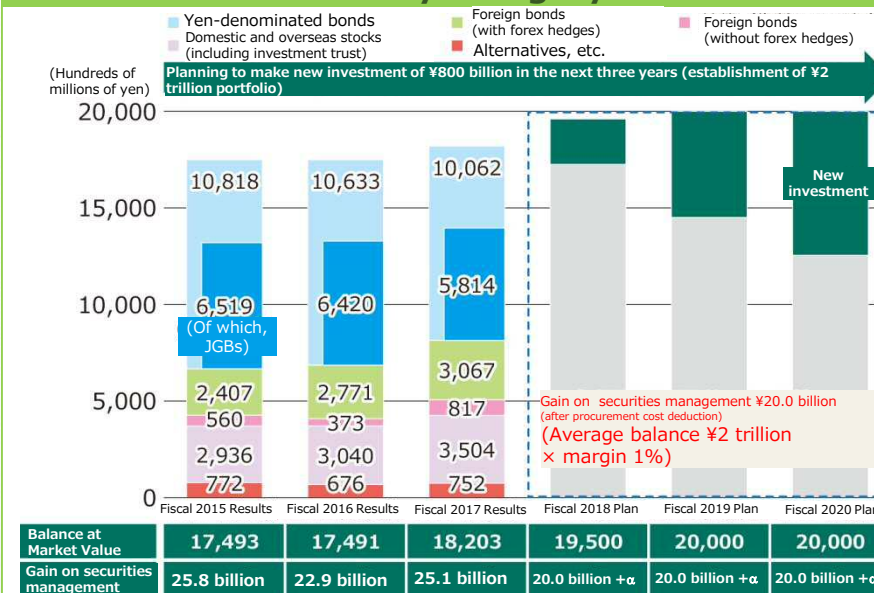
Loan Plan (Singapore Branch)



Loan Plan (Financial Market Business Office)



Balance of Securities by Category at Market Value



Medium-Term Investment Plan

(Risk category)	(Current composition ratio)	(New investment policy)	
Yen-denominated bonds	55.3%	Not change	Keep a certain amount as assets inversely correlated with stocks. In a continuing low interest environment in Japan, keep the balance as a bond unit including foreign bonds with hedges.
Foreign bonds (with forex hedges)	16.8%		
Foreign bonds (without forex hedges)	4.5%	Increase	Consider investment with forex risk to secure profit from carry trading as difference between short-term and long-term interest rates is shrinking (with strategic re-balancing implemented as well).
Domestic and overseas stocks (including investment trust)	19.3%	Decrease	Assess and classify strategic equity holdings in terms of investment and policy, and sell off stocks if the necessity of holding is not recognized.
Alternatives, etc.	4.1%	Increase	Consider investment to secure stable carrying and improve efficiency through diversification effects.

[Core Policy V] Develop Organizational Culture That Diversity of Every Person is Leveraged and Proactively and Mutually Enhanced Personnel Strategy

IYO BANK

- Making efforts to create a “company with better working environment,” “company where people want to work,” and “company contributing to and growing with regional development”

Development of Personnel with Ability to Create Ideas and Act

- April 2018 Established a **customer-oriented branch operation structure** with Bank Branch Managers' autonomy respected (abolished the general award system for branches)
- April 2018 Expanded the **internal job posting system**
- July 2018 Integrate “Iyogin Mirai Juku” and “Madonna Mirai Juku” held by the Bank alone to the **“Next Generation Leader Training Session”** held jointly under the Shikoku Alliance
- July 2018 Hold the **“Women's Leader Training Session”** jointly under the Shikoku Alliance

Realization of Flexible and Productive Working Style -Working Style Reform-

- January 2018 Started Smart Working Challenge 2018
- April 2018 Introduced the **“flextime system”**
- April 2018 Introduced the **“work time interval system” of 11 hours**
- June 2018 (plan) Start supply of **smartphones for business use**
- August 2018 (plan) Start supply of **PCs that can be used as a tablet device**
Start the **wireless LAN in the Bank**

Establishment of Iyogin Challenge&Smile Co., Ltd.

- Established in April 2018 by taking over the business from Iyogin Challenge&Smile Kobo (workshop) opened in October 2014 as a work office **offering working environment which disabled persons can work in a comfortable and safe manner**
- Applied for **certification as a Special Subsidiary Company** based on Act on Employment Promotion etc. of Persons with Disabilities (pending)



Efforts for ESG (Efforts for the Environment and Regional Society)

IYO BANK

Environment

◆ Iyo Bank Environment Foundation "Evergreen" (public trust)

Grant to parties conducting environmental preservation activities

Cumulative total of ¥47.01 million granted to 128 recipients



◆ "Iyo Bank Evergreen Forest" Activities Conducted forest creation activities in four locations in Ehime Prefecture

◆ Society to Promote the Creation of Forests in Towns

Conducted native tree planting activities in towns under the support of Ehime Prefecture, Matsuyama City, and local companies

67 participating organizations, cumulative total of approximately 48,000 trees planted



Social

◆ Iyo Bank Social Welfare Fund (public interest incorporated foundation)

Grant of free scholarship, donation of welfare equipment to social welfare facilities, etc.

Cumulative total of ¥613.31 million granted

◆ Iyo Bank Regional Cultural Activity Assistance Program

Grant to parties continuing valuable locally-based cultural activities

Cumulative total of ¥213.84 million granted to 1,128 recipients

◆ IRC New Leader Seminar

Held by Iyogin Regional Economy Research Center to support the development of young entrepreneurs with potential to lead the region in the future

Cumulative total of 1,123 seminar participants

◆ Tennis Club, Women's Softball Club "VERTZ"

Contribution to local sports promotion by holding tennis and softball lessons for children

◆ Iyogin Financial Education Class

Conducted numerous training programs including "Kids Seminars" and "work experience programs" for participants ranging from elementary school students to teachers

Supported the improvement of financial intelligence among high school students by holding the "Economics Koshien Ehime Tournament"



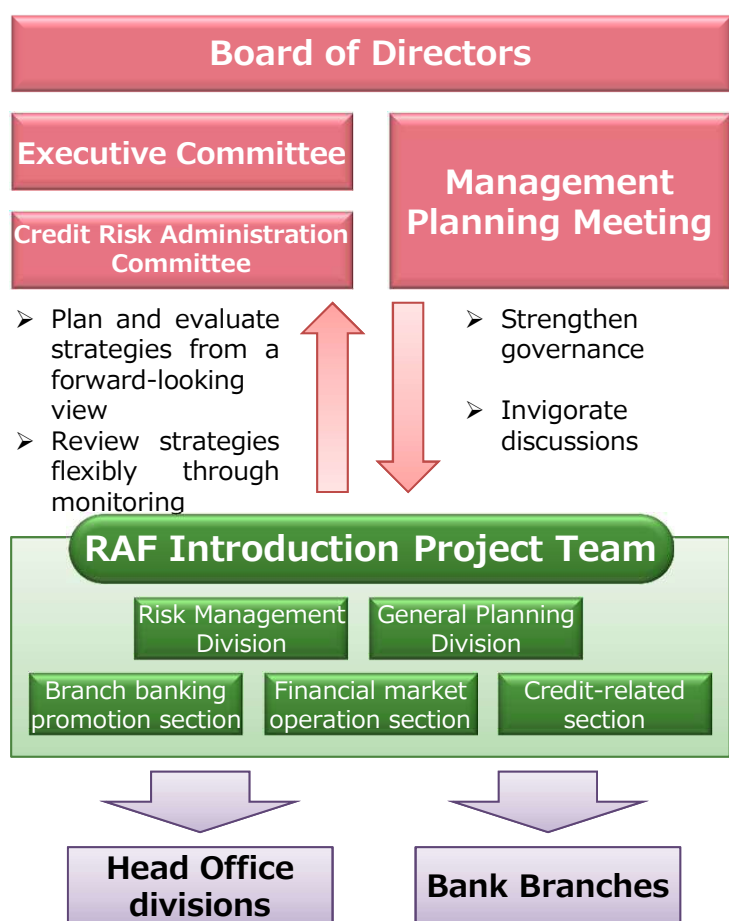
Efforts for ESG

(Establishment of Risk Appetite Framework)

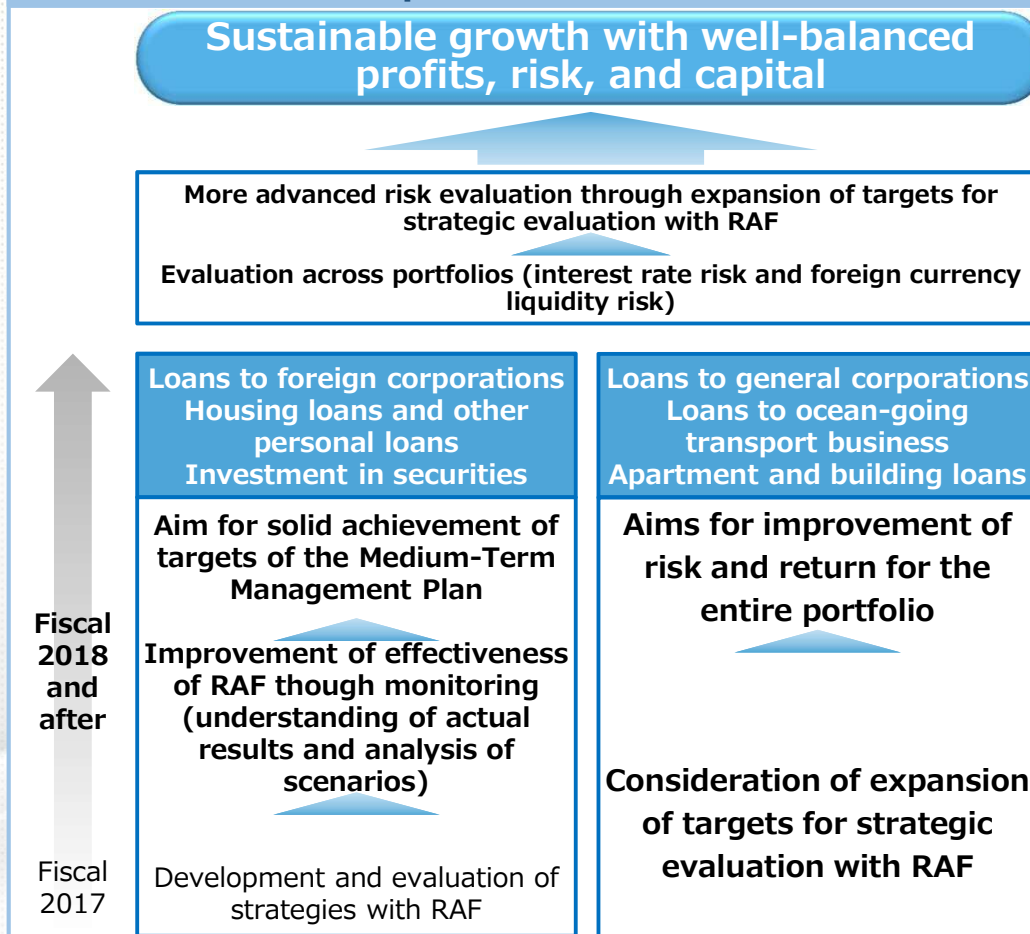
IYO BANK

- Further improve measures for introducing a risk appetite framework (RAF) for business management
- Consider expansion of targets of strategic evaluation with RAF to improve risk and return of the entire portfolio
- Aim to develop a more advanced system evaluating across portfolios through expansion of targets for RAF evaluation in the future

Structure for Establishing the RAF



Efforts to Improve Effectiveness of RAF



Profit / Loss Forecasts for Fiscal 2018

IYO BANK

- Interest and dividend income to decrease year-on-year due to decreases in gain on fund cancellation despite a turnaround of gain on loan management
- Fees and commissions to increase due to increases in commissions related to assets in custody and solutions related commissions
- Net income to maintain at a certain level compared to prior years despite each income level is forecast to decrease year-on-year

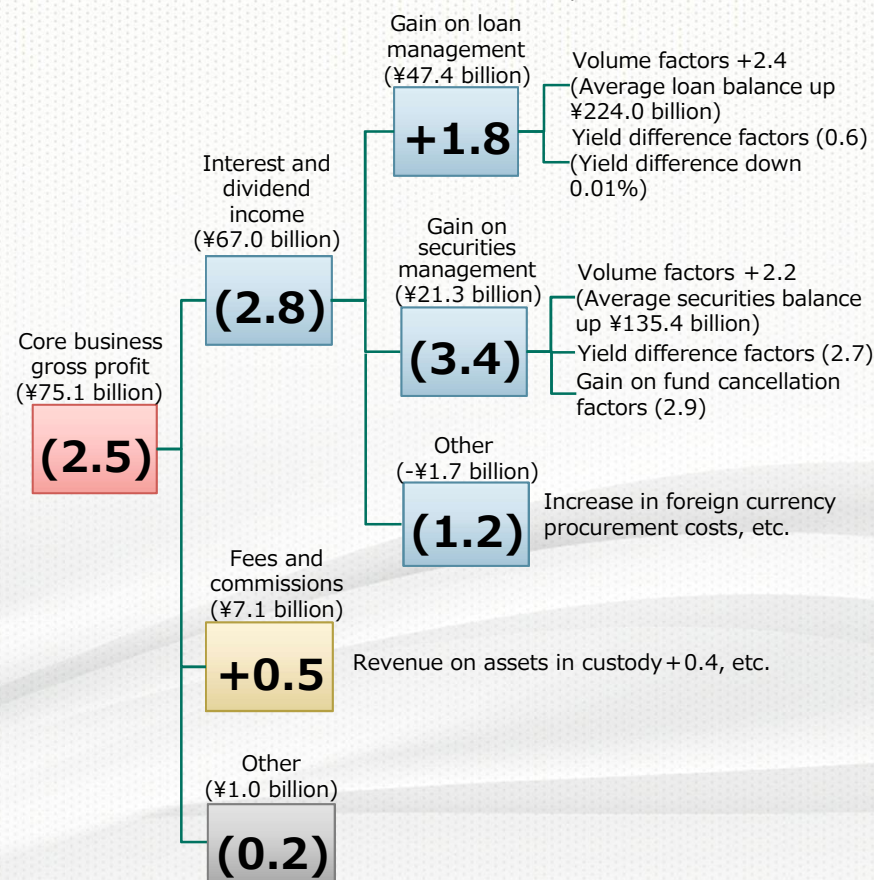
(Units: Billions of yen)

	Fiscal 2017 results		Fiscal 2018 forecast			
	Inter-mediate results		Inter-mediate forecast	YoY		YoY
Core business gross profit	38.9	77.5	37.7	(1.2)	75.1	(2.5)
Of which, interest and dividend income	35.4	69.7	33.6	(1.8)	67.0	(2.8)
Of which, fees and commissions	3.2	6.6	3.5	+0.4	7.1	+0.5
Expenses (-)	24.4	49.1	25.2	+0.8	50.6	+1.5
Of which, personnel expenses	13.3	26.3	13.2	(0.0)	26.5	+0.2
Of which, nonpersonnel expenses	9.6	19.8	10.3	+0.7	20.8	+1.0
Core business net income	14.5	28.4	12.5	(2.0)	24.5	(4.0)
Credit costs (-)	0.6	3.5	1.8	+1.2	4.0	+0.5
Gain (loss) related to securities	4.2	6.0	2.0	(2.2)	5.0	(1.0)
Ordinary income	18.9	32.9	14.0	(4.9)	27.0	(5.9)
Net (intermediate) income	13.1	22.6	9.5	(3.6)	18.0	(4.7)

Factors Contributing to Increase / Decrease in Core Business Gross Profit (Fiscal 2018 - Fiscal 2017)

(Units: Billions of yen)

(Note) Differences in yield utilize yield differences with deposits, etc.





140th
anniversary
thanks your kind support
and patronage

<For inquiries regarding this document> Tachibana and Takeda, General Planning Division, Iyo Bank TEL:089-941-1141/FAX:089-946-9106

Future business results contained in this document are based on information available as of announcement and assumptions regarding uncertain factors that may affect future business results. Future business results may differ due to changes in the management environment, etc.

Iyo Bank Fiscal 2017 Earnings Briefing: Reference Materials

Akabashi (Red Bridge) and Canola Field in Goro (Ozu City)

Visitors can enjoy sweet flowers typical to each season in a peaceful flower garden under Akabashi, including canola blossoms in spring, sunflowers in summer, and cosmoses in autumn



伊予銀行

June 1, 2018

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Head Office	Matsuyama, Ehime Prefecture
Year of Foundation	March 15, 1878 (The 29th National Bank)
Capital	¥20,900 million (Total number of issued shares: 323,775 thousand shares)
Number of Employees	15 Officers, 2,778 employees (excluding temporary staff)
Number of branches	149 domestic (including 7 sub-branches), 2 overseas (Hong Kong, Singapore)
	2 overseas representative offices (New York, Shanghai)
External credit ratings	AA-: Rating and Investment (R&I)
	A: Standard & Poor's (S&P)
	AA: Japan Credit Rating Agency (JCR)

Consolidated equity ratio (BIS standards)	14.31%
Consolidated subsidiaries	13 companies
Consolidated employees (excluding temporary staff)	3,122 persons

(As of March 31, 2018)

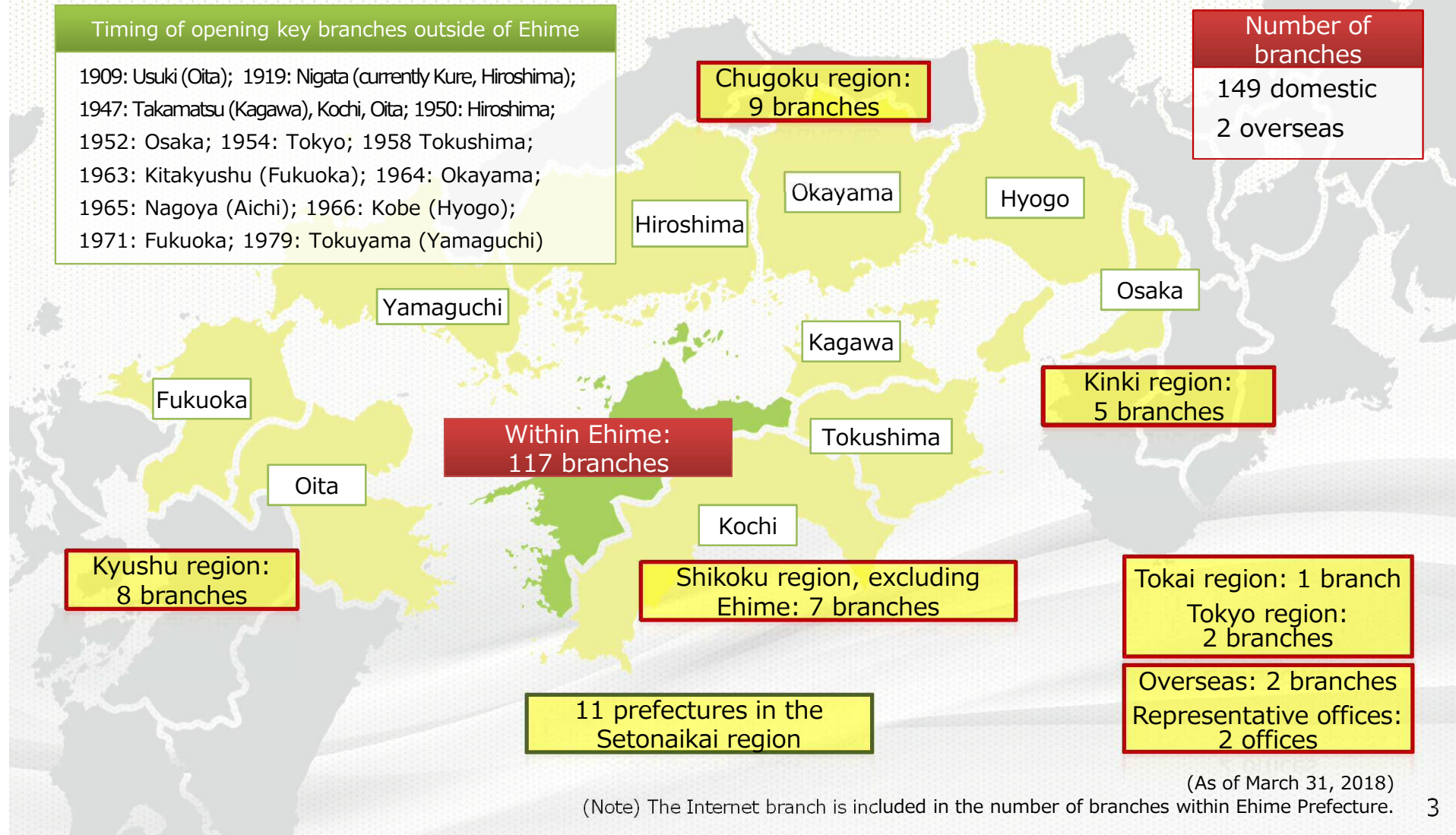
Branch Network

IYO BANK

- Created the **No. 1 regional bank in terms of broad regional coverage**, in 13 prefectures centered on the Setouchi region
- Established a strong operating base by expanding outside of Ehime Prefecture from long ago

Timing of opening key branches outside of Ehime

1909: Usuki (Oita); 1919: Nigata (currently Kure, Hiroshima);
 1947: Takamatsu (Kagawa), Kochi, Oita; 1950: Hiroshima;
 1952: Osaka; 1954: Tokyo; 1958 Tokushima;
 1963: Kitakyushu (Fukuoka); 1964: Okayama;
 1965: Nagoya (Aichi); 1966: Kobe (Hyogo);
 1971: Fukuoka; 1979: Tokuyama (Yamaguchi)



(As of March 31, 2018)

(Note) The Internet branch is included in the number of branches within Ehime Prefecture.

Summary of the Iyo Bank Group

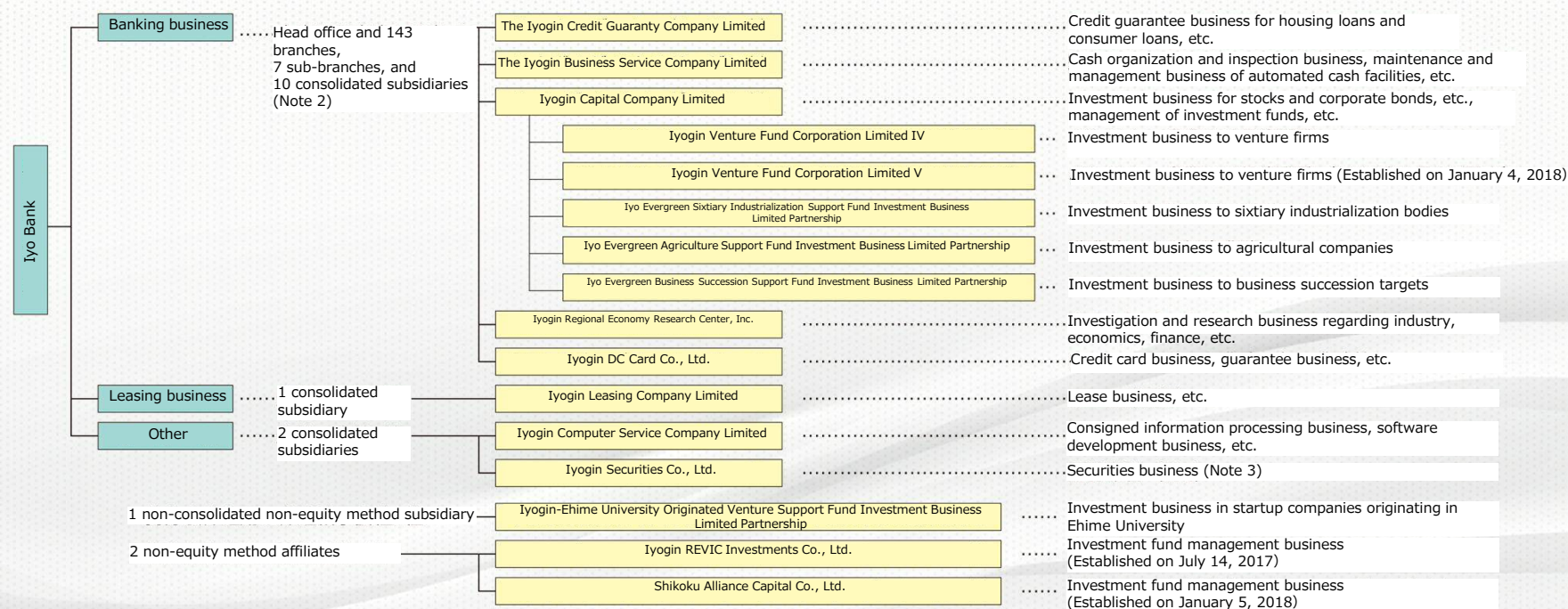
IYO BANK

Consolidated Earnings Summary

(Units: Millions of Yen)

[Consolidated]	Fiscal 2017			Fiscal 2016	Consolidated- nonconsolidate difference (Note 1)
		YoY	Increase/ Decrease		
Ordinary revenue	120,985	3,709	+3.2%	117,276	18,776
Ordinary income	36,099	671	+1.9%	35,428	3,176
Profit attributable to owners of parent	23,639	1,842	+8.5%	21,797	977

List of Iyo Bank Group Companies



(Note 1) The difference between consolidated and nonconsolidated.

(Note 2) Iyogin Venture Fund Corporation Limited III was dissolved as of January 1, 2018 and completed liquidation process.

(Note 3) Iyogin Securities Co., Ltd. changed the trade name to Shikoku Alliance Securities Co., Ltd. as of April 2, 2018.

(As of March 31, 2018)

Main Industries in Ehime Prefecture

IYO BANK

- Industries with top national share concentrated in each region

- Manufactured product shipments from Ehime Prefecture totaled ¥4.1 trillion (46% of Shikoku) in 2015

■ Total national share of Ehime Prefecture

Matsuyama Region

The Matsuyama region has companies with large shares in products such as "small once-through steam boilers," "farm machinery," and "dried bonito shavings."

Imabari Region

31.1%
(950 ships)

No. 2 in Japan

Number of ocean-going vessels owned by domestic ship owners (2017)
3,050 total vessels in Japan

16.9%
(2.11 million gross tons)

No. 2 in Japan

New vessels completed in Japan (2016)
12.51 million gross tons in Japan

53.8%
(¥24.6 billion)

No. 1 in Japan

Towels (2014)
¥45.6 billion shipped in Japan

Uwajima Region

12.8%
(¥65.5 billion)

No. 1 in Japan

Sea culture industry (2016)
¥509.7 billion total national production

Niihama and Saijo Region

Manufactured product shipments
(2015)

¥1,667.3 billion

Approx. 41% of shipments of manufactured products in Ehime

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

Shikokuchuo Region

7.1%
(¥520.2 billion)

No. 2 in Japan

Pulp and paper industry (2015)
¥7,279.2 billion shipped in Japan

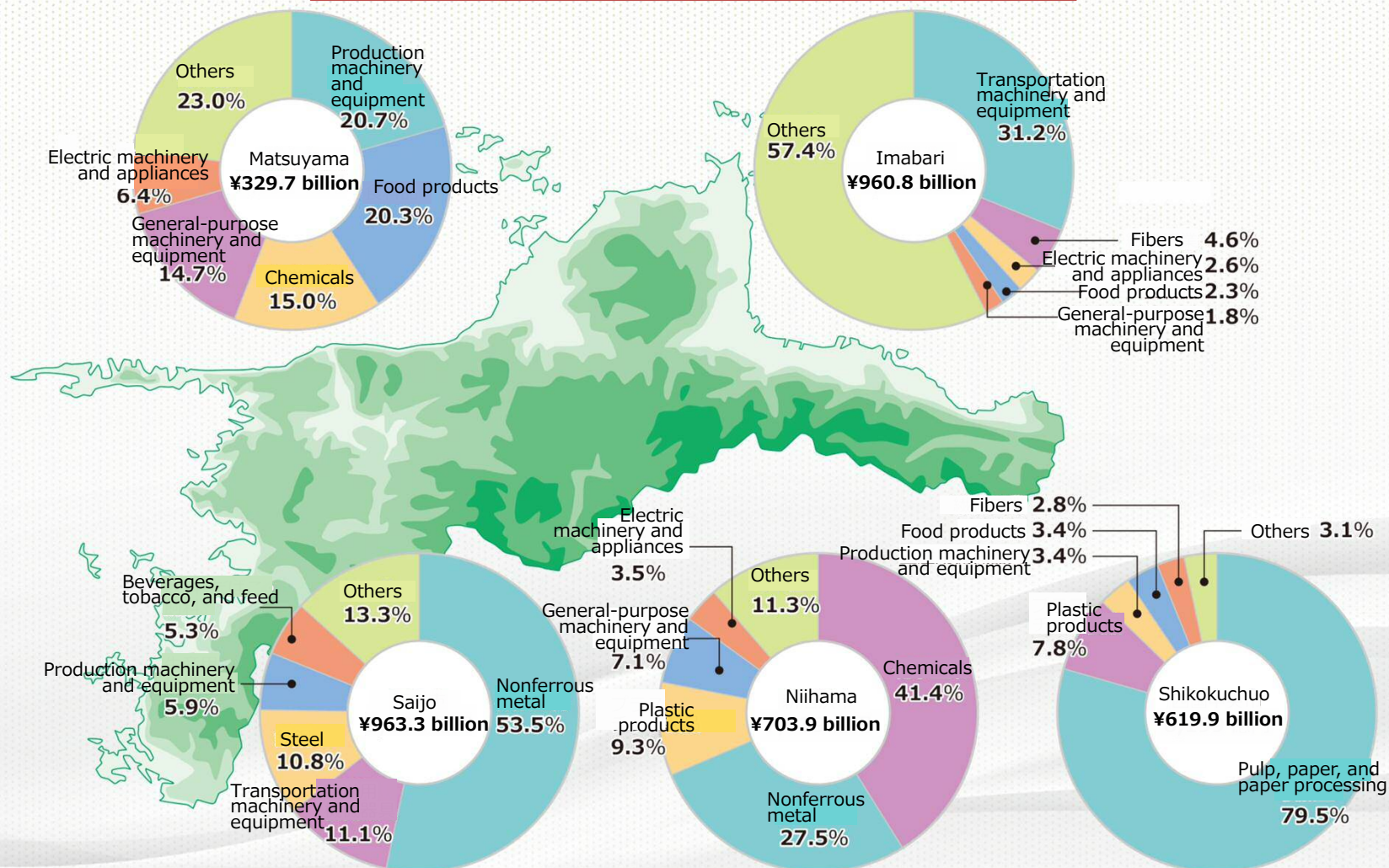
(Note 1) Number of ocean-going vessels owned by domestic ship owners (2017) are Iyogin Regional Economy Research Center, Inc. (IRC) estimates.

Manufacturing Industry in Ehime Prefecture

IYO BANK

●Ehime Prefecture has manufacturing industries distinctive to each region

Composition of manufactured goods shipment by city (top five cities)



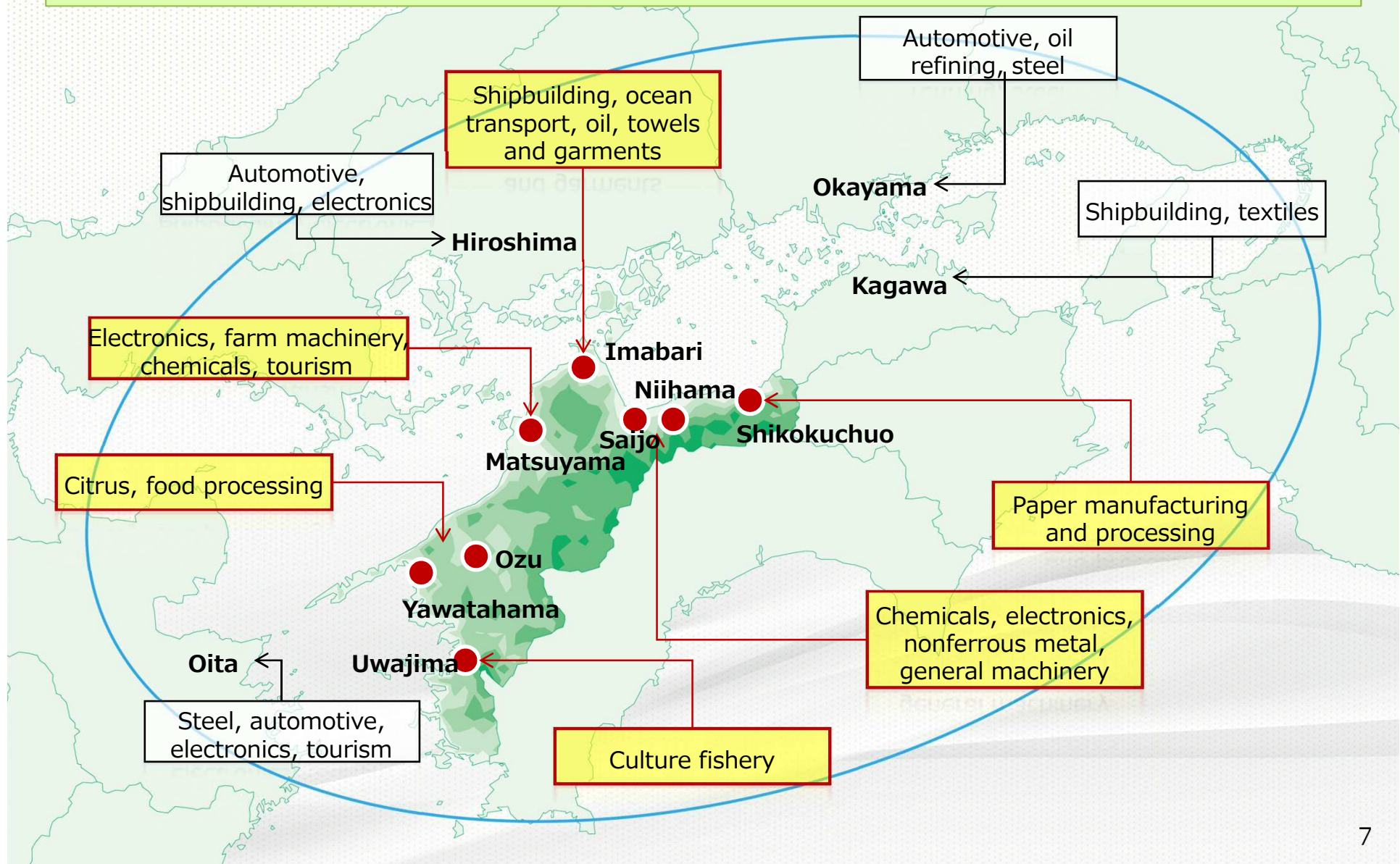
(Note 1) Prepared by Iyogin Regional Economy Research Center, Inc. (IRC) based on the Census of Manufacture 2016.

(Note 2) The shipment amount of "coal and oil" for Imabari City is a concealed value for statistical purposes, thus it is included in "others."

Industrial Structure of the Setouchi Region

IYO BANK

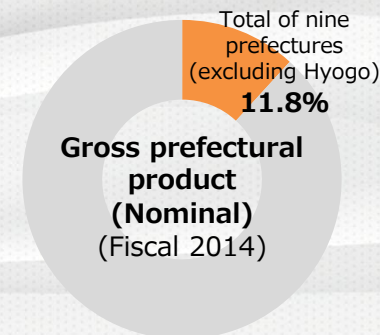
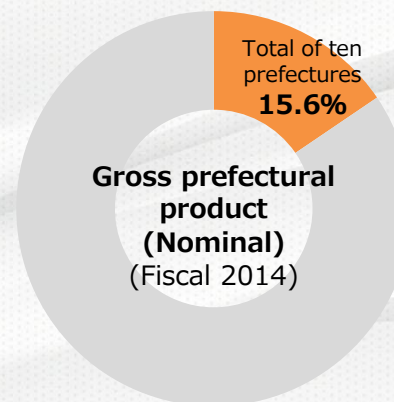
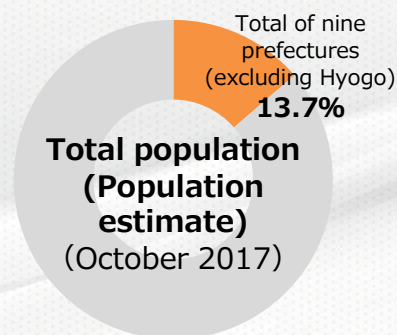
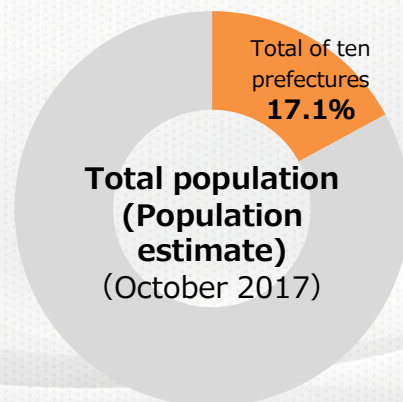
- The Setonaikai coastal region has established various industrial structures



Economic Indicators of the Setouchi Region I

IYO BANK

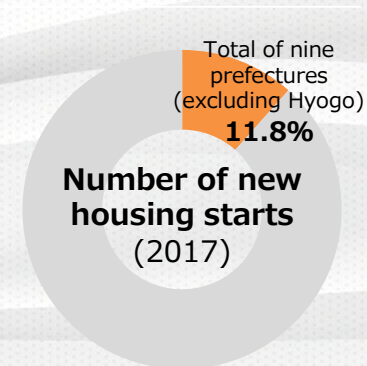
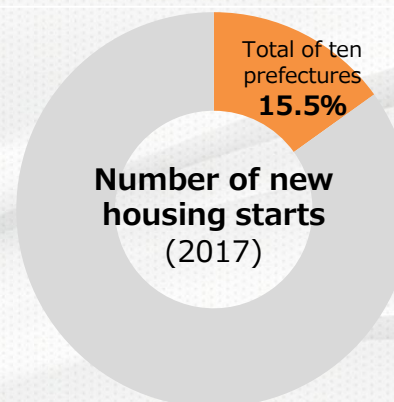
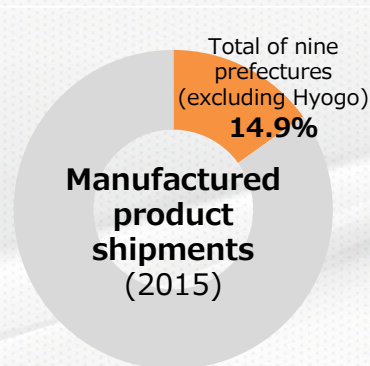
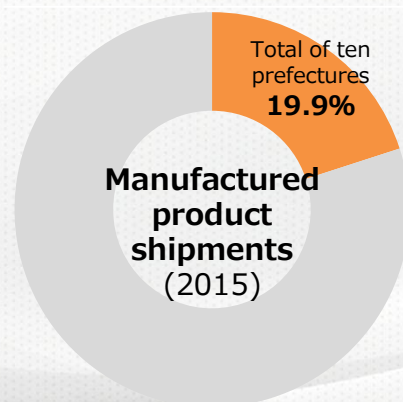
	Total population (Population estimate)	Total area (Geospatial Information Authority of Japan)	Number of offices (Private sector)	Number of employees (Private sector)	Prefecture total production (Nominal)	Prefectural gross product growth rate (Real)	Prefectural income per capita
	October 2017 (Persons)	2017 (k m ²)	2016 (Offices)	2016 (Persons)	Fiscal 2014 (Millions of yen)	Fiscal 2014 (%)	Fiscal 2014 (Thousands of yen)
Ehime	1,364,071	5,676	63,464	570,772	4,756,495	(0.4)	2,520
Kagawa	967,445	1,877	47,039	433,804	3,672,273	(0.7)	2,890
Tokushima	743,323	4,147	35,974	305,370	3,012,328	+ 0.8	2,905
Kochi	713,688	7,104	35,449	280,954	2,349,510	+ 0.2	2,530
Oita	1,152,257	6,341	53,177	485,987	4,142,638	+ 0.4	2,583
Fukuoka	5,106,669	4,987	213,940	2,260,439	18,112,171	(0.2)	2,759
Yamaguchi	1,382,901	6,113	61,506	582,810	5,969,042	+ 1.8	3,126
Hiroshima	2,828,733	8,480	127,625	1,313,777	11,237,887	+ 2.5	3,145
Okayama	1,907,140	7,114	80,229	830,804	7,242,774	(1.7)	2,711
Total of the above nine prefectures (A)	16,166,227	51,837	718,403	7,064,717	60,495,118		
(A)/(C)	12.8%	13.7%	13.4%	12.3%	11.8%		
Hyogo	5,503,111	8,401	215,192	2,227,913	19,788,071	+ 2.0	2,844
Total of ten prefectures (B)	21,669,338	60,238	933,595	9,292,630	80,283,189		
(B)/(C)	17.1%	15.9%	17.4%	16.2%	15.6%		
National total (C)	126,706,210	377,974	5,359,975	57,439,652	514,296,287	(0.3)	3,057



Economic Indicators of the Setouchi Region II

IYO BANK

	Manufactured product shipments	Annual wholesale sales amount	Annual retail sales amount	Industrial production index (annual average)	Number of new housing starts	Jobs-to- applicants ratio (annual average)	Overall unemployment rate
	2015 (Millions of yen)	2016 (Millions of yen)	2016 (Millions of yen)	2017 2010=100	2017 (Homes)	2017 (Times)	2017 (%)
Ehime	4,094,964	2,511,264	1,528,554	93.0	7,696	1.51	2.5
Kagawa	2,491,700	2,619,010	1,169,352	98.9	7,063	1.73	2.6
Tokushima	1,698,480	904,487	757,121	108.2	4,859	1.40	2.5
Kochi	558,495	874,256	753,371	100.5	3,326	1.18	3.0
Oita	4,269,713	1,344,689	1,235,257	94.1	6,889	1.42	2.4
Fukuoka	9,215,929	16,970,699	5,864,032	115.0	42,557	1.50	3.4
Yamaguchi	6,303,285	1,641,957	1,488,895	96.1	7,532	1.49	2.1
Hiroshima	10,342,775	9,166,762	3,309,726	110.9	20,944	1.81	2.4
Okayama	7,788,634	3,543,971	2,093,111	93.3	13,327	1.78	2.4
Total of the above nine prefectures (A)	46,763,975	39,577,095	18,199,419		114,193		
(A)/(C)	14.9%	9.1%	12.5%		11.8%		
Hyogo	15,445,672	10,219,241	5,726,476	101.4	34,903	1.28	2.8
Total of ten prefectures (B)	62,209,647	49,796,336	23,925,895		149,096		
(B)/(C)	19.9%	11.4%	16.5%		15.5%		
National total (C)	313,128,563	436,522,525	145,103,822	102.1	964,641	1.50	2.8



Breakdown of Balance of Loans and Deposits at End of Period

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1. Breakdown of balance of loans at end of period

(Units: Billions of Yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Vs. Fiscal 2016
Total loans	3,649.0	3,725.3	3,869.9	3,911.1	4,043.3	4,292.6	249.3
General loans	3,457.5	3,520.1	3,644.0	3,677.4	3,802.3	4,054.6	252.3
Corporate loans (incl. overseas, etc.)	2,549.2	2,601.7	2,712.6	2,717.0	2,807.4	3,030.6	223.2
Corporate loans (domestic branches)	2,549.2	2,601.7	2,712.6	2,717.0	2,806.0	2,965.5	158.1
Individual financing	908.3	918.3	931.4	960.3	994.9	1,024.0	29.1
Housing loans	659.5	672.6	681.8	700.0	723.8	742.6	18.8
Apartment and building loans	159.4	157.5	161.7	173.3	184.0	191.3	7.3
Card loans	27.6	27.9	28.3	28.6	29.6	29.6	0.0
Municipal loans, etc.	191.6	205.3	225.9	233.8	241.0	238.1	(2.9)

(Note) The figures shown for apartment and building loans are the total of the "institutional finance" portion.

2. Breakdown of balance of assets in custody such as deposits, etc. at end of period

(Units: Billions of Yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Vs. Fiscal 2016
Total deposits, etc. + assets in custody A	5,554.0	5,590.5	5,639.4	5,676.5	5,789.1	5,889.0	99.9
Total deposits, etc.	5,131.8	5,215.8	5,281.7	5,343.1	5,457.0	5,546.0	89.0
Total deposits	4,639.2	4,819.3	4,916.9	5,018.0	5,006.8	5,099.6	92.8
Individual	3,206.6	3,270.4	3,328.4	3,348.3	3,354.6	3,392.1	37.5
General companies	1,234.0	1,322.1	1,356.9	1,397.6	1,434.4	1,442.0	7.6
Public	150.2	156.4	170.5	204.0	146.6	164.4	17.8
Financial	34.1	59.2	43.7	44.0	36.0	53.8	17.8
Overseas / offshore	14.3	11.4	17.4	24.1	35.2	47.3	12.1
NCD	492.6	396.4	364.8	325.1	450.2	446.4	(3.8)
General companies	442.0	332.3	309.5	295.9	354.7	375.4	20.7
Public	50.6	64.2	55.3	29.2	95.5	71.0	(24.5)
General company funds (incl. NCD)	1,676.0	1,654.3	1,666.4	1,693.5	1,798.1	1,817.4	19.3
Public funds (incl. NCD)	200.7	220.6	225.8	233.3	242.1	235.4	(6.7)
Foreign currency deposits (balance)	95.4	118.7	104.2	102.9	97.1	118.3	21.2
Individual deposits+individual assets in custody	3,602.6	3,623.8	3,665.5	3,665.6	3,673.2	3,722.5	49.3
Individual assets	3,206.6	3,270.4	3,328.4	3,348.3	3,354.6	3,392.1	37.5
Individual assets in custody	396.0	353.4	337.1	317.2	318.6	330.4	11.8

<Assets in custody (Term-end basis)>

Assets in custody at the Bank (excl. deposits, etc.) B	422.1	374.8	357.6	333.4	332.0	343.0	11.0
JGBs	120.7	81.8	59.9	40.1	27.2	25.4	(1.8)
Investment trusts	126.5	108.3	107.5	93.5	85.1	71.6	(13.5)
Personal pension insurance	153.3	167.0	171.1	184.9	191.5	206.2	14.7
Financial product intermediary	21.6	17.7	19.2	14.9	28.3	39.7	11.4
Shikoku Alliance Securities balance C	20.1	62.2	106.2	131.5	163.7	201.4	37.7
Balance of Group's assets in custody B + C = D	442.2	437.0	463.8	464.9	495.8	544.4	48.6
Assets in custody composition (D/A + C)	7.9%	7.7%	8.1%	8.0%	8.3%	8.9%	0.6%

Balance and Composition of Loans by Industry

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- There are no major changes in the composition of loans by industry, and the loans are well-balanced

(Units: Billions of Yen, %)

	Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017		Vs. Fiscal 2016	
		Composition		Composition		Composition		Composition		Composition	Balance	Rate of balance increase/decrease
Manufacturing	597.3	16.0	600.8	15.5	593.8	15.2	583.0	14.4	611.7	14.5	+ 28.7	+ 4.9%
Agricultural	2.2	0.1	2.6	0.1	2.8	0.1	2.8	0.1	2.6	0.1	(0.2)	(7.1%)
Forestry	0.2	0.0	0.1	0.0	0.1	0.0	0.2	0.0	0.3	0.0	+ 0.1	+ 50.0%
Fishing	11.2	0.3	13.4	0.3	12.6	0.3	13.8	0.3	12.1	0.3	(1.7)	(12.3%)
Mining	3.8	0.1	3.3	0.1	9.0	0.2	8.8	0.2	8.7	0.2	(0.1)	(1.1%)
Construction	126.2	3.4	122.9	3.2	116.0	3.0	112.6	2.8	112.9	2.7	+ 0.3	+ 0.3%
Electricity, gas, heat provision, water	88.1	2.4	89.6	2.3	92.9	2.4	92.9	2.3	108.1	2.6	+ 15.2	+ 16.4%
Information communications	27.1	0.7	28.5	0.7	28.1	0.7	28.8	0.7	21.8	0.5	(7.0)	(24.3%)
Transportation	655.4	17.6	655.6	16.9	615.2	15.7	629.9	15.6	679.7	16.1	+ 49.8	+ 7.9%
Of which, ocean transport	557.3	15.0	554.7	14.3	511.3	13.1	510.3	12.6	542.1	12.8	+ 31.8	+ 6.2%
Wholesale and retail	461.4	12.4	485.6	12.5	466.7	11.9	471.2	11.7	469.4	11.1	(1.8)	(0.4%)
Finance and insurance	134.1	3.6	160.7	4.2	170.5	4.4	192.7	4.8	205.7	4.9	+ 13.0	+ 6.7%
Real estate	168.0	4.5	183.5	4.7	198.0	5.1	221.4	5.5	255.6	6.0	+ 34.2	+ 15.4%
Various services	327.3	8.8	353.7	9.1	382.5	9.8	412.7	10.2	435.1	10.3	+ 22.4	+ 5.4%
Of which, medical-related	151.5	4.1	166.4	4.3	169.6	4.3	181.3	4.5	193.7	4.6	+ 12.4	+ 6.8%
Regional public entities	203.6	5.5	224.8	5.8	232.9	6.0	240.2	5.9	232.7	5.5	(7.5)	(3.1%)
Other	919.6	24.7	944.7	24.4	989.3	25.3	1,030.8	25.5	1,071.2	25.3	+ 40.4	+ 3.9%
Total	3,725.3	100.0	3,869.9	100.0	3,911.1	100.0	4,041.8	100.0	4,227.5	100.0	+ 185.7	+ 4.6%

(For domestic branches, excludes special international transactions account)

* "Goods rental" is included in "real estate."

In addition, "other" includes "home renting by individuals" (¥190.8 billion for Fiscal 2017).

* As "ocean transport" displays balances applicable to the "ocean transport industry" according to Japan Standard Industrial Classification, this figure does not match "Loan balance for the maritime industry" on page 17 of the Earnings Briefing.

Table of Changes in Borrower Classification

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- **Activities for supporting enhancement of corporate value are conducted through business feasibility assessments of customers**
- **Corporate revitalization support is provided mainly by the Corporate Consulting Division**
Use of various types of revitalization schemes, such as reconstruction funds and the SME Business Rehabilitation Support Co-operative, as well as solution sales

[Changes in borrower classification for business borrowers] (one year)

Upper row: Number of borrowers Lower row: Credit amount (Hundreds of millions of yen)			March 31, 2018							Rate of degradation to at risk of bankruptcy or below	Improvement	Degradation
			Total	Normal borrowers	Borrowers requiring close monitoring	Borrowers under strict observation	Borrowers at risk of bankruptcy	Substantially bankrupt borrowers	Bankrupt borrowers			
March 31, 2017	Normal borrowers	20,286	18,248	17,725	458	14	17	27	7	0.25%		523
		28,060	27,983	27,339	626	3	11	3	1	0.55%		644
	Borrowers requiring close monitoring	1,890	1,765	448	21,266	24	25	1	1	1.43%	448	51
		4,005	4,002	1,214	2,631	58	99	0	0	2.47%	1,214	157
	Borrowers under strict observation	153	140	17	20	87	13	3	0	10.46%	37	16
		293	279	12	63	178	24	2	0	8.69%	75	25
	Borrowers at risk of bankruptcy	330	305	27	35	8	228	4	3		70	7
		381	345	6	36	7	293	3	1		48	3
	Substantially bankrupt borrowers	116	67	3	0	0	0	62	2		3	2
		36	12	0	0	0	0	12	0		0	0
	Bankrupt borrowers	45	18	0	0	0	0	0	18		0	
		22	6	0	0	0	0	0	6		0	
		22,820	20,543	18,220	1,779	133	283	97	31		558	599
		32,796	32,628	28,572	3,356	246	427	19	9		1,338	831

(Note 1) The chart displays the changes in the borrower classification from March 31, 2017 to March 31, 2018.

(Note 2) The balances after changes are the balances after write-offs as of March 31, 2018.

Market Strategy: Management by Risk Category

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(Units: Billions of yen)

Risk Category (*1)	Fiscal 2017											Source of main revenue and profit
	Book balance	Evaluation gain / loss	Market balance	Composition	Vs. Fiscal 2016	Total profit / loss (*2)	Interest and dividend income			Profit / loss from purchase, sale, and amortization	Increase/ decrease on gain / loss on evaluation vs. Fiscal 2016	
Yen-denominated bonds	981.1	+25.1	1,006.2	55.3%	(5.5%)	2.6	9.2	9.2	0.0	0.0	(6.6)	Difference in long and short term interest on yen interest
Of which, JGBs	565.3	+16.1	581.4	31.9%	(4.8%)	0.4	5.2	5.2	0.0	0.0	(4.8)	
Of which, 15-year variable interest JGBs	43.3	+0.5	43.8	2.4%	(0.3%)	(0.0)	0.2	0.2	0.0	0.0	(0.2)	Steepening yield curve
Of which, inflation-indexed JGBs	70.2	+1.0	71.2	3.9%	(0.3%)	0.8	0.0	0.0	0.0	0.0	+0.8	Rise in expected inflation rate
Foreign currency bonds (with hedges)	307.3	(0.6)	306.7	16.8%	+1.0%	1.0	3.0	5.0	2.0	0.6	(2.6)	Difference in long and short term interest on overseas interest
Foreign currency bonds (without hedges)	83.2	(1.4)	81.7	4.5%	+2.4%	(0.5)	2.4	2.4	0.0	0.0	(2.9)	Gain on foreign exchange / interest revenue
Domestic and overseas stocks (incl. stock trusts)	143.7	+206.7	350.4	19.3%	+1.9%	42.9	8.0	8.0	0.0	5.8	+29.1	Growth in domestic companies centered on transaction partners
Alternatives, etc.	69.7	+5.5	75.2	4.1%	+0.3%	1.3	2.4	2.4	0.0	(0.3)	(0.8)	
Hedge funds	19.2	+0.6	19.8	1.1%	(0.2%)	0.8	0.1	0.1	0.0	0.0	+0.7	Strategic diversification by external consigned management
Of which, currency swaps	10.0	+0.3	10.3	0.6%	(0.2%)	0.3	0.1	0.1	0.0	0.0	+0.2	Difference in long and short basis for currency swaps
Real estate-related	37.3	+4.6	41.9	2.3%	+0.4%	(0.2)	2.0	2.0	0.0	0.0	(2.2)	Revenue from real estate rentals and profit from price increase
Private equity	3.9	+0.1	4.0	0.2%	+0.0%	0.2	0.3	0.3	0.0	(0.3)	+0.2	Rise in enterprise value due to management improvement of unlisted stocks, etc.
Emerging stocks	4.4	+0.2	4.6	0.3%	+0.0%	0.4	0.0	0.0	0.0	0.0	+0.4	Growth and foreign exchange gains in emerging markets
Cat bond	2.0	(0.0)	2.0	0.1%	+0.1%	(0.0)	0.0	0.0	0.0	0.0	(0.0)	Revenue from casualty insurance premium
Other (corporate management, etc.)	3.0	+0.0	3.0	0.2%	(0.0%)	(0.0)	0.0	0.0	0.0	0.0	(0.0)	Seeking short-term profits due to market views
Total	1,584.9	+235.3	1,820.3	100.0%	-	47.2	25.1	27.0	2.0	6.0	+16.1	

*1 Assets invested by the Financial Market Division calculated based on primary risk, regardless of accounting item (on the basis of including money held in trust, unsecured repurchase agreement, etc.)

*2 "Total profit / loss" and "interest and dividend income" eliminate three-month LIBOR interest, etc., as procurement costs, but this differs from actual procurement costs.

*3 Interest received includes gain / loss on cancellation of funds, etc., recorded in asset management revenue.

*4 Duration of yen-denominated bonds was 4.49 years and duration of foreign currency bonds (with hedges) was 6.63 years as of March 31, 2018.

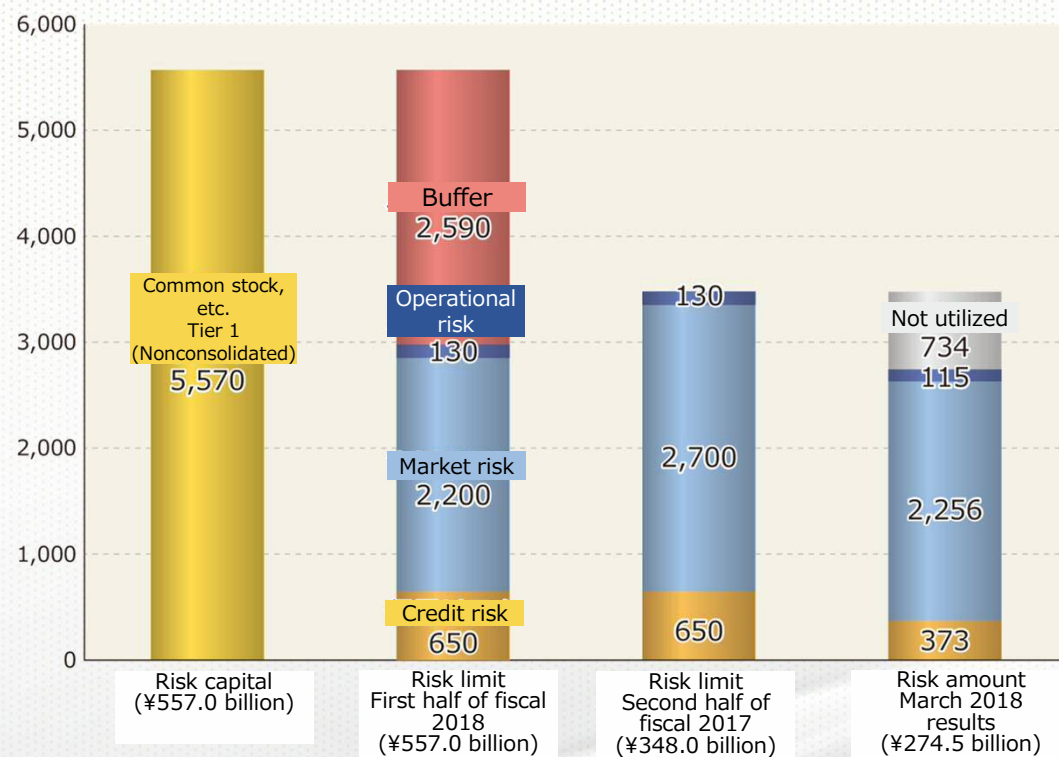
<Of yen-denominated bonds and foreign currency bonds, investment conditions in credit risk and securitized products, etc.>

Credit risk	207.3	+0.3	207.6	11.4%	(4.3%)	2.2	2.2	3.3	1.1	0.1	+0.0	Business continuity of domestic and foreign companies
Securitized products	8.8	+0.0	8.8	0.5%	(0.1%)	0.0	0.1	0.1	0.0	0.0	(0.0)	Loan interest revenue from housing loans, etc.
Structured bonds	5.0	+0.0	5.0	0.3%	(0.0%)	0.0	0.0	0.0	0.0	0.0	+0.0	Arbitrage between JGBs and derivatives

Status of Integrated Risk Management

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[Status of integrated risk management (March 31, 2018)]



○ Operational risk

- Calculated by The Standardized Approach

○ Market risk (holding period of one year, 99.9%)

- Take into account correlation between different risks
- Core deposits: Use an internal model
- Stock VaR: Includes strategic equity holdings

(Note) The holding period changed to six months from the first half of 2018

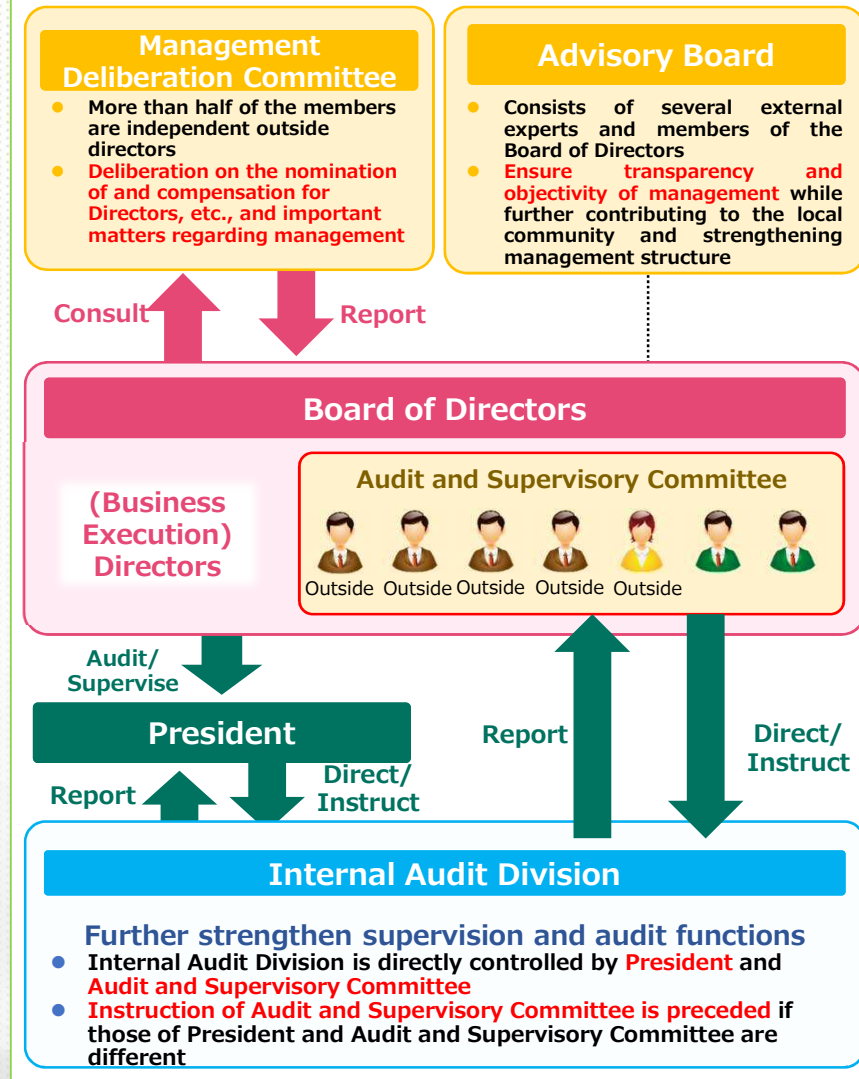
○ Credit risk (holding period of one year, 99.9%)

- Business loans, etc.: Monte Carlo method
- Loans for individuals: Analysis method

Strengthening of Governance Structure and Return to Shareholders

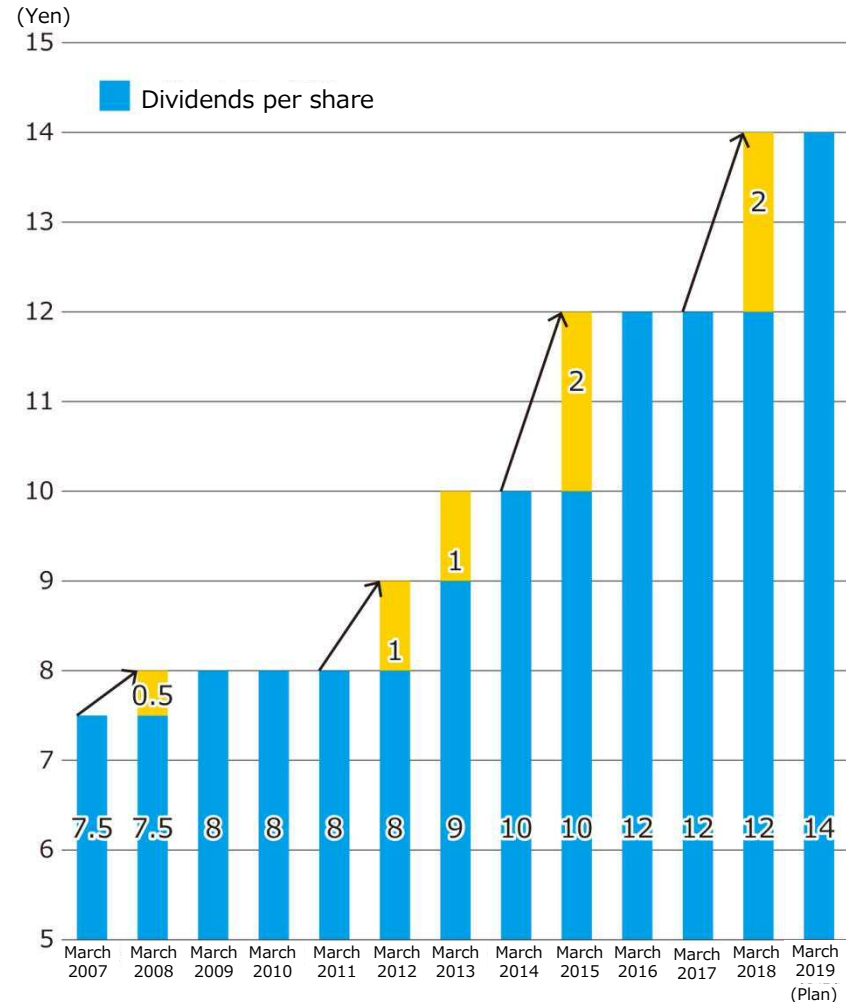
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Strengthening Corporate Governance



Dividend Trends

- By working to maintain and improve business results, aim for **stable returns**
- At the same time, strengthen financial standing to withstand unexpected changes in the management environment

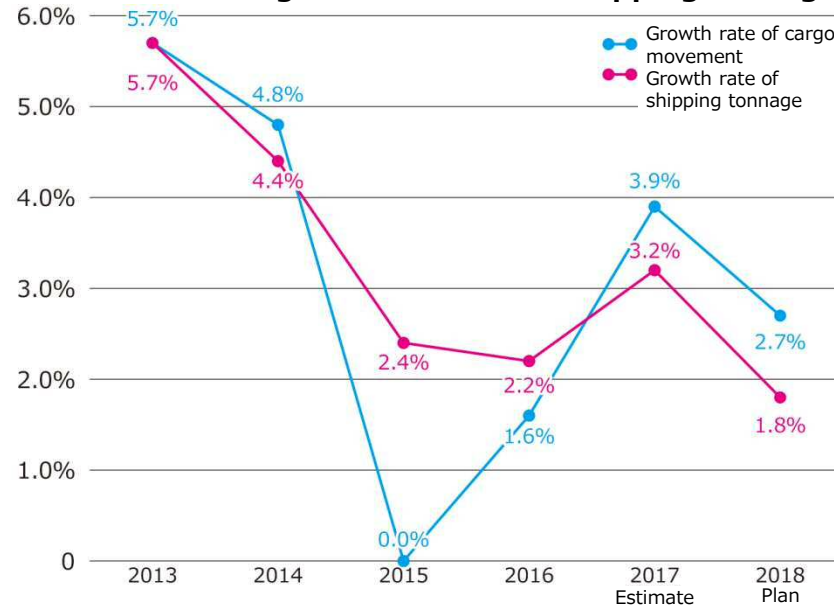


Outlook of Dry Bulk Market Conditions

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Dry Bulk Transport Demand and Supply

● Volume of cargo movement and shipping tonnage



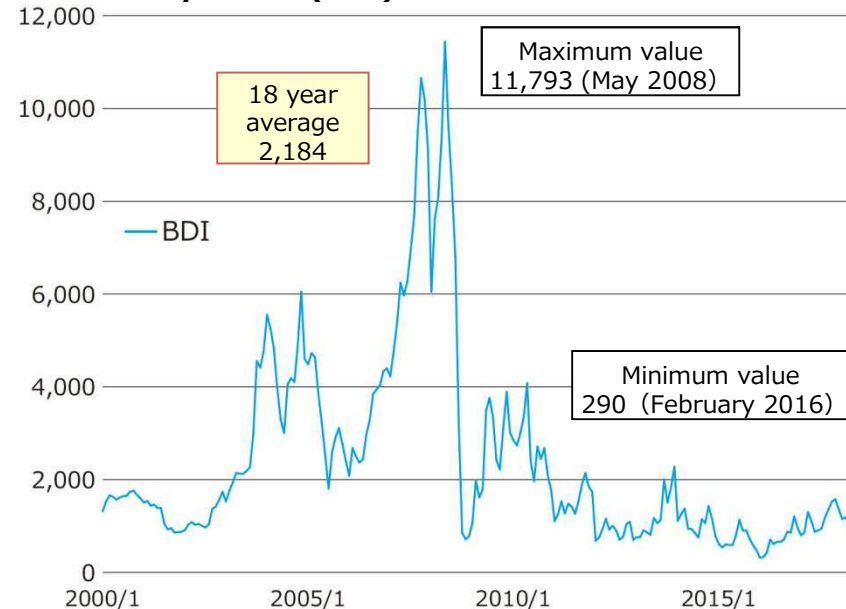
Source: Clarkson Dry Bulk Trade Outlook (February 2018)

● Dry bulk transport demand and supply

- Trade volume is expected to increase by approx. 4% in 2018 amid the expanding world economy. The transport demand for dry bulk cargoes is expected to increase by approx. 2.7% year-on-year.
- Dry bulk scrapping was only about 14.6 million tons in 2017. Meanwhile, the delivery of dry bulk ships is expected to be below 30 million tons for next two years and thus ship supply will be at a low level. Shipping tonnage is expected to grow approximately 1.8% year-on-year in 2018.

Future Market Outlook

● Baltic Dry Index (BDI) trends



● Future market outlook

- Demand for freight transport is expected to increase for the near term and shipping tonnage of dry bulk vessels is expected to grow sluggishly for a few years; therefore the ocean transportation market is expected to recover.
- Further market recovery is expected if ship scrapping is accelerated due to factors such as environmental regulations; however there are some uncertainties such as effects by protectionism in the US.
- The BDI is showing a recovery trend as it rose from a record low of 290 in February 2016 to 693 on average in 2016, 1,150 on average in 2017, 1,132 on average in the first quarter of 2018, and most recently, 1,361 at the end of April.