


 North Pacific Bank
Annual Report
2018





North Pacific Bank

A Message from the President

Group Business Principles

- Provide quality service to our business partners and progress together with our customers
- Improve our corporate value and win a high level of trust from our stockholders and the market
- Create a rewarding workplace where employees can fully display their abilities

North Pacific Bank Business Principle

- Providing a steadfast foundation for Hokkaido's development

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A Message from the President

I would like to start this message by thanking all stakeholders for their enduring goodwill and patronage afforded to the North Pacific Bank.

I assumed the office of president of the North Pacific Bank on April 1 this year.

Last August the Bank commemorated its 100th Founding Anniversary. Far from being a mere milestone, we see this event as the year of the Bank's being founded afresh, and we expect to conduct the Bank's management with a view to the centenary that lies ahead.

Looking back on the Japanese economy in fiscal year 2017, personal consumption recovered on the back of improved conditions for employment and household incomes along with a rise in corporate capital investment, keeping the economy's moderately paced expansion on track overall. Meanwhile, the Bank's business home ground in Hokkaido Prefecture likewise experienced a continuing moderate recovery mainly driven by the favorable performance of the tourism industry which benefited from growing foreign and domestic visitor numbers, helped by additional routes and more flights operated by LCCs. On the other hand, regional demographic contraction and demographic ageing have been most pronounced in Hokkaido, with diminishing prospects for the Bank's markets going forward amid factors such as business closures due to a lack of successors and strong signs of labor shortages.

In the financial economy, long and short-term yields remain depressed under the ongoing negative interest rate policy of the Bank of Japan. Moreover, global political and economic uncertainties have brought heightened volatility to the yen/dollar exchange rate, which in our view requires continued vigilance.

In this management environment, by thoroughly exercising our "Customer First" principle in accordance with our medium-term business plan *Creating Shared Value*, we pursued business activities predicated on our fundamental policy of shared value creation with our customers.

For individual customers, in order to meet diversifying needs, we increased Consulting Plaza operations to 21 sites manned by employees with expert knowledge in asset management. Additionally, in cooperation with HOKEN NO MADOGUCHI GROUP INC., we newly established the Hokuyo Insurance Plaza Odori, and strove to create a full product line-up and enhance customer convenience.

For corporate customers we offer a diverse range of solutions including support propositions involving the use of various kinds of funds as well as aid programs for expanding overseas sales routes. Moreover, along with strengthening our efforts at business viability assessments, in cooperation with Japan Human Resources Co., Ltd., we initiated an associate-type support service for customers by providing human resources and know-how to support customers in problem solving situations. In addition, we will enhance our cooperation with public bodies, Shinkin banks, and credit cooperatives within Hokkaido, and together promote regional revitalization, and stimulation of the regional economy.

Based on our business principle of providing a steadfast foundation for Hokkaido's development, together with the region and the Bank's customers we will work to create further growth and new value. For these endeavors I would like to sincerely request your continued support and patronage.

September 2018

M. Yasuda

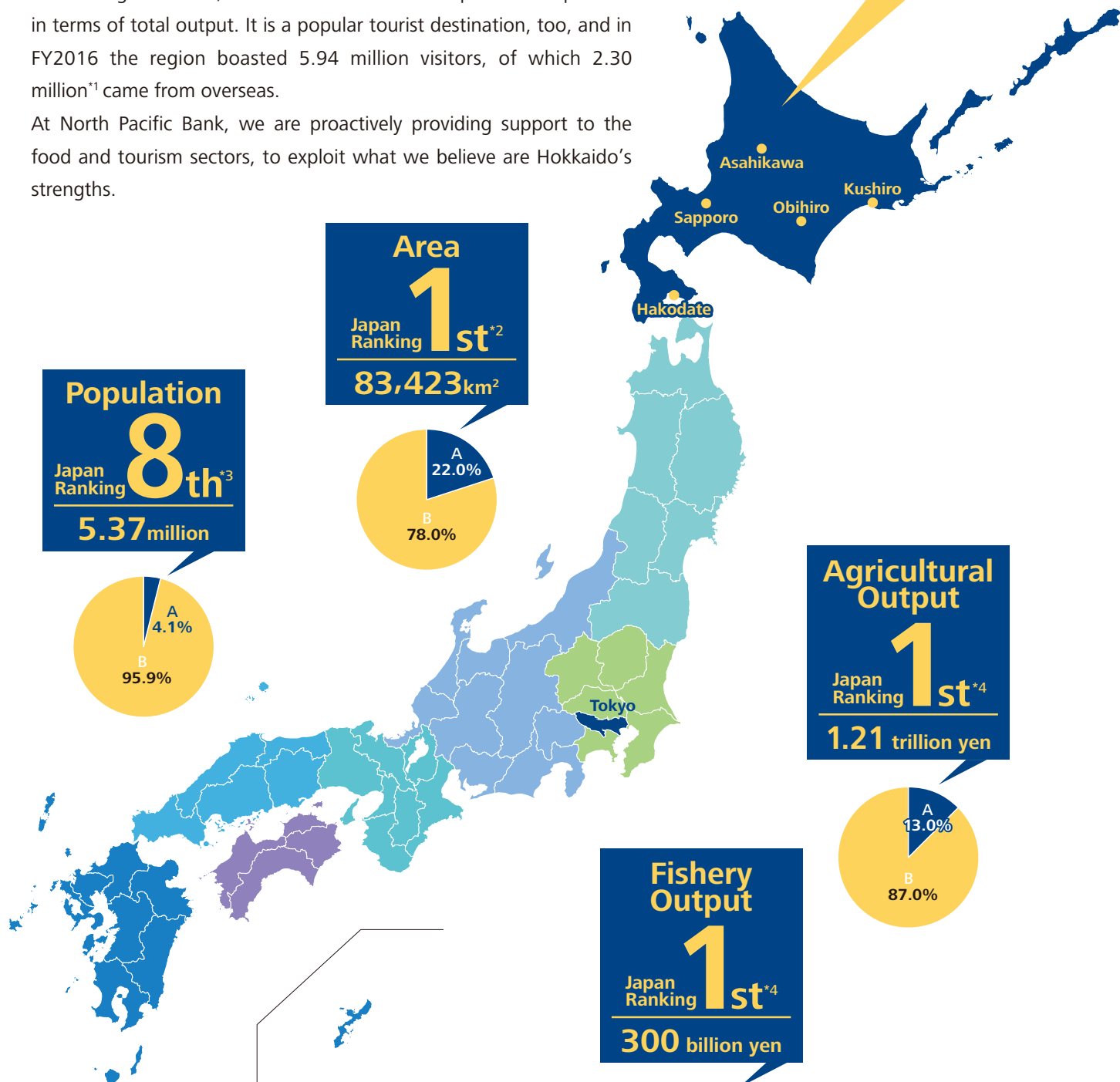
North Pacific Bank
Mitsuharu Yasuda, President

Hokkaido and North Pacific Bank

Hokkaido, the base of our business operations, is a region blessed with abundant natural scenery, and is home to flourishing agriculture and fishing industries, both of which hold the top domestic position in terms of total output. It is a popular tourist destination, too, and in FY2016 the region boasted 5.94 million visitors, of which 2.30 million^{*1} came from overseas.

At North Pacific Bank, we are proactively providing support to the food and tourism sectors, to exploit what we believe are Hokkaido's strengths.

Hokkaido



Sources:

*1 Department of Economic Affairs, Hokkaido Bureau of Tourism: "Survey on the Number of Inbound Tourists in Hokkaido Tourism"

*2 Ministry of Land, Infrastructure, Transport and Tourism: "Statistical reports on the land area by prefectures and municipalities in Japan, 2017"

*3 Ministry of Internal Affairs and Communications: "Internal Migration in Japan Derived from the Basic Resident Registers" (as of January 1, 2017)

*4 Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2016;" "Total Fishery Output, 2016"

A Hokkaido
B Other

About North Pacific Bank

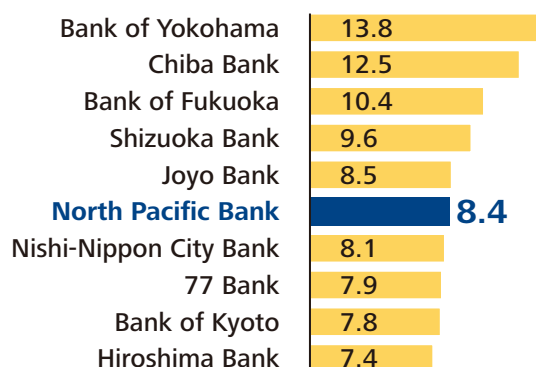
● Corporate Outline (As of March 31, 2018)

Established	August 20, 1917
Headquarters	7, Odori Nishi 3-chome, Chuo-ku, Sapporo
Capital	121.1 billion yen
Shares issued	399,060,179 common shares
Exchange listings	Tokyo Stock Exchange First Section Sapporo Securities Exchange
Branches	171
Overseas offices	3
Employees	3,032



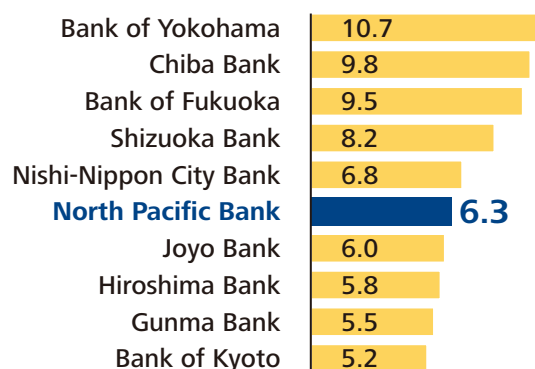
● Positional Chart for Deposits and Loans Provided (As of March 31, 2018)

Deposits



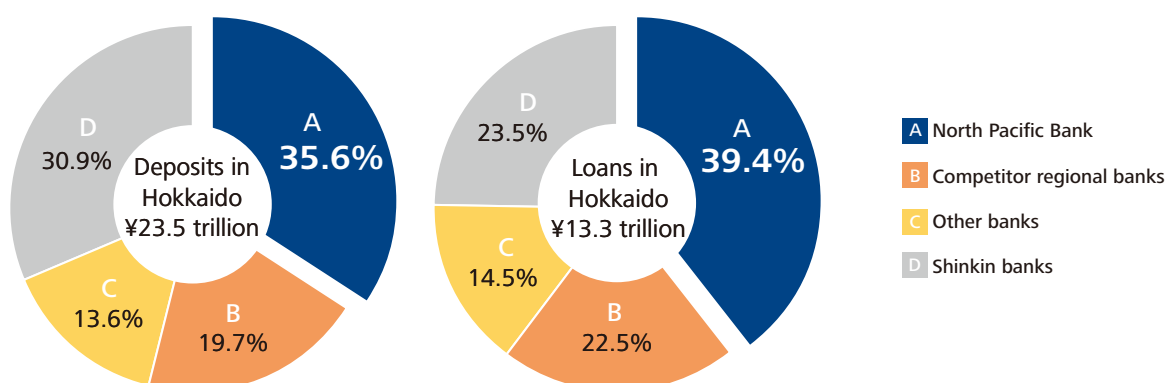
Loans

(¥ trillion)



Deposits = Deposits + Negotiable certificates of deposit
Source: Financial statements of various banks

● Market Share in Hokkaido (As of March 31, 2018)



Notes: Market shares are based on the outstanding balances of domestic banks and shinkin banks with head offices and branch office operations in Hokkaido (excluding Japan Post Bank). Deposits include negotiable certificates of deposit (negotiable certificates of deposit of shinkin banks have been estimated based on the total national balance of negotiable certificates of deposit held by shinkin banks). Calculations of shares do not equal 100% due to omission of fractions.

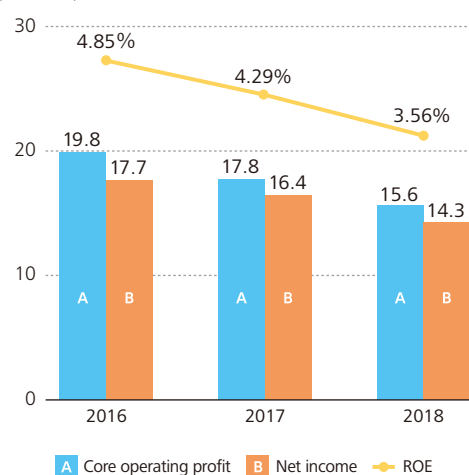
Sources: Bank of Japan: "Deposits, Vault Cash, and Loans and Bills Discounted by Prefecture;" Shinkin Central Bank Research Institute: "Profile of the National Association of Shinkin Banks," "Shinkin Central Bank Monthly Review;" and estimations from other financial statement documentations, etc.

Income Summary

Non-Consolidated

	Year ended Mar. 31,		Increase/ (Decrease)
	2017	2018	
Core gross profit	92.1	87.9	(4.1)
Net interest income	75.4	72.7	(2.6)
Net fees and commissions	16.1	14.7	(1.4)
Net other operating income (excluding gains (losses) on bonds)	0.5	0.4	(0.0)
Expenses (excluding non-recurring losses)	74.2	72.3	(1.9)
Core OHR	80.62%	82.17%	1.55%
Core operating profit	17.8	15.6	(2.1)
Credit cost	(1.8)	2.5	4.3
Gains (losses) on securities	(1.0)	0.4	1.4
Net other non-recurring income (loss) (including gains (losses) on money held in trust)	1.8	2.4	0.6
Ordinary profit	20.4	16.0	(4.3)
Net income	16.4	14.3	(2.0)
ROE	4.29%	3.56%	(0.73%)

Year ended March 31,
(¥ billions)



$$\text{ROE} = \frac{\text{Net income for the current fiscal year}}{(\text{Total net assets at beginning of fiscal year}^* + \text{Total net assets at end of fiscal year}^*) / 2}$$

*Excluding share acquisition rights

Consolidated

	Year ended Mar. 31,		Increase/ (Decrease)
	2017	2018	
Core gross profit	96.1	92.2	(3.9)
Ordinary profit	21.3	15.1	(6.2)
Profit attributable to owners of parent	16.7	13.6	(3.0)
Core operating profit	20.0	18.0	(2.0)

Core operating profit decreased 2.1 billion yen year-on-year despite a 1.9 billion yen drop in expenses, mainly as net interest income declined due to reduced interest on loans and bills discounted and due to lower net fees and commissions. Ordinary profit decreased 4.3 billion yen. Although gains on securities and other non-recurring income increased, credit cost rose due to a shift to a more conservative method of calculating allowances for loan losses. Net income decreased 2.0 billion yen year-on-year, reflecting mitigating effects of lower income taxes.

● Deposits and Deposit Assets (Non-Consolidated)

The average balance of deposits and NCDs increased 267 billion yen (up 3.3%) year-on-year. The outstanding balance rose 257 billion yen (up 3.1%) year-on-year. Average balances by sector increased strongly both for corporations and individuals. Deposit assets decreased 13 billion yen year-on-year as safe custody of public bonds decreased due to falling interest rates.

	Year ended Mar. 31,		Increase/ (Decrease)
	2017	2018	
Deposits and NCDs*	7,992	8,259	267

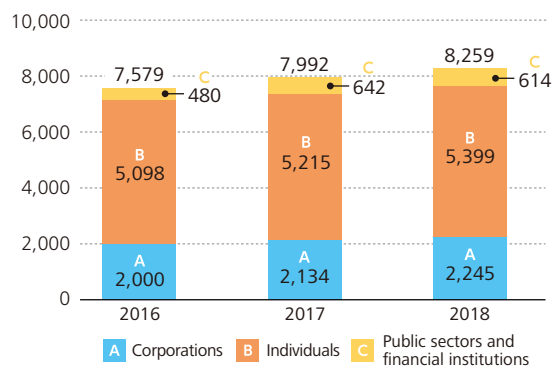
*NCDs = Negotiable certificates of deposit

	As of Mar. 31,		Increase/ (Decrease)
	2017	2018	
Deposits and NCDs*	8,182	8,439	257
Deposit assets	327	314	(13)
<Reference>			
Individual annuity insurance, etc.	586	634	48

Deposit assets = Safe custody of public bonds + Investment trusts
Individual annuity insurance, etc. sales reflect cumulative sales amounts.

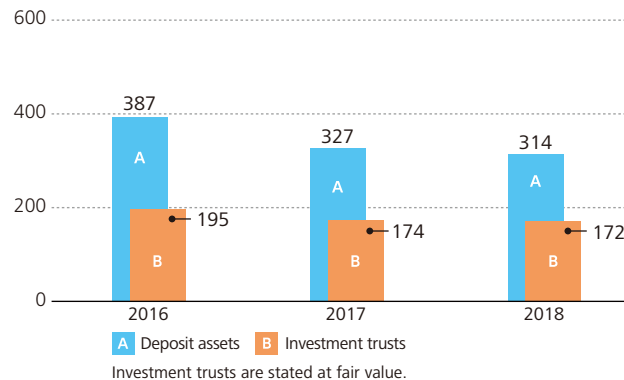
Deposits and NCDs* (Average Balance)

Year ended March 31,
(¥ billions)



Deposit Assets and Investment Trusts (Outstanding Balance)

As of March 31,
(¥ billions)



● Loans and Bills Discounted (Non-Consolidated)

The average balance of loans and bills discounted increased 272 billion yen (up 4.5%) year-on-year. The outstanding balance rose 200 billion yen (up 3.2%). Average balances of loans and bills discounted by sector rose compared with the previous fiscal year for enterprises, individuals, and public sectors, etc. The outstanding balance of loans and bills discounted to SMEs, etc., rose 93 billion yen year-on-year (up 2.6%) due to proactive efforts to lend to SMEs in Hokkaido.

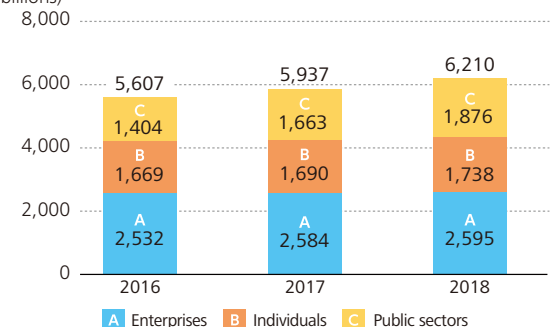
	Year ended Mar. 31,		Increase/ (Decrease)
	2017	2018	
Loans and bills discounted	5,937	6,210	272
Of which, consumer loans	116	130	14

	As of Mar. 31,		Increase/ (Decrease)
	2017	2018	
SMEs, etc.	3,468	3,562	93
Loans and bills discounted	6,108	6,309	200
In Hokkaido	5,160	5,270	110

SMEs, etc. = SMEs + Individuals

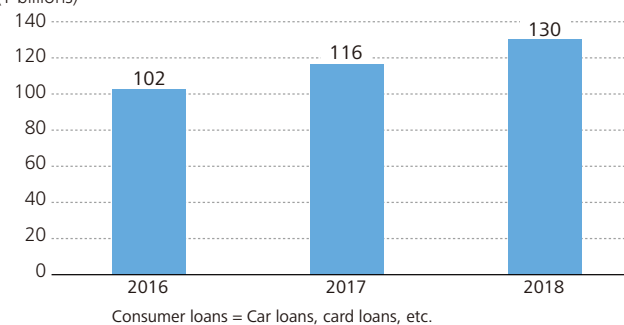
Loans and Bills Discounted (Average Balance)

Year ended March 31,
(¥ billions)



Consumer Loans (Average Balance)

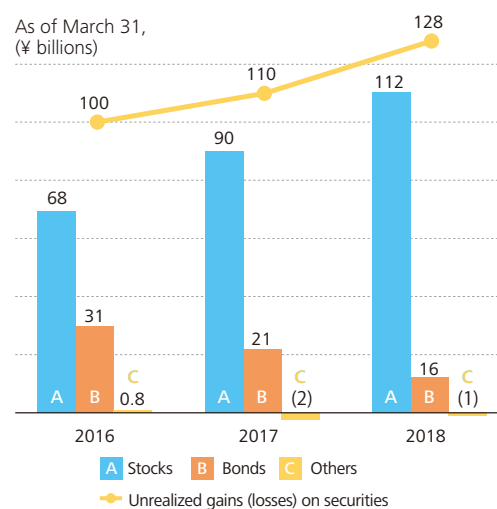
Year ended March 31,
(¥ billions)



● Unrealized Gains (Losses) on Securities (Non-Consolidated)

Unrealized gains on securities rose 18 billion yen year-on-year due to price increases of the stock held.

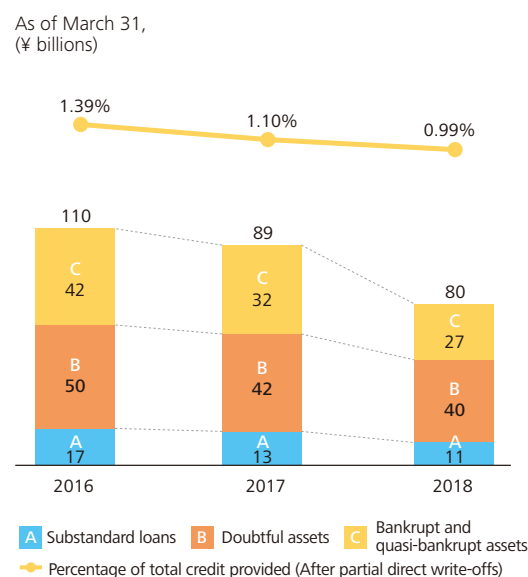
	As of Mar. 31,		Increase/ (Decrease)
	2017	2018	
Unrealized gains (losses) on securities	110	128	18
Stocks	90	112	22
Bonds	21	16	(5)
Others	(2)	(1)	1
<Reference>			
Nikkei stock average (¥)	18,909	21,454	2,545
New 10-year Japanese government bond yield (%)	0.065	0.045	(0.020)



● Problem Assets Based on the Financial Revitalization Law (Non-Consolidated)

On top of proactive efforts at providing management improvement support, off-balance sheet financing through divestiture, etc., of problem assets resulted in a decline of problem assets to be disclosed. The percentage of total credit provided is significantly lower than the level of regional banks nationwide.

	As of Mar. 31,		Increase/ (Decrease)
	2017	2018	
Bankrupt and quasi-bankrupt assets	32	27	(5)
Doubtful assets	42	40	(2)
Substandard loans	13	11	(1)
Problem assets based on the Financial Revitalization Law	89	80	(8)
Percentage of total credit provided	1.41%	1.23%	(0.18%)
*After partial direct write-offs	69	64	(4)
Percentage of total credit provided	1.10%	0.99%	(0.11%)



*Partial direct write-offs have not been implemented.
The figures as they would appear after partial direct write-offs are shown for reference.

● Capital Adequacy Ratio (Domestic) (Non-Consolidated)

The capital adequacy ratio declined due to an increase in risk-adjusted assets associated with the accumulation of loans and bills discounted.

	As of Mar. 31,		Increase/ (Decrease)
	2017	2018	
Capital adequacy ratio	13.20%	12.97%	(0.23%)
Capital	335	338	3
Risk-adjusted assets	2,542	2,610	68

Medium-Term Business Plan *Creating Shared Value*

Heralding another century of shared value together with the region and our customers

- **Three-Year Plan Period from April 2017 until March 2020**
- **Mid-to-Long-Range Vision**

We will create new standards and values for Hokkaido

We will be number one for customer satisfaction, community contribution, and employee satisfaction among local banks.

- **Our Fundamental Policy and Five Fundamental Strategies**

Our Fundamental Policy - We will consistently and without exception apply our "Customer First" principle and create shared value together with our customers.

Our Five Fundamental Strategies

- 1 Identify customers' latent needs and provide optimal services**
Through our marketing efforts we will identify customers' latent needs and in a timely manner provide optimal services through best-suited channels.
- 2 Proactively strengthen business viability assessments and support regional revitalization**
We will realize shared growth for our customers and Hokkaido by reinforcing our functions as a financial intermediary through the provision of business viability assessments and by helping customers resolve their business issues.

Strategies to support the provision of services

- 3 Reform toward robust organization structures with high productivity generating steady earnings**

We will implement organizational reform as the backbone for the provision of high-quality services.

- 4 Train and activate human resources in conformity with customers' diversifying needs**

We will review our personnel systems and training frameworks in order to raise human resources capable of meeting the diversifying needs of our customers.

- 5 Strategic action to accommodate FinTech**

We will take assertive action in cooperation with the TSUBASA Alliance* and other business formats.

Creation of sustainable business models

*A body incepted for wide area collaboration between local banks comprising Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, Hokuetsu Bank, and North Pacific Bank.

- **Numerical Targets**

Consolidated	FY2017 (actual)	FY2019 (target)
Ordinary profit	15.1 billion yen	23.5 billion yen
Profit attributable to owners of parent	13.6 billion yen	16.0 billion yen
Capital adequacy ratio	13.29%	12% (approx.)
Non-consolidated	FY2017 (actual)	FY2019 (target)
Ordinary profit	16.0 billion yen	23.0 billion yen
Net income for the period (1)	14.3 billion yen	16.0 billion yen
Per-head productivity (1) / Number of employees at fiscal-year end	4.7 million yen	5.6 million yen
Capital adequacy ratio	12.97%	12% (approx.)
Average deposit balance (including NCDs)	8,259.8 billion yen	8,790.0 billion yen
Average loans and bills discounted	6,210.5 billion yen	6,500.0 billion yen

● Initiatives to Support Small- and Medium-Sized Enterprises

Under our business principle of “Providing a steadfast foundation for Hokkaido’s development,” we consider it our responsibility to contribute to the stimulation and development of Hokkaido’s regional economy. We proactively engage in the provision of solutions consistent with customers’ individual life stages and support regional revitalization.

Creating Shared Value, our medium-term business plan inceptioned in April 2017, formulates as one of its fundamental strategies the objective of attaining sustainable growth for Hokkaido and our regional customers by strengthening the financial intermediary function of the Bank through business viability assessments and other efforts, and by helping resolve issues of the region.

● Initiatives to Stimulate and Develop the Local Economy

At North Pacific Bank, we have identified a number of growth areas on which to focus our efforts in order to promote sustained growth of Hokkaido’s economy. These include the fields of food and farming, healthcare and social welfare, and tourism. We are proactively providing manufacturing support to promote the secondary industrial sector in Hokkaido, international business support for assistance in

overseas expansion, and support for M&A and business succession, a field where the need for support has been mounting as business owners grow older without a sufficient number of successors to match. To aid in these efforts, we have set up headquarters’ contacts in each field to share information with sales branches, and are cooperating with outside experts, external bodies, and other financial institutions.

Support for Business Creation and New Business Initiatives

To invigorate the regional economy, business start-ups and advances into new business fields by the region’s SMEs are indispensable. In light of this situation, on June 20, 2018, the Bank established the Hokuyo SDGs Promotion Fund with its main themes as entrepreneurship and business creation. The fund is geared at the region’s SMEs that are engaged in topical areas relevant to SDGs*, which have been attracting much attention in recent years.

Furthermore, the Bank has been actively providing support for venture creation and new business development through measures such as promoting cooperative arrangements involving industry, universities, public administration, and financial institutions.

*SDGs are Sustainable Development Goals, referring to international goals for the years from 2016 through 2030 set out in the 2030 Agenda for Sustainable Development adopted by the 2015 United Nations Summit. The agenda lists goals in 17 fields aiming at a world in 2030 that will have solved its problems in areas such as economic growth, energy, industry, and technical innovation.

Support for the Food and Farming Sector

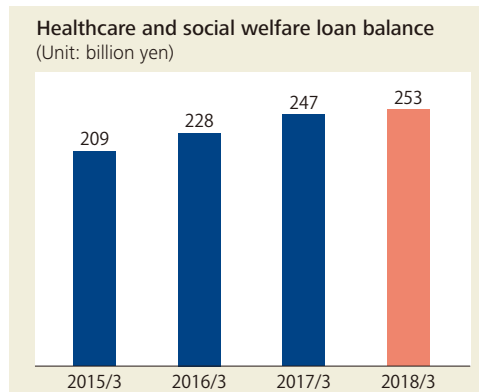
Hokkaido is the largest prefecture in Japan and boasts a total area of 83,423 km², while its output of agricultural produce was also number one in 2016 at 1.21 trillion yen. As such, food production and agriculture are principal industries of Hokkaido and further growth is

expected. Through the provision of optimal consulting, the Bank works to promote and strengthen all phases of food business operations in Hokkaido—production, processing, and marketing.

Phase	Support	Main Consulting Functions
Production	Financial support through various funds, etc.	Hokuyo Agricultural Support Fund
Processing	Support to increase product appeal, etc.	Food product design
Marketing	Support to expand sales through various business meetings, etc.	Information bazaars

Support for the Healthcare and Social Welfare Sector

Hokkaido is at an advanced stage with regards to declining birthrates and aging populations, and its population is in decline as a result. Systems reform in response to an aging society is making progress and diversification continues with regard to customer needs such as the frictionless supply of funds for facility investment, the formulation of business strategies, and organizational reform. Moreover, the Bank has deployed twenty healthcare business specialists to its head office and sales branches to strengthen customer support services.



Support for the Tourism Sector

Tourism is the driving force behind Hokkaido's economy. In FY2017, 1.73 million* foreign nationals entered Japan through airports and ports in Hokkaido, a 24.5% increase over the previous year. This tourism is driving economic growth by stimulating the regional economy

*According to survey conducted by Immigration Bureau of Japan, Ministry of Justice

and creating working opportunities, and is expected to have significant economic multiplier effects on various industries. The Bank is continuing to provide support in cooperation with tourism-related institutions and associations.

Support for the Manufacturing Sector

Compared with other regions, Hokkaido gives less weight to the manufacturing industry. In order to stimulate the regional economy, we believe it is paramount to provide continuous support to manufacturing corporations through methods that are not restrained by conventional frameworks. Therefore, the Bank is helping businesses involved in manufacturing to expand their sales routes through business matching and by establishing new funds. The Bank also collaborates with external institutions to identify and mentor businesses that show distinct promise.

In July 2017, the Bank hosted the Manufacturing Technology Fair 2017. At this fair, gathered under one roof were SMEs that possessed exceptional technologies and products, along with universities, support organizations and many others. The fair, the largest of its kind in eastern Japan, promoted Hokkaido's manufacturing industry by helping to expand sales routes, facilitate cooperation among businesses, and encourage information and technology exchanges.

The fair exhibited advanced technologies full of promise for the future of the manufacturing industry in

Hokkaido. These included food processing machines characteristic of the Hokkaido region, such as an automatic potato sprout remover, as well as other pioneering products using the latest AI and IT.



Manufacturing Technology Fair 2017



Automatic potato sprout remover

● Initiatives for Regional Revitalization

The Bank keenly supports local government initiatives throughout Hokkaido aimed at stimulating the local economy. Such initiatives include promoting industry

by leveraging excellent regional characteristics and resources, launching innovative, new businesses, and entering the global marketplace.

ILO Industry Analysis

North Pacific Bank has together with external experts developed a novel industry analysis method (ILO Industry Analysis*) which the Bank uses to support the

formulation and promotion of regional growth strategies.

*ILO Industry Analysis

This analysis method pinpoints special characteristics and identifies growth industries by segregating industries into inbound (generating demand from other areas), local (local production for local consumption), and outbound (production for markets for other regions).

● Overseas Business Development Support

Our international network comprises of China, ASEAN member states, North America, and Russia, and we utilize this reach to provide local information, support for local feasibility studies, overseas sales channel development, and support for international trade transactions to proactively support our customers at each stage of their overseas business activities. In FY2017, overseas representative offices and others provided support for 399 cases of business negotiations.



Cooperation with Overseas Sites and Financial Institutions

The bank currently operates three representative offices in Dalian, Shanghai (China) and Bangkok (Thailand). In addition, this fiscal year the bank signed cooperative agreements with two financial institutions and one other institution. In April 2017, we began a business tie-up with the Joint Stock Commercial Bank for Investment and Development of Vietnam, and are now carrying out secondment of employees. Moreover, in August of the same year we signed a cooperative agreement with the Foreign Investment Agency Vietnam to strengthen our business support in the region, and with the Shanghai Pudong Development Bank Co., Ltd. in October 2017, we now

have a total of 11 cooperative arrangements with overseas financial institutions.



Ceremony to commemorate signing of cooperative agreement with the Joint Stock Commercial Bank for Investment and Development of Vietnam

Cooperative Arrangements for Business Matching

In July 2017 the Bank entered into a cooperative arrangement for business matching with Alibaba.com Japan Co., Ltd. as a way of supporting companies in the region that seek to broaden their overseas sales channels. This arrangement introduces support services for advances into overseas markets by using the Internet to showcase products on the world's largest BtoB matching site and hold direct trade talks with overseas buyers.

Additionally, in September 2017 we entered into a cooperative arrangement for business matching with Cyst Corporation. By introducing senior experts with a wealth of overseas business experience, in FY2017 we were able to aid 8 companies in the region in areas such as resolving management problems relating to customers' overseas business operations and supporting their business structure.

Issuing Standby Letters of Credit

A standby letter of credit is a letter of guarantee issued by the Bank to a foreign financial institution in order to create with that foreign financial institution a credit facility for our customers' overseas incorporated affiliates. For Hokkaido-based companies seeking to establish overseas operations, the Bank provides support in raising the local-currency denominated financing required for such operations' future business

expansion. In FY2017, the Bank issued seven standby letters of credit in Thailand, Singapore, Vietnam, and the US.

The Bank has been actively supporting the overseas business operations of our customers through cooperative agreements with foreign financial institutions and others in our network.

Foreign Exchange Services

Markets Desk

To meet our customers' needs with attentive detail in regard to foreign exchange, the Bank has set up a Markets Desk within the Treasury & Markets Department. We provide accurate information on the condition of exchange rates in foreign currency and

offer hedging methods for dealing with exchange-rate fluctuation risk. These are just some of the ways in which we are able to offer multi-faceted support to customers for foreign exchange transactions.

North Pacific Bank Forex Online Service

The North Pacific Bank Forex Online Service is an Internet based foreign exchange banking service allowing users to order overseas remittances and to open or change the conditions of import letters of credit from their PCs. This service received a complete overhaul in May 2017 including the addition of

Chinese yuan* to transaction currencies, raising the number of currencies available for transactions to 15 in total. Moreover, with the addition of a currency forward contract function in July 2017, the Bank aims to further enhance the user convenience of this site.

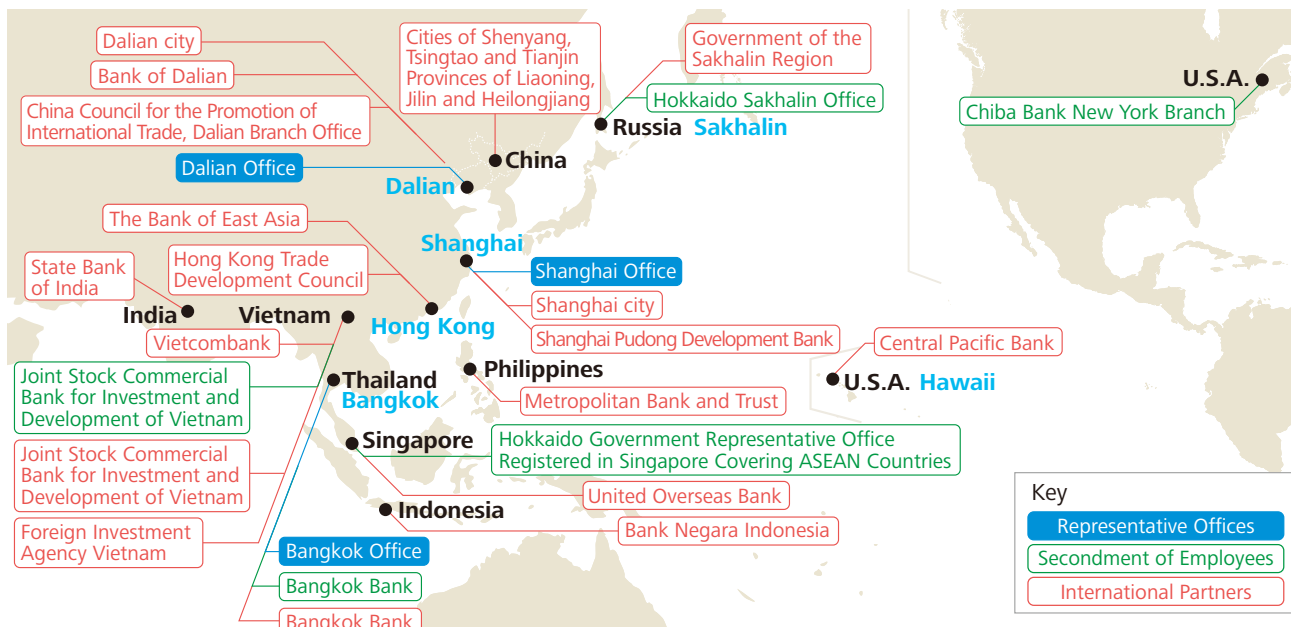
*Transactions denominated in yuan are restricted to corporate customers.

Foreign Exchange

The Bank began offering cash-based foreign exchange services in response to mounting demand from customers for travel and business purposes in the

ASEAN region. This brings the number of currencies handled by the Bank's cash-based foreign exchange service to 15.

North Pacific Bank International Network (As of June 30, 2018)



ESG (Environmental, Social, and Governance) Initiatives

In order to achieve a sustainable regional society, the Bank is tackling environmental and social issues through its CSR activities and support for women's participation in the workplace, and is striving to establish a more effective corporate governance structure.

● CSR Activities

As a member of the regional community, the Bank regards CSR activities as important. We believe it is essential to manage our business in a way that takes into account the needs of the environment and of our stakeholders, including the regional community. We have set up a CSR promotion office for taking dynamic, effective action; established principal

themes for our CSR activities as environmental protection, healthcare/social welfare, and education/culture; and are engaged in a variety of activities for enhancement and sustainable growth of the community.

Our Basic CSR Policy

Based on the Sapporo Hokuyo Group's management principles, the group takes action for the ongoing benefit of our supporting stakeholders as we strive to offer the best financial instruments, services, and information, while carrying out support activities.

Roles and Functions for Regional Financial Institutions



Environmental Initiatives

● Business-Based Environmental Activities

Through such activities as the provision of financial products and services, the Bank supports efforts on the part of customers to reduce the impact on the environment as well as R&D, commercialization, business development, and other eco-related business activities.

For individual customers, we offer financing at preferential interest rates for energy-saving renovation work, installation of solar panel systems, and other purposes.

For corporate customers, in light of Hokkaido's nature as a veritable treasure trove for renewable energies, we handle a fund that supports growth fields from a capital-based perspective.

We also provide financing for enterprises investing in facilities aimed at reducing carbon dioxide emissions, and private-placement financing at favorable rates for enterprises making efforts to preserve the environment.

● Efforts to Reduce the Bank's Environmental Impact

To help prevent global warming, the Bank has established a plan to reduce its emissions of carbon dioxide and other greenhouse gases. In addition, we are stepping up procurement of energy-efficient office equipment, increasing the use of LED lighting, and making other efforts to conserve energy. We also strive

to conserve paper resources, using recycled and FSC-certified paper products and employing paperless methods for internal communication. Forms and records that no longer must be retained are recycled in a secure manner to ensure that no confidential information is leaked.

● Hokku Fund

The Hokku Fund was established in 2010 to protect the diversity of wildlife in Hokkaido. In November 2017, we switched from proactively offering grants to a system of open recruitment. We offer grants that support a wide range of activities to various organizations involved in the protection of rare species and the maintenance of natural habitats. To date, we have donated a total of 53 million yen to a total of 63 organizations.



A black woodpecker spotted in Nopporo Forest Park
(We offered a grant to the Nopporo Forest Park Protection Society in FY2018)

Hokku Term Deposit

The main source for the Hokku Fund involves the Hokku Term Deposit, and is available at all branches. The Bank pays to the Hokku Fund an amount equivalent to 0.01% of the Hokku Term Deposit balances plus the postage fee equivalent amount generated by not issuing a notice of maturity. Investing in Hokku Term Deposit provides accountholders with the opportunity to participate in the Hokku Fund indirectly and thereby promote biodiversity in Hokkaido.



A Hokku Term Deposit passbook

Social Initiatives

● Healthcare / Social Welfare Initiatives

The Bank is working actively to utilize the group's financial capabilities and network to support and enhance the region's healthcare and social welfare infrastructure. In February 2017 we began providing private-placement financing to aid parasports, and have since donated funds to athletes and organizations involved in parasports within Hokkaido. In FY2017, we donated a total of 3.74 million yen to seven athletes and organizations. On top of this, the Bank has concluded an overall cooperative agreement with four universities in Hokkaido and is supporting regional medicine through such efforts as helping to host Citizen Medical Seminars. In addition, we have agreed to coordinate with the Hokkaido Government on cancer-prevention programs aimed at promoting understanding of cancer, and are working to promote cancer checkups.

In social welfare contributions, the Bank has also made donations and offered support in various guises to the Hokkaido Bone Marrow Bank Promotion Association, including more than 20 years of assistance (since the association's establishment) in the running of the secretariat. Employees are encouraged to play their part by a system of special leave for bone marrow donors.



Citizen Medical Seminar

● Education / Culture Initiatives

We believe that our mission as a financial institution is to provide people with proper knowledge of finance and economics, to allow them to then take on the responsibility of advancing the Hokkaido economy. To that end, we are offering financial education to students—from elementary through to university age—on the mechanisms of money and the roles that financial institutions play. In FY2017, a total of 640 students from 53 schools were involved in our school visits, lessons provided by our teachers, and experience days held at our workplace.

Furthermore, in FY2012 the Bank began hosting

classical concerts performed by the Sapporo Symphony Orchestra to help promote culture in Hokkaido. Already 26,360 customers have been given free invitations to these superb concerts.

In FY2017 the Bank held classical concerts in six cities in Hokkaido as commemorative events to mark its 100th Founding Anniversary. Additionally, the Bank has been supporting the Shiki Theatre Company's Kokoro no Gekijo and the Classroom for the Appreciation of the Arts, and since 2013, the Junior High School Student Writing Contest sponsored by the Mainichi Newspapers Co., Ltd.



Classical concert in Kushiro presented by North Pacific Bank



Junior High School Student Writing Contest

● Support for Women's Participation in the Workplace and for the Next Generation

The Bank established bank-internal day-care centers in 2006, and a Women's Support Office within the Bank's headquarters in 2009. We are also proactively promoting women to management positions, providing opportunities for job development, and providing support for childcare. Furthermore, we are continuing to create environments that allow for further participation by women. In 2016 we began offering regional positions that allow employees to limit which regions they work in, and a system that enables employees and their spouses to relocate together in case of a transfer. In acknowledgement of these efforts, in April 2016 the

Bank was awarded the top-ranking mark of accreditation under the Act on the Promotion of Women's Participation and Advancement in the Workplace, and in December of the same year was honored with the Minister of State for Special Missions Award at the ceremony to Commend Leading Companies Where Women Shine by the Cabinet Office, marking a first in Hokkaido.



L-boshi certification mark (highest rating)

● Customer Satisfaction Enhancement Activities

In order to further enhance customer satisfaction, the Bank has installed notice boards at all branches for communication in writing, provides training workshops on how best to interact with people with disabilities, and offers support for people who have difficulty using ATMs due to visual or other disability, by offering

customers the opportunity to transact their business at bank counters while incurring only the fee applicable for ATM transactions. Moreover, work is under way to equip ATMs with handsets and make bank branches barrier-free.

Governance Initiatives

● Basic Approach

Inspired by the Bank's management principles and the management principles of the Sapporo Hokuyo Group as a whole, we at North Pacific Bank pursue sustainable growth and improved corporate value in the mid-to-long term. Our basic approach to achieving those goals is to earn and retain the trust of our shareholders, clients, workforce, local communities, and other stakeholders, and to maintain effective corporate governance.

Based on this fundamental approach, in order to ensure auditing independence, we have adopted an Audit & Supervisory Board, which is kept separate from the Board of Directors. Within this framework, we have furthermore sought to ensure more effective corporate governance by voluntarily establishing a Group Remuneration Committee composed of the president, deputy president, and the Bank's external directors.

● Governance Organs

The Bank has 12 directors (including three external directors) and five Audit & Supervisory Board Members (including three external auditors). Directors' tenures are capped at one year in order to enable the Bank to quickly adapt to changes in the operating environment, create flexible management structures, and allow the General Meeting of Shareholders to

assess director performance annually.

We have group management meetings to coordinate and fine-tune strategies and policies aimed at furthering operations, and an Executive Committee, attended by standing directors, to deliberate and vote on important operational and administrative matters.

● External Directors and External Audit & Supervisory Board Members

To enhance management transparency, the Bank elects three external directors. In coordination with the Audit & Supervisory Board, including external board members, these external directors monitor the performance of duties by the directors. The company elects three external Audit & Supervisory Board Members and

considers the supervisory role provided by the external board members to be functioning effectively.

All external appointees satisfy the Bank's criteria for independence, and are consequently registered with the Tokyo Stock Exchange and Sapporo Securities Exchange as independent corporate officers.

● Protecting Shareholders' Rights and Ensuring Impartiality

We endeavor to effectively protect shareholders' rights and ensure impartiality through a range of initiatives. These include due consideration to the full range of interests, including those of minority shareholders and foreign shareholders; as well as making it easier for shareholders to participate and vote, for instance through early delivery of meeting notices, advance disclosure of the agenda, online voting, and choosing

the most appropriate days for the General Meeting of Shareholders.

Moreover, we strive to ensure that all shareholders and investors get equal access to information by holding information meetings and, for the benefit of non-institutional investors, uploading materials distributed at meetings to the Bank's website on the same day (in principle).

● Working in Partnership with Stakeholders

We respect the various rights and circumstances of our stakeholders, as well as the upholding of sound business ethics, and we strive to earn and maintain the trust of all stakeholders through working together with them in whatever capacity is most appropriate. In keeping with our role as a regional bank to contribute to Hokkaido's economic development, we pursue a community-oriented brand of banking,

working aggressively to bring about regional revitalization and provide services to meet the needs of our clients specific to the different stages of their lives. As an involved member of the community, we place a premium on corporate social responsibility, and we are deploying various measures under our three principal themes: environmental protection, healthcare/social welfare, and education/culture.

● Ensuring Disclosure and Transparency

Our basic approach to information disclosure is set forth in our Disclosure Policy. The policy stipulates that we will disclose information in a timely and appropriate manner as required under law, and that the Disclosure Committee will oversee our activities in this area.

Moreover, disclosure is not limited to financials: our business principles, medium-term business plan, and other non-financial information can also be found on the Bank's website.

● Dialogue with Shareholders

We recognize that constructive dialogue with shareholders is vital if we are to achieve sustainable growth and improve corporate value over the mid-to-long term. As such, we are working under our Policy for Constructive Dialogue with Shareholders and Investors

(as described in the Corporate Governance Report) set by the Board of Directors to establish a framework for communications and bolster our investor relations activities.

● Internal Control System Maintenance

The Bank's Board of Directors has voted to approve a basic internal control policy based on the Company Law and regulations for its enforcement. Our internal control framework incorporates the major focal points of management monitoring, i.e., risk management and compliance arrangements, as a means of ensuring such monitoring by the Board of Directors and the Audit & Supervisory Board is robust.

Ensuring the reliability of financial reporting is a vital

aspect of the Bank's management and, to this end, we endeavor to meet the strict requirements of our Internal Control Reporting Regime, which is based on the Financial Instruments and Exchange Law, through its Basic Policies and Internal Control Administration Regulations Regarding Internal Controls on Financial Reporting, as well as Internal Controls on the Group's Financial Reporting.

● Internal Audit, Corporate Audit, and Accounting Audit

Internal audits

The Bank has established an internal Audit and Inspection Department, governed directly by the Board of Directors and positioned independently of the departments subject to audit. Based on audit policies and basic implementation plans established by the Board of Directors, the Audit and Inspection Department conducts audits of the head office, sales branches, and subsidiaries. In principle, the results of these efforts are presented monthly at audit report meetings, and are conveyed to the Board of Directors and the Audit & Supervisory Board.

Corporate audits

The Bank's Audit & Supervisory Board validates internal control frameworks through its operations audits, which include visiting audits at the Bank's branches and subsidiaries as well as viewings and inspections of important documents. Moreover, by attending the Board of Directors' meetings, the Audit & Supervisory Board audits the legal compliance and appropriateness of directors' execution of duties. As a dedicated

support function to the Audit & Supervisory Board, an Audit & Supervisory Board Members' Office has been established with a knowledgeable full-time general manager capable of audit task verification.

Accounting audits

North Pacific Bank has appointed KPMG AZSA LLC as its accounting auditor.

Cooperation and teamwork

In order to ensure audit effectiveness, Audit & Supervisory Board Members hold regular meetings with the president to exchange opinions; meetings approximately once every two months with the Bank's accounting auditors to exchange information and opinions; and regular meetings with the Audit and Inspection Department to exchange information and opinions.

Furthermore, the company's standing Audit & Supervisory Board Members attend audit report meetings and meetings of the Disclosure Committee, Compliance Committee, and Risk Management Committee to verify the company's internal control status.

● Compliance Frameworks

The Bank regards the compliance frameworks of the Bank and the group as a whole as an important component of management. The Board of Directors coordinates the formulation of the structure, defining measures including compliance frameworks and basic policies for norms of action.

The Compliance Committee, with chairman and members appointed by the president, is supported by the Legal and Compliance Department. In principle, the Compliance Committee serves to compile and maintain a Compliance Manual, which explains about pertinent laws and provides specific instructions for compliance violation situations, and distributes the manual to all concerned. The committee also formulates and reviews the Compliance Program, a detailed plan aimed at strengthening the compliance framework, and meets with and reports to the Board of Directors.

Compliance officers and staff are assigned in each headquarters department and sales branch. These individuals monitor the status of compliance and work to implement and promulgate compliance policies. They also organize and lead regular compliance training sessions, and the Bank undertakes to strengthen the compliance frameworks by providing training sessions targeting each class of employees, from newly-appointed general managers, newly-appointed deputy general managers, and more.

To ensure early detection and correction of inappropriate actions and compliance-related problems, we have established an internal whistle-blower system, with both internal and external (legal counsel) notification structures that can be utilized by everyone, including all group company employees, part-timers, and temporary staff.

● Shutting Out Organized Crime

The Bank recognizes its public mission and responsibility to society and strives to maintain measures to ensure that it makes no transactions and has no contact whatsoever with organized crime. The Bank maintains its Basic Policies for Dealing with

Organized Crime, and a Provision for the Exclusion of Organized Crime covers our deposit, lending, and rental deposit box transactions. We also coordinate with law enforcement and legal counsel in undertaking to shut out organized crime.

● Management Frameworks for Personal Information Protection and Customer Protection

In recognition of the importance of effective use and appropriate protection of information assets, the Bank has established Combined Security Policies and Security Standards whose status of observance is checked in a timely and appropriate manner. Publicly released Privacy Policies, the creation of frameworks for preventing information leaks, and frameworks for receiving and responding to requests for information disclosure are just some of the ways in which we strive to ensure the integrity of personal information.

To enhance customer convenience and protection, the Bank has established Customer Protection Management Policies and Solicitation Policies to provide customers with appropriate financial products, and strives to reinforce customer confidence by appropriately conducting its business operations.

The Bank has also established Conflict of Interest Management Policies and Rules for the Prevention of Conflicts of Interest to protect customers' interests by keeping tight control of transactions that may

constitute a conflict of interest. Moreover, the Bank has established a Policy for the Facilitation of Financing for SMEs in accordance with the purpose of the Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc. (which ran from December 2009 to March 2013) so that SME customers may approach the bank for financing advice with peace of mind. The Bank's officers have all been made thoroughly aware of these policies in order that the Bank can offer customers a stronger privacy protection framework.

In June 2017, North Pacific Bank formulated and announced Action Guidelines for the Realization of Stable Asset Formation and Asset Succession of Customers as part of the Bank's efforts surrounding the practice of fiduciary duty.

Under these action guidelines North Pacific Bank will continue to provide customers with optimized products, services, and information in a timely manner consistent with their life stages through its consulting function.

Such factors as the increasingly sophisticated and diversified needs of our customers, as well as the development of a wide range of financial products, have transformed the operating environment of financial institutions and have made the resulting risks faced by financial institutions more varied and complex. This environment requires more strongly than before appropriate risk management and control so that customers may have confidence in the safety of their banking transactions and select us as their banking partner. The Bank has established a Risk Management Committee and, through unified management of the risk at group companies, aims to ensure the soundness of management and to strengthen and enhance risk management frameworks. For validating the appropriateness and effectiveness of internal control frameworks, internal check and control functions are created, internal control frameworks are assessed, and proposals for improvements are made in the internal audits by the Bank's Audit and Inspection Department.

● Measures for Comprehensive Management of Individual Risks

In order to comprehensively manage the various risks of group companies, the Risk Management Committee assesses the current status of principal risks such as credit risk, market risk, and operational risk, and discusses matters concerning risk management policies and maintenance of risk management frameworks. The

Bank's risks are quantified and checks are performed to ensure that total risk is within the range of the capital adequacy ratio. Moreover, communication with group companies is achieved across a wide range of issues through group management meetings.

● Credit Risk Management

Credit risk refers to the risk of a decline in asset value or loss of assets by the group due to a deterioration in an obligor's financial position or its ability to pay, and the risks that arise if large-lot loans are tilted toward or concentrated on specific industries or corporate groups. We take two different approaches to credit risk management. One is to manage exposure to specific borrowers using appropriate methods in accordance with credit status. The other is to manage a loan portfolio appropriately to avoid excessive exposure to specific borrowers and industries, and manage lending activities to diversify credit risk.

The Risk Management Committee and the Credit Risk Management Committee identify and survey the group's

whole risk through the appropriate management of the group's entire credit portfolio.

In addition, the Bank strives to enhance its credit examination capabilities by working to ensure the independence of the credit examination section and enhancing credit examination functions as well as through internal and external training. With regard to raising risk management capabilities, the Bank is working to broaden internal rating systems that reflect the probability that obligors will perform their obligations and implement the foundation internal ratings-based approach. The Bank gathers data for calculating the final loss ratio for obligors in default and is working on estimating average loss amounts.

● Market Risk Management

Market risk relates to the risk of loss from value declines in asset holdings caused by changes in interest rates, prices of securities, and foreign exchange rates, among others. For the management of financial institutions it is critically important to forecast, appropriately avoid, and mitigate the incidence of market risk.

Our Risk Management Committee and ALM Committee identify the market risk quantum of the group's overall assets under management and implement frameworks for checking and managing market risk. The Bank invests in low-risk, medium-term and long-term diversified investments with an emphasis on market liquidity, and engages in securities investment for purposes of ALM

adjustment and for temporarily parking excess funds. The Bank makes a point of not excessively relying on market views and not to invest with the aim of short-term profits. Specific policies for securities investment are discussed by the Securities Investment Committee, which includes management members. Moreover, we seek to manage market risks by ensuring a robust system of checks through the strict separation of corporate sections engaged in market trades, market risk management and back-room administration. Furthermore, the Risk Management Committee sets metrics such as risk limit alarm points, loss limits, and investment ceilings, thereby exercising effective risk control.

● Liquidity Risk Management

Liquidity risks involve two kinds of risk. One is cash flow risks, which refers to difficulties in securing the necessary amount of funds or losses incurred in having to raise funds at interest rates significantly higher than normal as a result of unexpected cash outflows. The other is market liquidity risks, which refers to the inability to trade on markets or having to trade at prices considerably less favorable than normal as a result of market confusion.

The Bank provides for proper liquidity risk management by setting forth basic provisions and clear risk management policies in its Liquidity Risk Management Regulations.

Cash flow managers keep close tabs on daily and monthly cash flow trends and work to minimize cash flow risks,

while liquidity risk managers monitor closely to check for cash flow or liquidity risks. When major changes arise in the market environment and the Bank's cash flow situation, the department immediately reports to executives and convenes the Risk Management Committee to make swift decisions about what needs to be done. Moreover, the Bank has a minimum liquidity reserve standard, under which it ensures a sufficient volume of liquid assets. Not only is the reserve monitored daily, the Bank also keeps a manual for contingencies in which liquidity risks arise, and holds periodic drills to ensure their efficacy.

● Operational Risk Management

Operational risk refers to the risk that an operational process, or an act by a corporate officer or employee, or a system, is inappropriate, or the risk of loss due to external circumstances.

The group has established Group Operational Risk Management Regulations that stipulate basic matters concerning operational risk management and manages operational risk based on a breakdown consistent with risk characteristics into back office risk, system risk, legal risk, tangible assets risk, and human risk. In order to prevent risks before they materialize and to minimize the

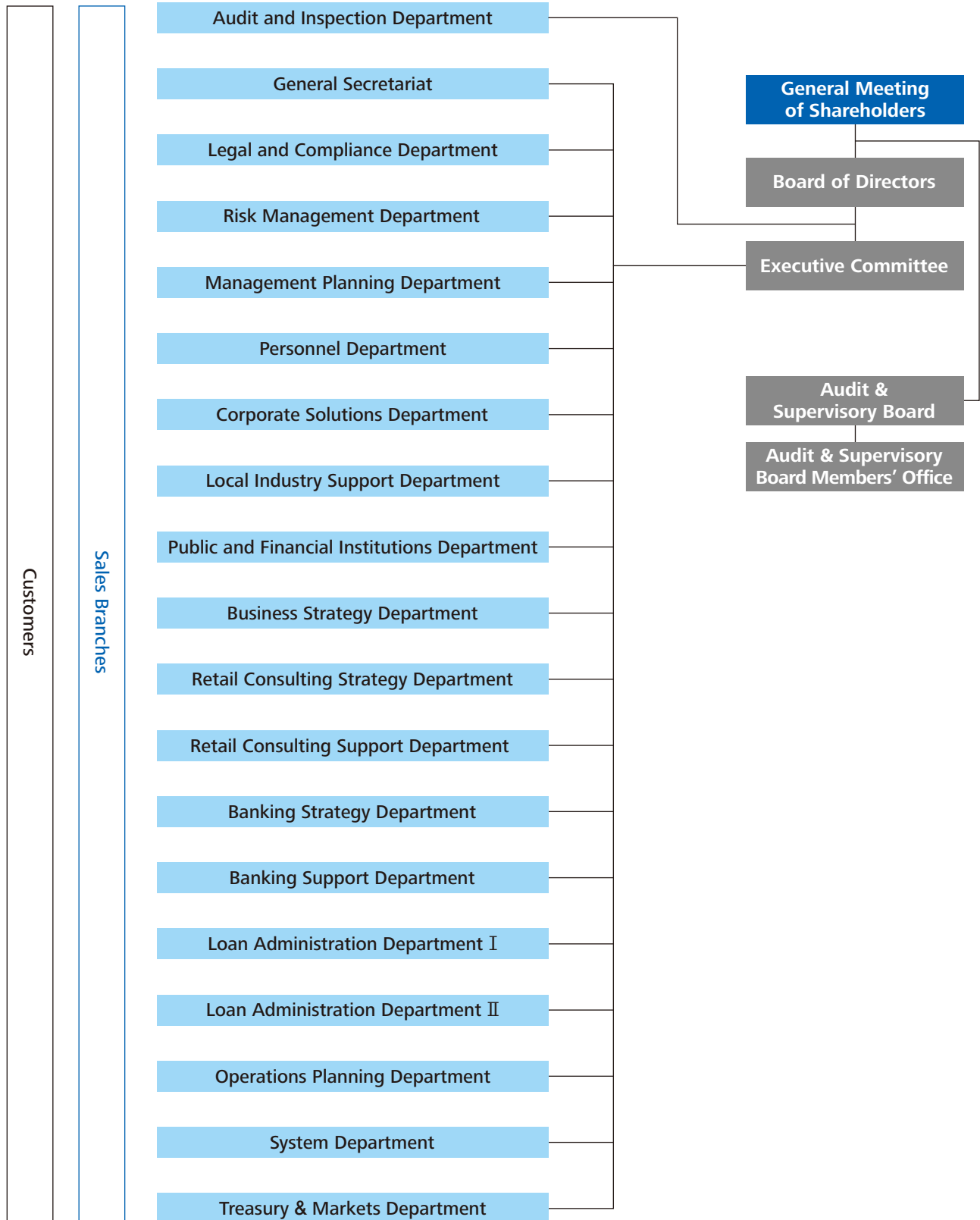
impact in case they do, overall controlling units for operational risk management have been set up at each group company, with individual risk management departments engaging in respective risk management at expert level. For managing actualized operational risks the group collects and analyzes internal loss data, while for managing latent operational risk the group has introduced risk control self assessment (RCSA) to specify, assess, manage, and eliminate risk, which forms a string of processes that is executed at regular intervals.

● Maintenance of Business Continuity Planning (BCP)

As a regional financial institution, the company has the responsibility in case of an unforeseeable event such as natural disaster to minimize the impact and to continue or quickly resume operations. The group has established Crisis Management Regulations and other rules, and maintains frameworks for the coordinated crisis response of group companies.

Notably, the Bank's business continuity plan provides new risk scenarios of an epidemic or a terrestrial earthquake hitting Sapporo. For the continuation of specified critical operations, manuals have been prepared with training sessions held at regular intervals.

● Organizational Chart (As of June 26, 2018)



● Directors, Audit & Supervisory Board Members and Executive Officers (As of June 26, 2018)

Chairman	Junji Ishii	Managing Executive Officer	Ryosuke Kobayashi
Deputy Chairman	Ryu Shibata	Managing Executive Officer	Takanari Tsukami
President	Mitsuharu Yasuda	Managing Executive Officer	Shuji Ohata
Deputy President	Toshitaka Sakoda	Managing Executive Officer	Nobuo Wakakuri
Managing Director	Iwao Takeuchi	Managing Executive Officer	Hironari Ishikawa
Managing Director	Minoru Nagano	Managing Executive Officer	Kazushige Kudo
Director	Hideki Fujiike	Managing Executive Officer	Hitoshi Nogiwa
Director	Satoshi Fukase	Managing Executive Officer	Masanori Abe
Director	Satoshi Shindo	Executive Officer	Hitoshi Oshino
Director (External)	Mikako Hayashi	Executive Officer	Shiro Kurio
Director (External)	Rieko Ubagai	Executive Officer	Takuro Hosono
Director (External)	Kazuaki Shimamoto	Executive Officer	Takafumi Hiataru
Audit & Supervisory Board Member (Standing)	Fumiyo Fujii	Executive Officer	Hitoshi Masuda
Audit & Supervisory Board Member (Standing)	Katsunori Matsushita	Executive Officer	Hiroto Honda
Audit & Supervisory Board Member (Standing / External)	Hiroshi Tachikawa	Executive Officer	Masayuki Tsuruhara
Audit & Supervisory Board Member (External)	Makoto Nojima	Executive Officer	Kazuhiro Takahashi
Audit & Supervisory Board Member (External)	Kimihiko Homma	Executive Officer	Yoshiharu Maiya
		Executive Officer	Tsutomu Okushiba
		Executive Officer	Yuji Go
		Executive Officer	Keiji Murata

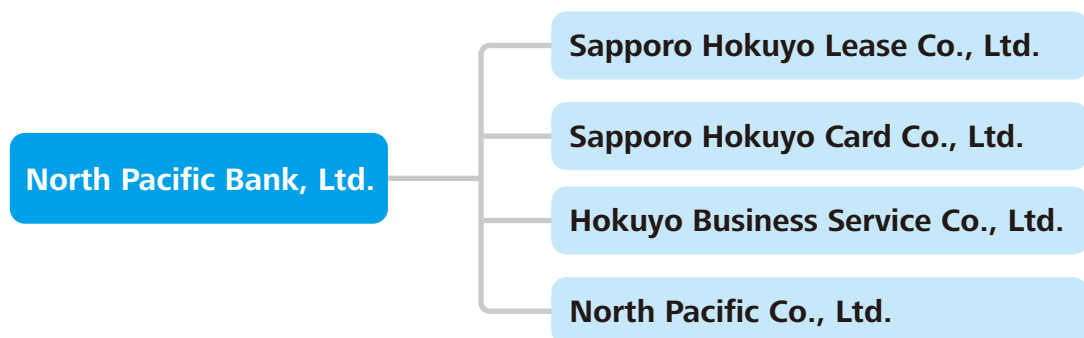
● Principal Shareholders (As of March 31, 2018)

Common Shares

Name	Number of shares held	Percentage of total shares
NIPPON LIFE INSURANCE COMPANY	30,954,500	7.75
Meiji Yasuda Life Insurance Company	30,954,000	7.75
Hokkaido Electric Power Company, Incorporated	23,147,000	5.80
Japan Trustee Services Bank, Ltd. (Trust Account)	21,429,500	5.37
STATE STREET BANK AND TRUST COMPANY 505223	19,995,456	5.01
The Dai-ichi Life Insurance Company, Limited	13,412,000	3.36
Japan Trustee Services Bank, Ltd. (Trust Account 9)	12,562,000	3.14
MITSUI LIFE INSURANCE COMPANY LIMITED	11,132,000	2.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,836,200	2.71
Sompo Japan Nipponkoa Insurance Inc.	10,000,080	2.50

*The percentage of total shares is calculated by excluding the treasury stock (85,359).

● Group Structure (As of March 31, 2018)



*We are scheduled to welcome Jyoko Securities Co., Ltd. as a group company in October 2018, following registration and approval from the concerned authorities.

● History of North Pacific Bank, Ltd.

1917	Established as Hokkaido Mujin, Ltd.
1944	Company's name changed to Hokuyo Mujin, Ltd.
1950	Listed on the Sapporo Securities Exchange.
1951	Obtained license for mutual savings and loan banking business; company's name changed to Hokuyo Sogo Bank, Ltd.
1989	Converted into an ordinary bank and company's name changed to North Pacific Bank, Ltd. Listed on the Tokyo Stock Exchange.
1998	Took over the business of The Hokkaido Takushoku Bank, Ltd.
2001	Jointly established Sapporo Hokuyo Holdings, Inc. together with The Sapporo Bank, Ltd.
2005	Representative offices established in Dalian and Shanghai in China.
2008	Merged with The Sapporo Bank, Ltd.
2009	Issuance of Class 1 Preferred Shares (¥100 billion).
2011	Head office relocated.
2012	Merged with Sapporo Hokuyo Holdings, Inc.
2013	Acquired and retired some Class 1 Preferred Shares (¥30 billion at book value).
2014	Representative office established in Bangkok in Thailand. Acquired and retired all remaining Class 1 Preferred Shares (¥70 billion at book value).

● Consolidated Balance Sheets (As of March 31, 2017 and 2018)

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Assets:			
Cash and due from banks	¥ 1,022,200	¥ 1,409,341	\$ 13,266
Call loans and bills bought	1,322	2,681	25
Monetary claims bought	14,239	14,481	136
Trading account securities	4,952	4,345	41
Securities	1,729,586	1,489,802	14,023
Loans and bills discounted	6,052,348	6,251,728	58,845
Foreign exchanges	5,102	7,399	70
Lease receivables and investment assets	47,186	49,490	466
Other assets	103,610	158,667	1,493
Property, plant and equipment	88,549	88,412	832
Intangible assets	9,171	8,786	83
Net defined benefit asset	—	75	1
Deferred tax assets	465	273	3
Customers' liabilities for acceptances and guarantees	54,558	52,801	497
Allowance for loan losses	(39,579)	(37,778)	(356)
Total assets	¥9,093,714	¥9,500,510	\$ 89,425
Liabilities:			
Deposits	¥ 8,086,989	¥ 8,344,356	\$ 78,543
Negotiable certificates of deposit	75,120	77,667	731
Payables under repurchase agreements	—	31,064	292
Payables under securities lending transactions	222,758	145,169	1,366
Borrowed money	160,486	328,848	3,095
Foreign exchanges	69	125	1
Other liabilities	54,307	52,122	491
Provision for bonuses	1,943	1,828	17
Net defined benefit liability	1,030	228	2
Provision for reimbursement of deposits	1,615	1,976	19
Provision for point card certificates	369	384	4
Deferred tax liabilities	23,159	30,347	286
Deferred tax liabilities for land revaluation	2,693	2,643	25
Acceptances and guarantees	54,558	52,801	497
Total liabilities	¥ 8,685,102	¥ 9,069,565	\$ 85,369
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,140
Capital surplus	72,344	72,367	681
Retained earnings	124,280	133,386	1,256
Treasury shares	(0)	(0)	(0)
Total shareholders' equity	317,725	326,854	3,077
Valuation difference on available-for-sale securities	79,344	92,193	868
Revaluation reserve for land	5,586	5,380	51
Remeasurements of defined benefit plans	(128)	387	4
Total accumulated other comprehensive income	84,802	97,960	922
Share acquisition rights	101	128	1
Non-controlling interests	5,981	6,001	56
Total net assets	408,611	430,945	4,056
Total liabilities and net assets	¥9,093,714	¥9,500,510	\$ 89,425

Note: The rate of ¥ 106.24 to U.S. \$1.00, the foreign exchange rate on March 31, 2018, has been used for translation.

The amounts less than one million yen are rounded down.

The amounts less than one million dollars are rounded to the nearest million.

● Consolidated Statements of Income (Year ended March 31, 2017 and 2018)

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Ordinary income:			
Interest income:	¥ 78,229	¥ 76,218	\$ 717
Interest on loans and discounts	63,446	62,013	584
Interest and dividends on securities	14,137	13,528	127
Other interest income	646	676	6
Fees and commissions	29,594	28,898	272
Other ordinary income	32,480	29,696	280
Other income	7,667	8,798	83
Total ordinary income	¥ 147,972	¥ 143,611	\$ 1,352
Ordinary expenses:			
Interest expenses:	¥ 3,471	¥ 4,083	\$ 38
Interest on deposits	619	471	4
Other interest expenses	2,852	3,611	34
Fees and commissions payments	10,420	10,767	101
Other ordinary expenses	33,954	31,733	299
General and administrative expenses	76,200	74,488	701
Other expenses	2,529	7,394	70
Total ordinary expenses	¥ 126,575	¥ 128,467	\$ 1,209
Ordinary profit	¥ 21,396	¥ 15,143	\$ 143
Extraordinary income	2,114	398	4
Extraordinary losses	669	453	4
Profit before income taxes	22,841	15,087	142
Income taxes:			
Current	1,787	1,188	11
Deferred	4,011	715	7
Total income taxes	5,798	1,904	18
Profit	17,042	13,183	124
Profit (loss) attributable to non-controlling interests	337	(503)	(5)
Profit attributable to owners of parent	¥ 16,704	¥ 13,686	\$ 129

● Consolidated Statements of Comprehensive Income (Year ended March 31, 2017 and 2018)

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Profit	¥ 17,042	¥ 13,183	\$ 124
Other comprehensive income	6,929	13,887	131
Valuation difference on available-for-sale securities	7,070	13,372	126
Deferred gains or losses on hedges	0	—	—
Remeasurements of defined benefit plans, net of tax	(142)	515	5
Comprehensive income	¥ 23,971	¥ 27,070	\$ 255
Comprehensive income attributable to owners of parent	23,305	27,050	255
Comprehensive income attributable to non-controlling interests	665	20	0

● Consolidated Statements of Changes in Equity (Year ended March 31, 2017 and 2018)

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2016	¥121,101	¥ 72,328	¥112,178	¥ (1)	¥305,607	¥ 72,602	¥ (0)	¥ 5,969	¥ 14	¥ 78,585	¥ 55	¥ 5,315	¥389,563
Changes of items during period													
Dividends of surplus			(4,986)		(4,986)								(4,986)
Profit attributable to owners of parent			16,704		16,704								16,704
Purchase of treasury shares				(0)	(0)								(0)
Disposal of treasury shares		16		0	16								16
Reversal of revaluation reserve for land			383		383								383
Net changes of items other than shareholders' equity						6,741	0	(383)	(142)	6,217	45	665	6,928
Total changes of items during period	—	¥ 16	¥ 12,102	¥ 0	¥ 12,118	¥ 6,741	¥ 0	¥ (383)	¥ (142)	¥ 6,217	¥ 45	¥ 665	¥ 19,047
Balance as of March 31, 2017	¥121,101	¥ 72,344	¥124,280	¥ (0)	¥317,725	¥ 79,344	—	¥ 5,586	¥ (128)	¥ 84,802	¥101	¥ 5,981	¥408,611
Changes of items during period													
Dividends of surplus			(4,787)		(4,787)								(4,787)
Profit attributable to owners of parent			13,686		13,686								13,686
Purchase of treasury shares				(0)	(0)								(0)
Disposal of treasury shares		23		0	23								23
Reversal of revaluation reserve for land			205		205								205
Net changes of items other than shareholders' equity						12,848	—	(205)	515	13,158	27	20	13,205
Total changes of items during period	—	¥ 23	¥ 9,105	¥ 0	¥ 9,128	¥ 12,848	—	¥ (205)	¥ 515	¥ 13,158	¥ 27	¥ 20	¥ 22,334
Balance as of March 31, 2018	¥121,101	¥ 72,367	¥133,386	¥ (0)	¥326,854	¥ 92,193	—	¥ 5,380	¥ 387	¥ 97,960	¥128	¥ 6,001	¥430,945

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2017	\$ 1,140	\$ 681	\$ 1,170	\$ (0)	\$ 2,991	\$ 747	—	\$ 53	\$ (1)	\$ 798	\$ 1	\$ 56	\$ 3,846
Changes of items during period													
Dividends of surplus			(45)		(45)								(45)
Profit attributable to owners of parent			129		129								129
Purchase of treasury shares				(0)	(0)								(0)
Disposal of treasury shares		0		0	0								0
Reversal of revaluation reserve for land			2		2								2
Net changes of items other than shareholders' equity						121	—	(2)	5	124	0	0	124
Total changes of items during period	—	\$ 0	\$ 86	\$ 0	\$ 86	\$ 121	—	\$ (2)	\$ 5	\$ 124	\$ 0	\$ 0	\$ 210
Balance as of March 31, 2018	\$ 1,140	\$ 681	\$ 1,256	\$ (0)	\$ 3,077	\$ 868	—	\$ 51	\$ 4	\$ 922	\$ 1	\$ 56	\$ 4,056

● Consolidated Statements of Cash Flows (Year ended March 31, 2017 and 2018)

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 22,841	¥ 15,087	\$ 142
Depreciation	9,217	8,658	81
Impairment loss	422	258	2
Increase (decrease) in allowance for loan losses	(11,257)	(1,800)	(17)
Increase (decrease) in provision for bonuses	(1)	(115)	(1)
Decrease(increase) in net defined benefit asset	—	(75)	(1)
Increase (decrease) in net defined benefit liability	245	(802)	(8)
Increase (decrease) in provision for reimbursement of deposits	62	361	3
Increase (decrease) in provision for point card certificates	34	15	0
Gain on fund management	(78,229)	(76,218)	(717)
Financing expenses	3,471	4,083	38
Loss (gain) related to securities	1,014	(539)	(5)
Foreign exchange losses (gains)	(1,589)	7,366	69
Loss (gain) on disposal of non-current assets	(1,866)	(202)	(2)
Net decrease (increase) in loans and bills discounted	(305,174)	(199,380)	(1,877)
Net increase (decrease) in deposit	371,733	257,366	2,423
Net increase (decrease) in negotiable certificates of deposit	(23,092)	2,547	24
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	85,689	168,361	1,585
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	(3,089)	(118)	(1)
Net decrease (increase) in call loans	26,820	(1,601)	(15)
Net increase(decrease)in call money	—	31,064	292
Net increase (decrease) in payables under securities lending transactions	170,412	(77,589)	(730)
Net decrease (increase) in foreign exchanges-assets	(1,713)	(2,297)	(22)
Net increase (decrease) in foreign exchanges-liabilities	15	56	1
Proceeds from fund management	78,256	76,075	716
Payments for finance	(3,731)	(4,108)	(39)
Other - net	(17,580)	(58,531)	(551)
Subtotal	322,908	147,920	1,392
Income taxes paid	(3,954)	(897)	(8)
Net cash provided by (used in) operating activities	318,954	147,022	1,384
Cash flows from investing activities:			
Purchase of securities	(333,689)	(244,785)	(2,304)
Proceeds from sales of securities	198,537	369,700	3,480
Proceeds from redemption of securities	128,783	126,958	1,195
Purchase of property, plant and equipment	(3,663)	(3,958)	(37)
Proceeds from sales of property, plant and equipment	2,985	552	5
Purchase of intangible assets	(3,401)	(3,503)	(33)
Net cash provided by (used in) investing activities	(10,447)	(244,963)	2,306
Cash flows from financing activities:			
Decrease in subordinated borrowings	(3,000)	—	—
Cash dividends paid	(4,986)	(4,787)	(45)
Purchase of treasury shares	(0)	(0)	(0)
Proceeds from sales of treasury shares	0	—	—
Other - net	(153)	(153)	(1)
Net cash provided by (used in) financing activities	(8,139)	(4,940)	(47)
Effect of exchange rate change on cash and cash equivalents	0	(23)	(0)
Net increase (decrease) in cash and cash equivalents	300,368	387,022	3,643
Cash and cash equivalents at beginning of period	701,500	1,001,868	9,430
Cash and cash equivalents at end of period	¥ 1,001,868	¥ 1,388,890	\$ 13,073

● Non-Consolidated Balance Sheets (As of March 31, 2017 and 2018)

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Assets:			
Cash and due from banks	¥ 1,021,957	¥ 1,408,901	\$ 13,262
Call loans	1,322	2,681	25
Monetary claims bought	14,239	14,481	136
Trading account securities	4,952	4,345	41
Securities	1,727,163	1,485,806	13,985
Loans and bills discounted	6,108,890	6,309,356	59,388
Foreign exchanges	5,102	7,399	70
Other assets	70,664	124,242	1,169
Property, plant and equipment	87,588	87,214	821
Intangible assets	8,933	8,559	81
Customers' liabilities for acceptances and guarantees	54,558	52,801	497
Allowance for loan losses	(33,723)	(30,247)	(285)
Total assets	¥ 9,071,648	¥ 9,475,544	\$ 89,190
Liabilities:			
Deposits	¥ 8,094,082	¥ 8,350,902	\$ 78,604
Negotiable certificates of deposit	88,480	88,967	837
Payables under repurchase agreements	—	31,064	292
Payables under securities lending transactions	222,758	145,169	1,366
Borrowed money	153,642	320,314	3,015
Foreign exchanges	69	125	1
Other liabilities	35,912	35,102	330
Provision for bonuses	1,694	1,613	15
Provision for retirement benefits	626	479	5
Provision for reimbursement of deposits	1,615	1,976	19
Provision for point card certificates	359	375	4
Deferred tax liabilities	22,447	29,326	276
Deferred tax liabilities for land revaluation	2,693	2,643	25
Acceptances and guarantees	54,558	52,801	497
Total liabilities	¥ 8,678,940	¥ 9,060,863	\$ 85,287
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,140
Capital surplus	50,001	50,001	471
Retained earnings	137,963	147,731	1,391
Treasury shares	(107)	(60)	(1)
Total shareholders' equity	308,957	318,773	3,001
Valuation difference on available-for-sale securities	78,062	90,397	851
Revaluation reserve for land	5,586	5,380	51
Total valuation and translation adjustments	83,649	95,778	902
Share acquisition rights	101	128	1
Total net assets	392,708	414,680	3,903
Total liabilities and net assets	¥ 9,071,648	¥ 9,475,544	\$ 89,190

● Non-Consolidated Statements of Income (Year ended March 31, 2017 and 2018)

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Ordinary income:			
Interest income:	¥ 78,835	¥ 76,807	\$ 723
Interest on loans and discounts	63,639	62,226	586
Interest and dividends on securities	14,549	13,904	131
Other interest income	646	676	6
Fees and commissions	27,884	27,307	257
Other ordinary income	4,989	2,123	20
Other income	7,988	8,667	82
Total ordinary income	¥ 119,698	¥ 114,906	\$ 1,082
Ordinary expenses:			
Interest expenses:	¥ 3,430	¥ 4,047	\$ 38
Interest on deposits	619	471	4
Other interest expenses	2,810	3,576	34
Fees and commissions payments	11,685	12,526	118
Other ordinary expenses	8,169	5,685	54
General and administrative expenses	74,334	72,559	683
Other expenses	1,614	4,004	38
Total ordinary expenses	¥ 99,234	¥ 98,824	\$ 930
Ordinary profit	¥ 20,463	¥ 16,082	\$ 151
Extraordinary income	2,114	398	4
Extraordinary losses	669	453	4
Income before income taxes	21,908	16,026	151
Income taxes:			
Current	1,374	662	6
Deferred	4,069	989	9
Total income taxes	5,443	1,652	16
Net income	¥ 16,464	¥ 14,374	\$ 135



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