

Profile of NAGANO BANK

# 2019

Financial Statements

March 31, 2019



NAGANO BANK

## Profile

Nagano Bank is a regional bank established in 1950. It is based in Nagano Prefecture in central Japan. Since its founding, the bank has worked tirelessly to contribute to local communities by offering a wide range of financial products and services.

As of March 31, 2019, we operate 53 branches in Nagano Prefecture and 1 branch in Tokyo. At the same time, total deposits stood at ¥1,031 billion (US\$9,291 million) and total assets at ¥1,094 billion (US\$9,859 million).

Moreover, the bank got listed in the Second Section of the Tokyo Stock Exchange in March 1997. The listing was subsequently moved to the First Section in September 1998, and additional capital was raised via third-party allotments of shares in 1999 to further improve the bank's equity and gradually build a strong business foundation.

## Message from the Management

I would like to express my appreciation to all stakeholders for their patronage and loyal support of Nagano Bank. We have published this disclosure report to provide stakeholders with a deeper understanding of the bank's operations and an easy-to-understand explanation of our business results and initiatives for the fiscal year that ended on March 31, 2019. We hope you will take the time to read this disclosure report and find it useful.

Based on our 10th medium-term management plan whose implementation began in April 2016, we have been striving to expand our customer base and managed to progress at a pace even faster than expected. For that reason, we have started to map out the next medium-term plan in the fiscal year 2018. It pivots toward account expansion and we have already made efforts to unify management of these accounts to further improve efficiency.

The business environment we operate in is influenced by the slowdown of economic growth in China and its ripple effect on the manufacturing industry as well as the problem of Brexit. They produce an acute sense of uncertainty in regards to the business climate. Moreover, the Bank of Japan's quantitative and qualitative monetary easing with yield curve control continues just like the decrease in lending rates and securities investment yields. This creates an even more challenging situation.

To overcome these aspects of the business environment, we have adopted the slogan "continuous change and even greater evolution". Accordingly, our new 11th medium-term management plan has taken effect in April 2019. We are aiming to deepen our relationship with small and medium-sized businesses and retail customers by positioning ourselves as "Nagano Prefecture's home bank" as well as by discovering the needs of our clients and focusing on problem-solving. By making all employees a part of this process, everyday business operations will take a big leap forward.

We are hoping for your continued support and patronage while working toward these objectives.

July 2019



Hitoshi Nishizawa, President

**Non-Consolidated Balance Sheets**

As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S.dollars
	2019	2018	2019
<b>Assets</b>			
Cash and due from banks	¥ 47,201	¥ 43,829	\$ 425,275
Call loans	8,776	30,000	79,078
Securities	399,459	389,080	3,599,061
Loans and bills discounted	620,348	596,118	5,589,229
Foreign exchanges	468	604	4,224
Other assets	13,631	13,165	122,813
Tangible fixed assets	9,581	10,006	86,331
Intangible fixed assets	617	799	5,564
Prepaid pension cost	594	591	5,354
Customers' liabilities for acceptances and guarantees	1,412	1,475	12,727
Allowance for loan losses	(7,805)	(7,880)	(70,322)
Total assets	¥ 1,094,288	¥1,077,791	\$ 9,859,339
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Deposits	¥ 1,031,209	¥1,013,844	\$ 9,291,013
Borrowed money	358	1,093	3,227
Foreign exchanges	0	0	6
Bonds with subscription rights to shares	2,965	2,965	26,714
Other liabilities	3,096	3,013	27,901
Provisions	1,082	1,133	9,749
Deferred tax liability	2,007	2,428	18,087
Acceptances and guarantees	1,412	1,475	12,727
Total liabilities	¥ 1,042,132	¥1,025,954	\$ 9,389,427
<b>Net assets</b>			
Capital stock	¥ 13,017	¥ 13,017	\$ 117,285
Capital surplus	9,681	9,681	87,225
Retained earnings	21,978	21,312	198,026
Treasury stock	(759)	(813)	(6,844)
Total shareholders' equity	¥ 43,917	¥ 43,197	\$ 395,692
Total valuation and translation adjustments	¥ 8,162	¥ 8,533	\$ 73,540
Subscription rights to shares	75	105	678
Total net assets	¥ 52,155	¥ 51,836	\$ 469,912
Total liabilities and net assets	¥ 1,094,288	¥1,077,791	\$ 9,859,339

Notes:1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to the sum totals given.

2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.99 to US\$1.00, the prevailing rate on March 31, 2019 (the last business day of the term).

**Non-Consolidated Statements of Operations and Retained Earnings**

For the years ended March 31, 2019 and 2018

	millions of yen		Thousands of U.S.dollars
	2019	2018	2019
<b>Income</b>			
Interest on loans and discounts	¥ 8,396	¥ 8,830	\$ 75,650
Interest and dividends on securities	4,380	3,966	39,469
Interest on call loans	18	3	167
Other interest income	26	27	235
Fees and commissions	1,199	1,068	10,805
Other operating income	740	1,156	6,673
Other income	1,358	3,427	12,242
<b>Total income</b>	<b>¥ 16,120</b>	<b>¥ 18,481</b>	<b>\$ 145,244</b>
<b>Expenses</b>			
Interest on deposits	¥ 233	¥ 331	\$ 2,099
Interest on call money	(0)	(0)	(0)
Other interest expenses	78	79	711
Fees and commissions	1,596	1,606	14,382
Other operating expenses	891	2,137	8,030
General and administrative expenses	10,529	10,945	94,870
Other expenses	1,602	1,121	14,435
<b>Total expenses</b>	<b>¥ 14,931</b>	<b>¥ 16,220</b>	<b>\$ 134,529</b>
Income before income taxes	1,189	2,260	10,715
Income taxes-current	263	396	2,374
Income taxes-deferred	(255)	82	(2,301)
<b>Net income</b>	<b>¥ 1,181</b>	<b>¥ 1,781</b>	<b>\$ 10,642</b>

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to the sum totals given.  
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.99 to US\$1.00, the prevailing rate on March 31, 2019 (the last business day of the term)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loans to legally bankrupt borrowers <sup>1</sup>	¥ 1,478	¥ 757	\$ 13,322
Loans with repayment in arrears <sup>2</sup>	15,504	16,941	139,693
Loans repayment extended for more than three months <sup>3</sup>	—	—	—
Loans whose terms have been eased <sup>4</sup>	529	1,314	4,773
<b>Total</b>	<b>¥ 17,512</b>	<b>¥ 19,014</b>	<b>\$ 157,788</b>

- Notes:
1. Loans to legally bankrupt borrowers refer to loans for which the accrual of interest income for accounting purposes is no longer recognized, and at the same time where the obligor is the subject of legal proceedings under the company rehabilitation law, the bankruptcy law, the civil rehabilitation law, or the commercial code; and/or where the obligor's bills are barred by clearing houses.
  2. Loans with repayment in arrears refer to loans for which the accrual of interest income for accounting purposes is no longer recognized, other than those falling into the category of "loans to legally bankrupt borrowers" or loans on which the receipt of interest has been waived in order to provide support for the obligor in corporate rehabilitation efforts.
  3. Loans repayment extended for more than three months or more refers to loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the contracted payment date, but that are not within the scope of loans to legally bankrupt borrowers or loans with repayment in arrears.
  4. Loans whose terms have been eased comprise loans for which lending conditions have been relaxed to promote the financial rehabilitation of obligors in distress, such as reduction of the original interest rate, forbearance of interest payment and/or principal repayment, waiver of claims, and similar measures that are outside the scope of the categories of "loans to legally bankrupt borrowers," "loans with repayment in arrears," and "loans repayment extended for more than three months or more."
  5. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to the sum totals given.
  6. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.99 to US\$1.00, the prevailing rate on March 31, 2019 (the last business day of the term).

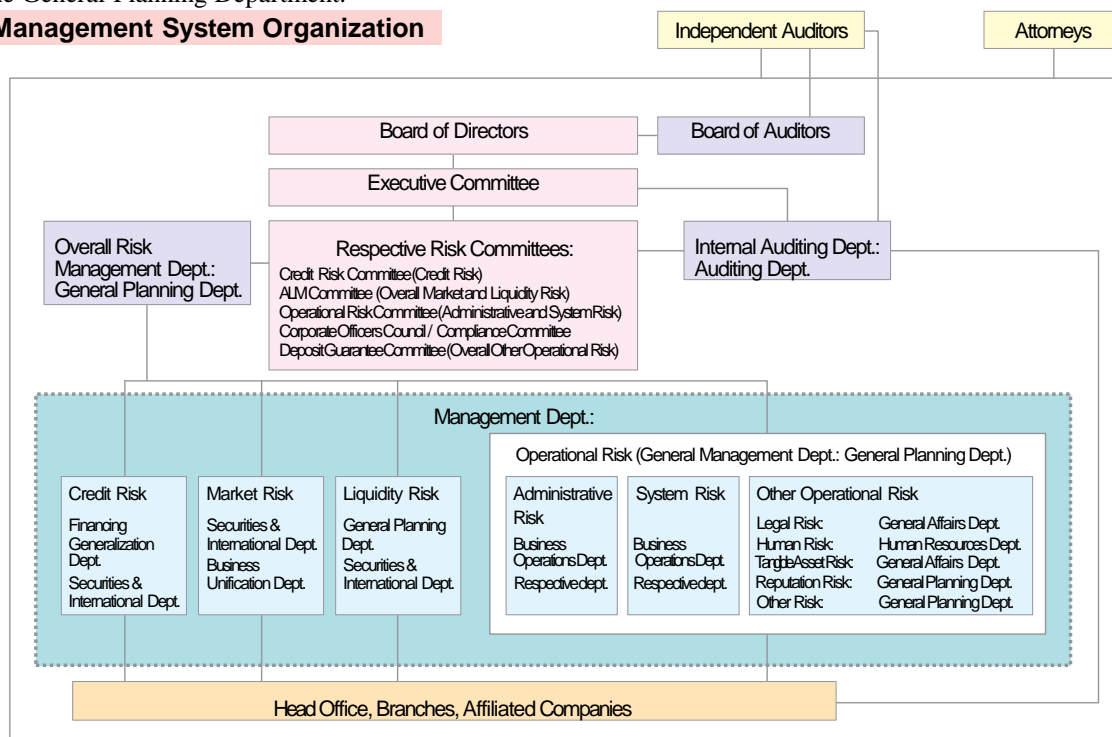
## Risk Management System

Evolving regulatory frameworks, internationalization and derivatives trading are only some of the elements of the changing world of finance. It is necessary to ensure more diversification and find ways to deal with increasingly complex settings for financial organizations to be able to find new business opportunities. For this reason, risk management in the financial sector is more important than ever.

To ensure that our financial situation remains sound and revenue growth develops as anticipated within this environment, we consider risk management an issue of the highest priority and therefore engage in ongoing efforts to strengthen our comprehensive risk management system.

The main risks financial institutions are exposed to include credit risk, market risk, liquidity risk and operational risk. To adequately address these issues, Nagano Bank has drafted internal policies and regulations to clearly define responsibilities within the organization in regards to risk management. Furthermore, to monitor the effectiveness of our risk management system, we conduct internal audits that are carried out by the Main Audit Department and also implement external audits performed by an affiliated certified accountant. In addition, to align the risk management practices of our entire organization, we have established a Risk Management Section within the General Planning Department.

### Risk Management System Organization



## Corporate Data

As of March 31, 2019

Founded: November 1950  
Capital stock: ¥13,017 million  
Number of Employees: 667

## Board of Directors

As of June 30, 2019

<b>Chairman of the Board Directors</b>	Isao Nakajo		
<b>President</b>	Hitoshi Nishizawa	<b>Directors</b>	Masanao Watanabe
<b>Managing Directors</b>	Hirofumi Uchikawa		Katsuo Tokutake
	Masayasu Kondo		Sachio Miyazaki
	Koichi Osawa		Sayuri Uchikawa
			Keizo Futatsugi
		<b>Standing Auditor</b>	Masumi Tsukada
		<b>Auditors</b>	Mika Godo
			Hayato Todoroki
			Seichiro Furihata

## Service Network

As of March 31, 2019

**Head Office**  
Address: 2-9-38, Nagisa, Matsumoto City,  
Nagano 390-8708, Japan  
Phone: +81-263-27-3311  
URL: <http://www.naganobank.co.jp/>  
Email: [enagagin@naganobank.co.jp](mailto:enagagin@naganobank.co.jp)

**Tokyo Branch**  
Address: 2-12-6, Uchikanda, Chiyoda-ku,  
Tokyo 101-0047, Japan  
Phone: +81-3-3258-6351

**Securities & International  
Department**  
Address: 2-9-38, Nagisa, Matsumoto City,  
Nagano 390-8708, Japan  
Phone: +81-263-27-3311  
Fax: +81-263-28-6550  
SWIFT: NAGAJPJZ

**Number of Branches**  
Nagano: 53 Offices  
Tokyo: 1 Office

**Money Exchange Offices**  
11 Offices



THE NAGANO BANK, LTD.

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