

Annual Report 2018



THE EHIME BANK,LTD.

A bank that supports progress in its home region

The Ehime Bank has a firm commitment to maintaining strong ties with the communities and regions the bank serves. We accomplish this by offering a diverse array of financial services that can precisely meet the requirements of our customers. Providing these services enables us to earn the friendship and trust of the public as a bank that makes creative contributions to progress in our service area.

A bank committed to progress with vigor and fortitude

The Ehime Bank is determined to accurately meet the increasingly advanced and diverse needs of customers while maintaining deep roots in the communities the bank serves. We will take many actions to raise our operations to a higher level as well as to further improve our efficiency and soundness. Our goal is to build a powerful framework that is resilient to change.

A bank that is a pleasant and rewarding place to work

We want the people who work at the Ehime Bank at all levels to upgrade capabilities on their own in order to gain the skills needed for innovative and creative thinking. Workplaces at the bank are structured to utilize these skills. As we continue to improve the skills of our workforce and build a stronger organization, we will remain a bank that is indispensable for the communities we serve.



Head office and training center

Cover: Flower of Sakura Hime

Sakura Hime (cherry blossom princess) is a new variety of the delphinium genus of flowering plants that was developed in Ehime prefecture and officially registered in February 2015. The Ehime Bank is one of the companies that supports the Sakura Hime Promotion Project.

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Committed to the vitality of the communities we serve as a bank with deep roots in its home region

President

Yoshinori Nishikawa

In Japan, the economy is generally firm as a slow recovery continues with the support of a rebound in consumer spending. External demand is growing as overseas economies remain healthy. Furthermore, an improvement in corporate sentiment in Japan regarding capital expenditures is expected in association with the 2020 Tokyo Olympics. However, trade protectionism in other countries and Japan's labor shortage may have a negative effect on the Japanese economy.

In Ehime prefecture, the economy is recovering mainly with the support of the manufacturing sector. Improvements are emerging in the job openings-to-applicants ratio, the minimum wage and other labor market statistics. If companies spend more of their earnings on wages, the rebound in consumer spending may gain momentum.

Negative interest rates in Japan are having a severe impact on the ability of financial institutions to earn profits. As a result, there is an urgent need to enact structural reforms and create new business models.

The Ehime Bank and its subsidiaries operate a broad range of business activities involving leases and other financial services that are associated with the core banking business. Activities also include venture capital investments and other investments. All these

activities are aimed at invigorating the economy of our home region and energizing communities as we deal with this difficult business climate.

In 2017, Ehime prefecture hosted the National Sports Festival for the first time in 64 years. This was an excellent opportunity to show people all over Japan the appeal of Ehime. To help utilize this opportunity, the Ehime Bank became an official sponsor of this event. In the role, we participated in many activities and cooperated in other ways.

To stimulate the economy of our home region, we established the Ehime Regional Revitalization Fund with Japan Post Bank. This is the first fund of this type in Shikoku. In addition, we started operating a Community Vitality Desk inside the Ehime prefectural office building in April 2018. In another step to support our home region, we signed agreements with two municipalities. One is an Agreement for the Establishment of Local Funds that we signed with the city of Saijo. The other is an Agreement concerning the Yumeshima Scholarship Program that we signed with the municipality of Kamijima. We are working with these municipalities to solve various issues in order to energize their economies.

Another significant event was the start of a tie-up with SBI Securities Co., Ltd. that allows us to offer the

financial products of this company. This collaboration greatly expanded our lineup of financial products and demonstrates our commitment to providing the best possible financial services for the benefit of our customers.

In addition, we extend loans and make investments in growing market sectors and provide support to small and midsize companies to give them a stronger base of operations. All these activities are based on assessments of the viability of each business. To reinforce our ability to provide solutions for customers, we conducted a reorganization in February 2018. Now we have a unified framework covering the head office and branches for strengthening our ability to create proposals and for placing all business information in a single location. With this organization, we will work even harder on helping our small and midsize business customers improve their operations and solve a variety of issues.

Risk exposure at financial institutions is becoming more sophisticated and complex every year. Risk involving money laundering and financing of terrorism are prime examples. To ensure that we do business properly with respect to our risk exposure, we are constantly upgrading our risk management and corporate governance infrastructures.

In April 2018, we started our 16th medium-term plan with the following central theme: Taking on the challenge of innovation and change – Everything we do is for the benefit of our customers. This three-year plan has the goal of accurately responding to changes in our operating environment while meeting the increasingly advanced and diverse needs of our customers.

Our vision is to become a bank that is indispensable for communities, customers and shareholders. To make this a reality, we will focus our energy on three central goals. First, improve our profit structure. Second, implement customer-driven business process reforms. Third, create new guidelines for how people do their jobs.

In addition to these three goals, the medium-term plan has key strategies for seven activities: sole proprietorship sales, corporate sales, securities markets, activities in specific geographic areas, sales and service channels, business process reform, and human resource development. We will move quickly in all areas to achieve our objectives.

As a bank with deep roots in our home region, we are dedicated to helping achieve sustainability for the communities and areas we serve. As we make steady progress with the key strategies, we will operate in a manner that places great value on strong ties with our home region and demonstrates a strong commitment to the advancement of this region.

We will continue to step up activities aimed at economic growth in the communities we serve. Creating more value with our customers is one objective of these activities. To contribute to this economic growth, we will constantly take on new challenges and retain an intent focus on fulfilling our role as a regional financial institution.

This report is structured to give you a thorough understanding of our current operations and our goals. Thank you for your interest in the Ehime Bank and I look forward to submitting reports in the future as we make progress toward our strategic objectives.

Assessment of the Previous Medium-term Plan

Accomplishments

- Increases in net interest income and core net business income due to growth in deposits and loans
- Growth in loans to small and midsize companies and consumer loans
- Decline in loan and other credit costs
- Increase in return on investments due to diversification of the investment portfolio

Shortcomings

- Interest margin narrowed
- Decrease in earnings from fees and commissions
- Decrease in unrealized gains on Japanese government bonds
- Increase in the cost of equipment

Issues

- Improve financial soundness
 - Increase the amount of assets with risk through growth in loans and invested assets
 - Redeem subordinated debt to lower the equity ratio
- Increase productivity
 - Compared with the performance of other banks, there is still potential to improve per-head productivity indicators such as core net business profit per person.
- Human resources development
 - Improve the quality of the workforce
 - Give people training to become specialists and develop the skills of young and mid-career employees

Founding spirit

Since our founding in 1915, we have always focused on contributing to the advancement of our home region by retaining a strong commitment to the founding spirit of mutual aid.

This is the spirit of service to others centered on helping one another, cooperation and other activities involving the theme of mutual aid.

The spirit of mutual aid dates back more than 1,500 years when Buddhism came to Japan. Mutual aid is at the core of financial services for the public and the roots of the Ehime Bank.

“We believe that putting customers first and treating our employees well will result in prosperity.” This is the founding spirit that is still at the heart of all our activities.

Our role and mission as a regional financial institution

As a regional financial institution, our mission is to do everything possible for the advancement of our home region.

Today, the communities we serve are facing many challenges. We believe it is precisely at a time like this that we need to demonstrate our true worth as a bank that is the first place people choose for assistance.

We use support for small and midsize companies and other activities to provide extensive support for the economy of our service area as a “hometown bank.” We also contribute in many ways to cultural, sports, environmental and other community programs and will continue to do so. This includes neighborhood clean-up campaigns, greeting campaigns and other activities that make communities a better place to live.

Results of operations in the year ended March 31, 2018

Net interest income increased 1,585 million yen because of increases in interest on loans, the result of growth in the amount of loans, and in interest and dividends on securities. There were also increases of 773 million yen in income from fees and commissions and 393 million yen in other ordinary income, mainly the result of gains on sales of stocks. As a result, ordinary income increased 2,901 million yen to 44,965 million yen.

Ordinary expenses increased 1,002 million yen to 35,592 million yen despite a decrease in credit expenses. One reason was an increase in fees and commissions paid.

As a result, ordinary profit increased 1,898 million yen to 9,373 million yen and net income attributable to owners of parent increased 652 million yen to 6,102 million yen.

Our vision

We have a strong commitment to fulfilling our roles and mission as a bank with deep roots in its home region. First of all, this requires becoming more profitable, operating more efficiently and further improving financial soundness.

For profitability, we are supplying a substantial amount of funds to companies in order to support the economic vitality of our home region. For example, we are backing up companies in growing market sectors like nursing care and health care. We support companies in major Ehime prefecture industries such as marine transport and shipbuilding and paper and pulp. Another focus is primary industries that are located mostly in the southern part of the prefecture. Services for consumers are one more priority. We will continue to strengthen consumer and housing loan activities and measures to sell investment trusts and other assets under management.

Enhancing our consulting capabilities is another goal. We will use consulting skills to help companies revitalize their operations and grow. To energize communities and regions, we will be a source of a broad range of support that is linked to close ties with municipalities

Launched the 16th Medium-term Plan (FY2018 - FY2020)

Theme

Taking on the Challenge of Innovation and Change

Everything we do is for the benefit of our customers

Basic Policy

1. Create value with our customers

Be a source of customer-centric, high-quality financial services that help energize communities and regional economies by assisting with solving problems of companies, building wealth for individuals and meeting other needs.

2. Improve productivity

Reexamine office work and restructure the sales organization in order to spend more time on creating ways to serve customers and contribute to progress in communities we serve.

3. Strengthen risk management and governance

Recognizing the importance of risk management, upgrade management oversight capabilities for the purpose of aiming for sustained growth and medium to long-term growth of corporate value.

The Three Pillars and Key Goals

Improve the profit structure

- Increase businesses that produce fees (add new business domains)
- Upgrade asset management capabilities
- Make core businesses (a key strength) more powerful
- Increase points of contact with customers

Customer-driven business process reform

- Further improve productivity
- Give more support from the head office to branches and other offices
- Reallocate the Ehime Bank Group's resources
- Strengthen strategic investments

New guidelines for how people do their jobs

- Spend more time with customers
- Improve the ability to create ideas that truly reflect customers' needs
- Reinforce skills required to meet customers' needs
- Offer more ways for people to do their jobs and promote diversity

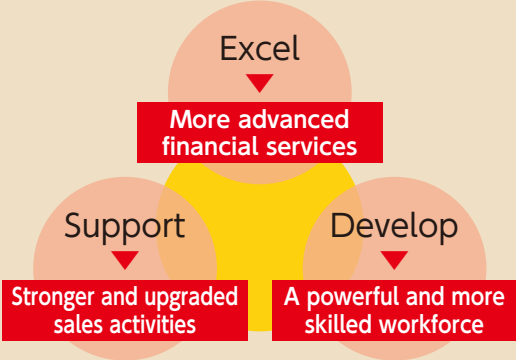
Numerical Targets

Target completion date
End of March, 2021

Profitability

Net Income
6 billion yen or more
Core Net Business Income
10 billion yen or more
ROE (shareholders' equity basis)
5% or more

The Ehime Bank will identify the needs of residents of the communities served and devise solutions. We will accomplish this by using a unified **three-part solution** framework that can exist only at a bank with deep roots in its home region. As we utilize these activities, we are determined to make steady progress with the medium-term plan strategies in order to achieve the plan's goals.



Key Strategies

- Consumer sales strategy
- Corporate sales strategy
- Securities market strategy
- Area strategy
- Channel strategy
- BPR strategy
- Human resource development and use strategy

Our Vision

Be a bank that is indispensable for communities, customers and shareholders

Our vision of being “a bank that is indispensable for communities, customers and shareholders” signifies our commitment to serving as a bank that plays a vital role for communities, customers, shareholders and all other stakeholders.

As stated in our management policy, we are dedicated to meeting the expectations of everyone by focusing every aspect of our activities on three goals: creating value with our customers, improving productivity, and strengthening risk management and governance.

Safety

Deposits
2,400 billion yen
or more

Loans
1,750 billion yen
or more

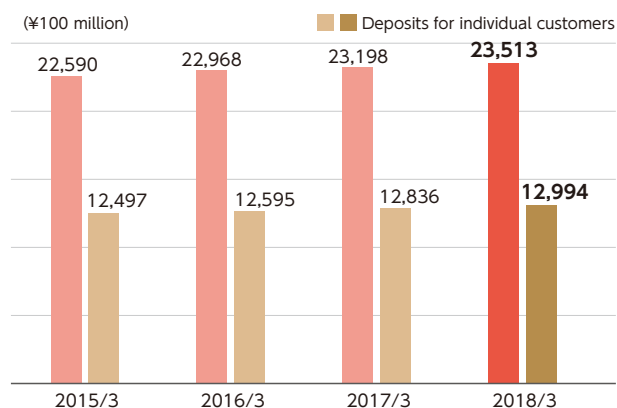
Soundness

Capital adequacy ratio of
8% or more

Nonperforming loan ratio
2% level

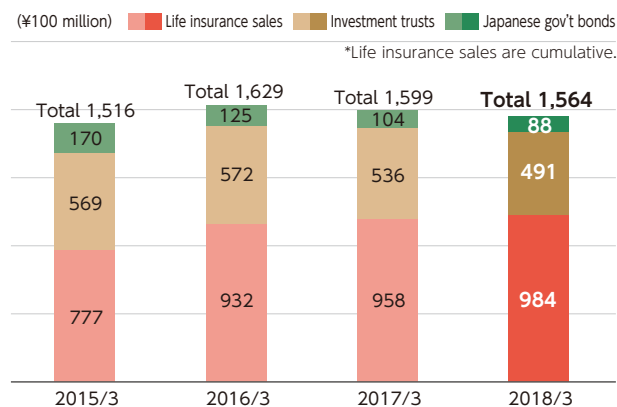
Deposits (including certificates of deposit) (Non-consolidated)

Deposits increased 31.4 billion yen (1.3%) mainly because of effective sales activities to increase deposits by individuals.



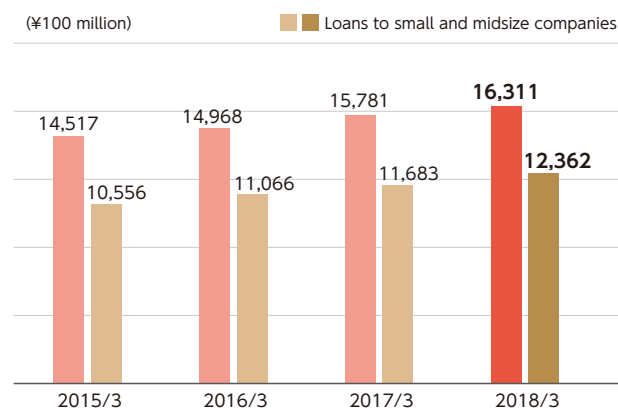
Assets under Management

Sales of assets under management increased because of strength in financial markets, resulting in a decrease of 3.4 billion yen (2.1%).



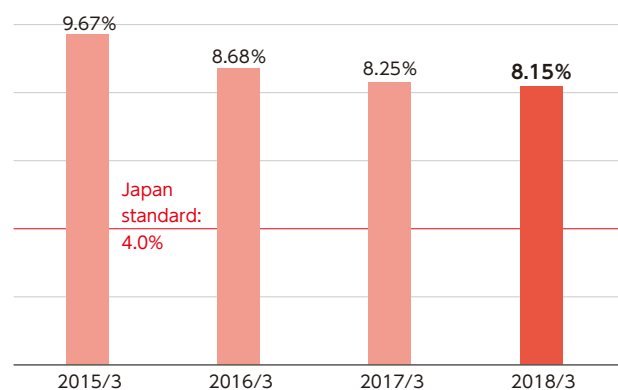
Loans (Non-consolidated)

Loans increased 53.0 billion yen (3.3%) mainly because of extensive sales activities for loans to small and midsize companies and individuals.



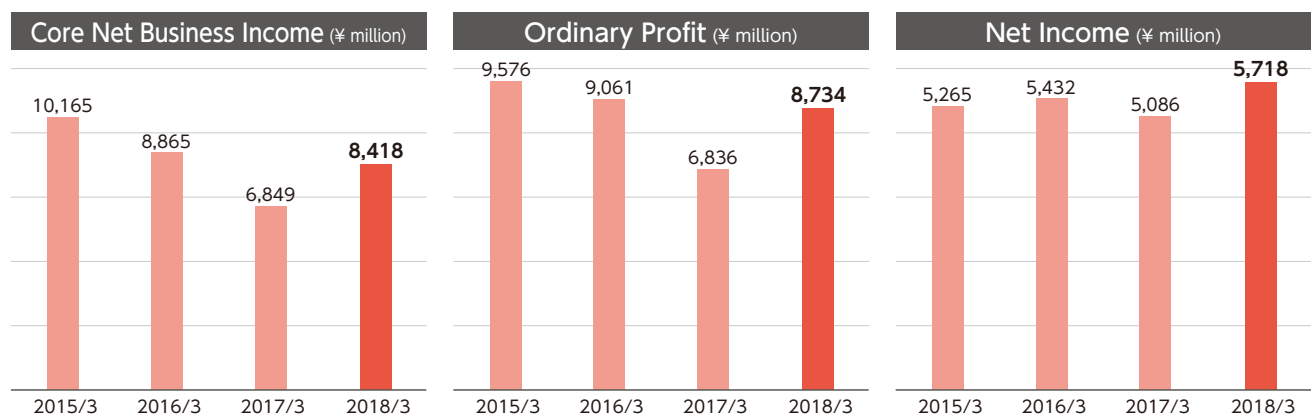
Capital Adequacy Ratio (Non-consolidated)

The capital adequacy ratio was 8.15% at the end of March 2018. This demonstrates the Ehime Bank's excellent financial soundness as this ratio is far above the Japan standard of at least 4% for banks that have branches only in Japan.



Earnings (Non-consolidated)

Net income rose to an all-time high due to many activities aimed at the growth of loans to small and midsize companies and the efficient use of capital.



Consolidated Financial Summary (Year ended March 31, 2018)

● Consolidated financial highlights

| | |
|------------------------------|--------------------|
| Ordinary income | 44,965 million yen |
| Ordinary profit | 9,373 million yen |
| Net income | 6,102 million yen |
| Capital adequacy ratio | 8.44% |

● Consolidated subsidiaries

Himegin Business Service Co., Ltd.
 Himegin Soft Co., Ltd.
 Himegin Lease Co., Ltd.
 Ehime-JCB Co., Ltd.
 Himegin Staff Support Co., Ltd.

● Equity-method (non-consolidated) subsidiaries

Ehime Gaiya Fund Growth Industry Support Fund Limited Partnership for Investment Businesses
 Ehime Venture Fund 2013 Limited Partnership for Investment Businesses
 Ehime Agricultural Fund Limited Partnership for Investment Businesses

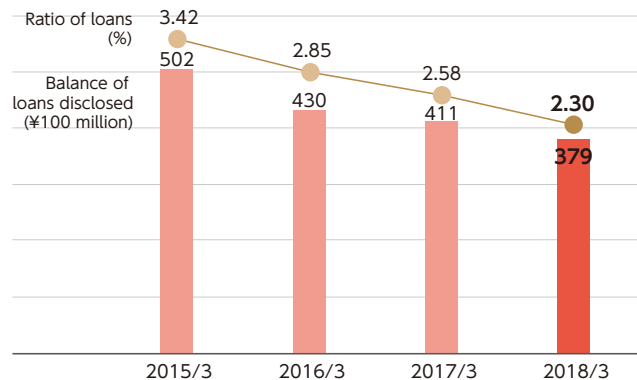
Credit Rating

The Ehime Bank has received an A- long-term issuer rating from the Japan Credit Rating Agency (JCR). The A rating is defined as “a high level of certainty to honor financial obligations.”

| | |
|-----------------------------|---|
| 1 | AAA |
| 2 | AA |
| The Ehime Bank, Ltd. | A ◀ Third highest rating out of 10 |
| 4 | BBB |
| 5 | BB |
| 6 | B |
| 7 | CCC |
| 8 | CC |
| 9 | C |
| 10 | D |

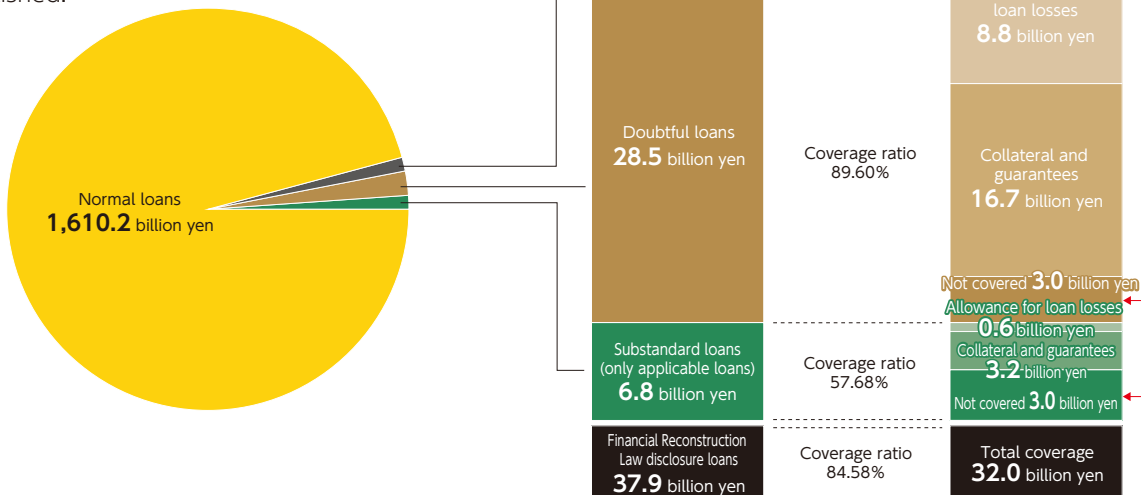
Balance and Ratio of Loans Disclosed under the Act on Emergency Measures for the Revitalization of Financial Functions (Non-consolidated)

The balance and the ratio of loans disclosed under the Act on Emergency Measures for the Revitalization of Financial Functions as of the end of March 31, 2018 (Non-consolidated) declined by 3.1 billion yen and the ratio was 2.30% (a decline of 0.28% from a year earlier)



Loans Disclosed under the Financial Reconstruction Law and Ratio (Non-consolidated)

The Ehime Bank is adding to the allowance for loan losses as needed to maintain financial soundness. In addition, there is sufficient equity to cover any loan losses for which an allowance has not been established.



Note: The allowance for loan losses for substandard loans is the general allowance for loan losses for each borrower.

84.58% of these loans are covered. There is sufficient equity to cover the 5.9 billion yen portion of these loans that is not already covered.

Basic Policy

1. The Ehime Bank is dedicated to conducting constructive dialogues with customers, shareholders and other investors, and all other stakeholders. Establishing effective corporate governance for sustained growth and a long-term increase in corporate value is one of the bank's highest priorities. Activities to achieve this goal follow these fundamental guidelines.
 - (1) Promote dialogues with stakeholders, designate the Planning and Public Relations Department as the unit responsible for investor relations, and appoint a director to oversee these activities.
 - (2) Information in these dialogues is made available to all sections of the bank and there are broad-based responses as needed to this information, particularly in the associated departments.
 - (3) Shareholders meetings are a valuable opportunity for a dialogue with shareholders. Meetings are held in a manner that is convenient for shareholders and a sufficient amount of investor relations and other information is disclosed at these meetings.
 - (4) Opinions and other information obtained during dialogues with stakeholders are reported to senior executives and Board of Directors in accordance with the importance of the information.
 - (5) The disclosure of significant information is done properly in strict compliance with laws and regulations concerning information disclosure in order to ensure the timely and fair disclosure of information and the prevention of disclosing information only to certain shareholders or other stakeholders.
2. The Ehime Bank is dedicated to the use of internal controls to strengthen corporate governance, with all activities centered on compliance, for the purpose of performing business activities effectively and efficiently.
3. By using increasingly sophisticated methods for the management of all categories of risk, the Ehime Bank maintains the proper level of equity in relation to risk exposure and improves financial soundness.
4. The Ehime Bank ensures the effectiveness of the management oversight function by increasing interaction between outside directors and other directors.

Corporate Governance Framework

Management transparency and the maximization of corporate value are the goals of corporate governance at the Ehime Bank. Our basic policy is to use the following measures in order to build and strengthen our organizational structure so that we can respond swiftly to changes in the business climate.

The Board of Directors has 15 members, including two outside directors. Both outside directors are designated as independent directors.

The Ehime Bank uses the corporate auditor system. The Board of Auditors has four members, including two outside auditors. Corporate auditors attend meetings of the Board of Directors and the full-time corporate auditors attend meetings of the Executive Committee in order to ensure that the individuals at these meetings are performing their duties properly.

For business operations, there is also a Compliance Committee, Risk Management Committee and other committees. Individuals involved with internal audits attend these committee meetings to perform oversight.

Board of Directors

As a rule, the Board of Directors meets once each month in order to make decisions about important matters and oversee the execution of business operations. There is also an Executive Committee consisting primarily of directors who are also the Ehime Bank Group executives for the purpose of speeding up decisions and conducting business operations more efficiently in accordance with the basic policies determined by the Board of Directors. As a rule, the Executive Committee meets once each week for important matters involving business operations.

Internal Audits

The Ehime Bank has an Audit Department that is independent of business operations. The head office, branches and consolidated subsidiaries undergo internal audits. As a rule, the results of audits are reported at a meeting held once each month and reports are passed on to the Board of Directors and Board of Auditors.

External Audits

The Ehime Bank has an auditing contract with Ernst & Young ShinNihon LLC for conducting thorough audits. Certified public accountants Hachiro Miyata and Noriyuki Horikawa performed the audit for the financial statements for the fiscal year that ended on March 31, 2018. In addition, four certified public accountants assisted with the audit and seven other professionals participated. None of these assisting individuals has audited the Ehime Bank for more than seven consecutive years. Also, Ernst & Young ShinNihon does not allow a lead audit engagement partner to participate in the audit of the same company for more than a certain number of years.

Corporate Auditors, Audit Department and Independent Auditor

The corporate auditors, Audit Department and independent auditor work closely with each other, including for the sharing of information about the results of audits, in order to perform audits efficiently.

Compliance Committee

Compliance is one of the highest priorities regarding the management of the Ehime Bank. This committee, which is chaired by the president, is responsible for maintaining a sound compliance framework. As a rule, the committee meets once each month to examine and discuss problems and other subjects involving compliance. In addition, there is a compliance officer in each department and at each branch in order to ensure strict compliance with laws, regulations and other guidelines.

Risk Management Committee

This committee accurately recognizes and monitors the different types of risk associated with the banking business and properly manages this risk exposure. The objective is to maintain the soundness of business operations and a stable foundation for these operations. The committee, which is chaired by the chief risk management officer, meets once each month, as a rule. Committee members consider and discuss policies and countermeasures for dealing with different categories of risk.

Anti-Money Laundering/Countering the Financing of Terrorism Committee

The prevention of money laundering, support for terrorism and other illegal activities is one of the highest priorities regarding the management of the Ehime Bank. This committee confirms that risk identification, assessment and reduction measures are effective. The committee also performs the centralized monitoring, analysis and evaluation of responses to these risks. Committee members also examine and discuss problems involving money laundering and other illegal activities. Chaired by the chief illegal activity prevention officer, this committee meets at least once each month.

Asset Liability Management Committee

This committee analyzes and discusses issues concerning market-related risk factors. Chaired by the director in charge of the Planning and Public Relations Department, the committee meets once each month, as a rule. Submitting advice to the Executive Committee is one more role of this committee.

Internal Control System

Public service is a critical element of the operations of the Ehime Bank as a regional financial institution. To properly fulfill our social responsibilities and accomplish our mission, we have an internal control system that complies with our Basic Policy on the Construction of an Internal Control System, which was established by the Board of Directors.

To ensure that executives and employees do their jobs in strict compliance with laws and regulations and the bank's Articles of Association, compliance is one of the highest priorities regarding the management of the Ehime Bank. The chief risk management officer is also the chief compliance officer. In addition, there are training, guidance and checking activities in order to upgrade and reinforce the compliance infrastructure of the entire the Ehime Bank Group.

To continue strengthening the compliance framework, there is a Compliance Committee chaired by the president. This committee discusses matters involving compliance with laws, regulations and other guidelines and submits reports and matters for further discussion to the Board of Directors.

We have a Corporate Ethics Hotline that is linked to both the Risk Management Department and to an external law firm. This hotline contributes to the prevention and rapid discovery of illegal activity at the Ehime Bank Group.

Internal Audits, Corporate Auditor Audits and Independent Auditor Audits

The Audit Department performs internal audits. This department is independent of all departments that conduct business operations and had a staff of 14 as of the end of March 2018. The head office, branches and consolidated subsidiaries undergo internal audits. As a rule, the results of internal audits are reported at a meeting for this purpose held once each month and reports are passed on to senior management.

Corporate auditors perform audits based on an audit plan that conforms to the corporate auditor audit standards established by the Board of Auditors. The corporate auditors gather information by talking with directors, members of the Audit Department and members of other departments as needed. Audits also include the collection of important documents concerning business activities and examinations of the status of these activities and the bank's financial soundness. This information is used to audit the performance of the directors.

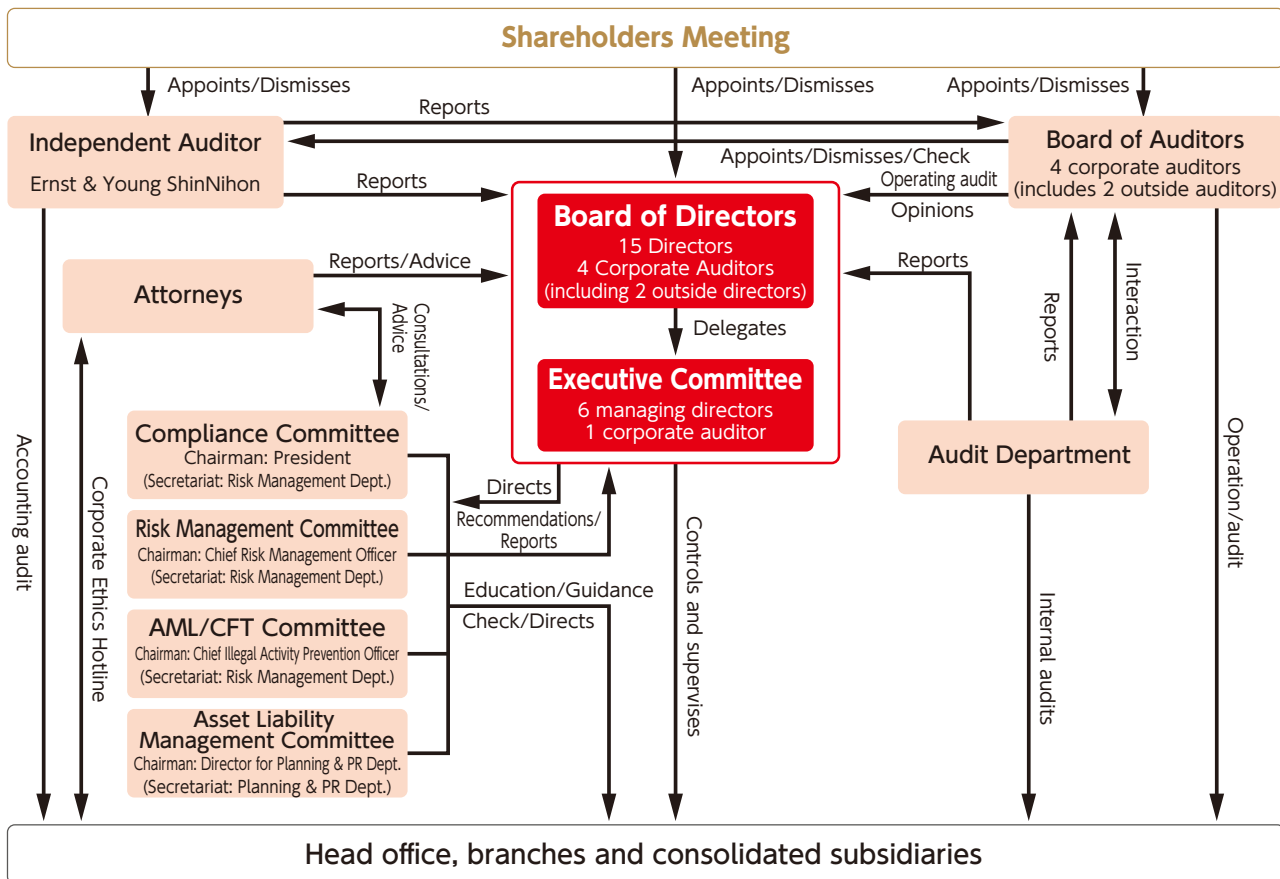
Full-time corporate auditors have many years of experience in the banking business and considerable knowledge of finance and accounting.

For external audits, the Ehime Bank has an auditing contract with Ernst & Young ShinNihon LLC for conducting thorough audits. Certified public accountants Hachiro Miyata and Noriyuki Horikawa performed the audit for the financial statements for the fiscal year that ended on March 31, 2018. In addition, four certified public accountants assisted with the audit and seven other professionals participated.

No information about the number of consecutive years these individuals have audited the Ehime Bank is shown because no one has been assigned to the Ehime Bank for more than seven consecutive years. Also, Ernst & Young ShinNihon does not allow a lead audit engagement partner to participate in the audit of the same company for more than a certain number of years.

The corporate auditors, Audit Department and independent auditor work closely with each other, including for the sharing of information about the results of audits, in order to perform audits efficiently.

■ Corporate Governance Flowchart (July 10, 2018)



Risk Management

The diversity and complexity of risk exposure at banks have been increasing along with the deregulation and globalization of the financial services sector, advances in financial technologies, and progress involving information and communication technologies. To maintain and improve the soundness of business operations, the Ehime Bank positions risk management as one of its highest priorities. Our goal is to maintain the proper balance as we seek to earn profits while keeping risk exposure at a suitable level with respect to our capacity to accept risk.

To manage risk in a timely and suitable manner, we have a Risk Management Department that oversees risk for all our operations and follows the Basic Standards for Risk Management established by the Board of Directors. This department gives us a framework for the comprehensive management of all categories of risk.

Credit risk, market risk, liquidity risk and operational risk are four key categories of risk at a bank. We have designed a department responsible for managing each of these risks and a risk management procedure. In addition, the Risk Management Department performs an overall assessment of these risks to verify that the level of total risk exposure does not exceed our capacity to accept risk exposure. There is also a Risk Management Committee, which is chaired by a representative director, that analyzes and discusses overall risk exposure and takes actions to further upgrade our risk management.

The Audit Department performs suitable and effective audits of the risk management framework on a regular basis in order to confirm the effectiveness of risk management. Audit reports are sent to the Board of Directors.

Credit Risk Management

■ Definition

Credit risk is the risk of a decline in the value of assets or a loss caused by a decline in the financial condition or some other problem at an entity that has received credit.

● Credit examination system

Sound and proper banking operations require the accumulation of financially sound loans with good future prospects, based on the bank's own responsibility, and the establishment of a strong foundation for extending loans. To maintain a structure for the proper management of credit risk, the Board of Directors has established a Credit Risk Management Policy. In accordance with this policy, we have established Credit Risk Management Rules and a Credit Policy. This policy clearly defines our basic stance and business guidelines regarding loans in order to create a basic code of conduct for loans. In addition, we have an organizational structure led by credit examination departments for the management of credit risk.

Since May 2006, we have used a rating self-assessment system as the basic infrastructure for the management of credit risk. We perform financial analysis for individual loans to make objective measurements using a unified scale. Then we assign each loan one of 12 ratings based on the resulting credit evaluation. This allows us to rigorously manage the provision of credit.

In September 2007, we started using Monte Carlo simulations for the measurement of credit risk. This methodology made our credit risk management more advanced by performing analysis and assessments for specific credit ratings and industries. In addition, we have credit limits for each borrower (including corporate groups) in order to diversify risk exposure and prevent unduly large credit risk exposure to any single borrower. We have established credit lines for some industries in order to prevent excessive exposure to any particular industry. All of these activities are aimed at properly managing our loan portfolio.

Marine transport is a major industry in our home region. To manage our credit exposure in this industry, we established the Ship Finance Office as part of one of our credit departments in February 2007. This office was upgraded to a department in February 2018. With a team of marine transport industry experts, the Ship Finance Department performs intermediate oversight of borrowers, studies industry trends, collects information and performs other activities involving credit risk management.

● Support framework for borrowers

Credit Department II extends support to borrowers that are working on improving their business operations. This department is constantly upgrading its monitoring, management support and consulting capabilities. By extending support, this department is playing a major role in invigorating local economies in our home region.

Support also includes assessments of the viability of

business operations. External professionals and organizations are used as needed to perform these evaluations. We use the results to provide advice, assistance with management, and loans and other forms of support required for the growth of a business.

● Self-assessments of assets

We conduct self-assessments by using self-assessment standards such as the Financial Examination Manual. We also have standards for loan write-offs and the allowance for loan losses. In addition, we use our loan credit rating self-assessment system. These activities make it possible to perform self-assessments periodically as borrowers announce results of operations and at any other time when a change occurs at a borrower. We use this framework for timely and accurate self-assessments and for the proper use of loan write-offs and the allowance for loan losses.

For write-offs and the loan loss allowance, we divide loans into three categories: normal loans, doubtful loans and substandard loans. The amount of the general allowance for loan losses is based on our forecast future losses on these loans by using past rates of losses in each category. For loans to quasi-bankrupt or bankrupt borrowers or borrowers with a high risk of bankruptcy, we estimate how much of each loan can be recovered by using collateral, guarantees and other coverage. The remaining amount is either written off directly or covered by an addition to the allowance for loan losses.

● Measures for the reduction of credit risk

We use collateral, guarantees and deposits that offset loans, credit derivatives and other methods for the reduction of credit risk exposure. Prior to extending loans and other forms of credit, we must determine that the debt is very likely to be repaid. Furthermore, we use collateral, guarantees and other measures at times in order to reduce credit risk exposure. As collateral, we accept deposits, securities, real estate and other types of assets. The majority of the collateral we hold is real estate. We use our internal rules for the rigorous evaluation and oversight of collateral and guarantees.

We use these activities to perform thorough credit examinations of individual borrowers and, if a loan is approved, follow-up monitoring and intermediate management. This makes it possible to manage and assess credit risk for each borrower. In addition, we use portfolio management to control total credit risk for all our business operations. Measurements, analysis and evaluations of credit risk resulting from these credit risk management methods are reported periodically to the Board of Directors and other management units for use in the determination and implementation of strategies.

Asset Liability Management and Market Risk and Liquidity Risk Management

The Asset Liability Management (ALM) Committee holds regular meetings to maintain a suitable level of earnings while dealing with a diverse array of risk factors associated with progress in the field of financial technology. The ALM Committee monitors anticipated risks, performs profit and risk simulations based on interest rate and foreign exchange rate forecasts, and uses other activities to determine the required actions. The goal is earning a level of profits that matches the level of risk exposure.

We use the most advanced risk management system for ALM analysis. One method is the creation of interest rate scenarios. This entails performing an overall determination of market risk and liquidity risk associated with interest rate and stock price movements as well as analyzing the economic and financial environments. We also use statistical methods to anticipate future levels of earnings and risk. The objective is to constantly upgrade our risk management skills.

In addition, we have frameworks for the management of market risk and liquidity risk that are based on the basic policy established by the Board of Directors. Our goal is to maintain the best possible balance between earnings and risk as we continue to improve our ALM capabilities.

Operational Risk Management

■ Definition

Operational risk is the risk of incurring losses caused by an accident involving business operations, the improper operation of use of a system, or an external event such as an earthquake or fire.

The Ehime Bank has Operational Risk Management Rules for the all-inclusive and proper management of this category of risk. We divide operational risk into six categories: clerical risk, IT system risk, human risk, compliance risk, property risk and reputational risk. We have designated a department that is responsible for each risk category. In addition, the Risk Management Department supervises other departments that are involved with the management of operational risk factors.

● Clerical risk

■ Definition

Clerical risk is the risk of incurring losses caused by the failure of people to perform their duties accurately or by an accident, fraud or other event.

The Ehime Bank understands that speedy and accurate clerical processes are the foundation of sound business operations. We are also very aware of the importance of managing information properly. We use numerous initiatives for the prevention of clerical errors, accidents and fraud. Activities include training programs, the establishment of rules and manuals, and the reinforcement of system checks. We are also upgrading clerical process guidance and education activities.

● IT system risk

■ Definition

IT system risk is the risk of incurring losses caused by a problem involving a computer system, such as an interruption in its operation, a mistake in the system's use, a hardware or software issue, or some other factor. This risk also includes losses caused by the fraudulent use of a computer system.

For the protection of information, the Ehime Bank has a security policy that defines the basic policy and rules for business activities that utilize information. There are different management structures to match the importance of IT systems and information that are utilized.

For the most critical IT systems, we have a back-up center so that business activities are not interrupted even in the event of a powerful earthquake or some other major disaster.

To protect data involving customers, we have an extensive security management system that includes encryption and measures to prevent unauthorized access from external sources. When developing new IT systems, we perform thorough preliminary tests with the goal of preventing problems when the systems become operational.

Prevention of Money Laundering and Financial Support of Terrorism

In February 2018, the Financial Services Agency announced Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism. In accordance with these guidelines, we are strengthening our risk management capabilities in order to prevent these problems.

Crisis Management

In addition to the preceding risk management activities, we have a system in place for responding to a crisis, which can be anything from a major earthquake or other natural disaster to the outbreak of a new strain of influenza. We have a business continuity plan, which includes key operations that should receive priority when an emergency occurs, and a framework for taking the necessary actions.

We conduct drills and other training activities to be prepared for emergencies. In the event of a crisis, our first priority is the safety of our customers. In addition, we are reinforcing our ability to continue providing the financial services that our customers require even during a crisis.

Overview of Group Companies

THE EHIME BANK, LTD.

104 domestic branches (including 8 sub-branches), 8 subsidiaries

● Subsidiaries

(As of March 31, 2018)

| Name | Address/ Telephone | Services | Foundation | Capital or Investment to Capital (millions of yen) | Share (%) |
|--|---|--|----------------------|---|-----------|
| (Consolidated Subsidiaries) | | | | | |
| Himegin Business Service Co., Ltd. | 5-6-1, Chifunemachi, Matsuyama, Ehime 790-0011, Japan +81-(0)89-932-3486 | <ul style="list-style-type: none"> Detailed check & disposition of cash, etc. Money collection for specific clients Maintenance and Management of ATM facilities Pickup and delivery services of documents, etc., and traffic control of delivery vehicles | July 2, 1984 | 10 | 100 |
| Himegin Soft Co., Ltd. | 27-1, Minami- mochidamachi, Matsuyama, Ehime 790-0878, Japan +81-(0)89-943-7767 | <ul style="list-style-type: none"> Development of computer software Information processing by computers Management and administration of computer systems Sales of ancillary equipment associated with computer software | December 6, 1984 | 30 | 50 |
| Himegin Lease Co., Ltd. | 27-1, Minami- mochidamachi, Matsuyama, Ehime 790-0878, Japan +81-(0)89-933-8383 | <ul style="list-style-type: none"> Leasing Investment | May 10, 1986 | 30 | 75 |
| Ehime-JCB Co., Ltd. | 2-4-7, Katsuyama-cho, Matsuyama, Ehime 790-0878, Japan +81-(0)89-921-2303 | <ul style="list-style-type: none"> Credit card services Credit guarantee services | January 29, 1987 | 50 | 90 |
| Himegin Staff Support Co., Ltd. | Office: 1-13-4, Katsuyama-cho, Matsuyama, Ehime 790-0878, Japan +81-(0)89-908-5010 | <ul style="list-style-type: none"> Operations related to personnel dispatch (temporary labor and paid introduction of workplaces) Educational and training operations and administrative services to the Ehime Bank Group such as payroll calculation and employee benefits | April 8, 2008 | 30 | 100 |
| (Non-Consolidated Subsidiaries Subject to the Equity Method) | | | | | |
| Ehime Gaiya Fund Growth Industry Support Fund Limited Partnership for Investment Businesses | 2-1, Katsuyama-cho, Matsuyama, Ehime 790-8580, Japan +81-(0)89-933-1111 | <ul style="list-style-type: none"> Investment in agriculture, forestry and fisheries | March 29, 2013 | 37 | 50 |
| Ehime Venture Fund 2013 Limited Partnership for Investment Businesses | (secretariat) 2-1, Katsuyama-cho, Matsuyama, Ehime 790-8580, Japan +81-(0)89-933-1111 | <ul style="list-style-type: none"> Investment in venture companies | August 30, 2013 | 195 | 95 |
| Ehime Agricultural Fund Limited Partnership for Investment Businesses | 2-1, Katsuyama-cho, Matsuyama, Ehime 790-8580, Japan +81-(0)89-933-1111 | <ul style="list-style-type: none"> Operations for investments in agricultural entities | September 4, 2014 | 67 | 51 |

Consolidated Balance Sheets

●Assets

(Unit: million yen)

| | Previous FY (As of March 31, 2017) | Current FY (As of March 31, 2018) |
|---|---------------------------------------|--------------------------------------|
| Assets | | |
| Cash and due from banks | 310,083 | 268,046 |
| Call loans and bills bought | — | 4,780 |
| Monetary claims bought | 58,790 | 58,383 |
| Trading account securities | 337 | 331 |
| Securities | 513,209 | 533,219 |
| Loans and bills discounted | 1,575,716 | 1,628,784 |
| Foreign exchanges | 6,324 | 2,593 |
| Long-term leases and lease investments | 6,981 | 7,202 |
| Other assets | 13,437 | 25,765 |
| Tangible fixed assets | 32,334 | 31,885 |
| Buildings | 7,925 | 7,610 |
| Land | 22,611 | 22,141 |
| Lease assets | 713 | 611 |
| Construction in progress | 1 | 324 |
| Other tangible fixed assets | 1,082 | 1,197 |
| Intangible fixed assets | 979 | 958 |
| Software | 819 | 677 |
| Lease assets | 10 | 131 |
| Other intangible fixed assets | 149 | 149 |
| Deferred tax assets | 511 | 234 |
| Customers' liabilities for acceptances and guarantees | 5,468 | 5,514 |
| Allowance for loan losses | (18,527) | (17,076) |
| Total assets | 2,505,647 | 2,550,623 |

●Liabilities and Net Assets

(Unit: million yen)

| | Previous FY (As of March 31, 2017) | Current FY (As of March 31, 2018) |
|---|---------------------------------------|--------------------------------------|
| Liabilities | | |
| Deposits | 1,901,596 | 1,942,595 |
| Negotiable certificates of deposits | 414,959 | 404,982 |
| Call money and bills sold | 3,365 | 3,187 |
| Payables under securities lending transactions | 5,297 | 4,959 |
| Borrowed money | 36,433 | 39,814 |
| Foreign exchanges | 3 | 8 |
| Warrant bonds | 4,560 | 3,438 |
| Other liabilities | 13,354 | 10,809 |
| Reserve for directors' bonuses | 50 | 45 |
| Retirement benefit obligations | 1,069 | 972 |
| Reserve for directors' retirement benefits | 248 | 13 |
| Reserve for share-based compensation | — | 42 |
| Reserve for loss due to returning interests | 53 | 34 |
| Reserve for reimbursement of deposits | 156 | 180 |
| Deferred tax liabilities | 86 | 3,816 |
| Deferred tax liabilities for land revaluation | 4,015 | 3,882 |
| Acceptances and guarantees | 5,468 | 5,514 |
| Total liabilities | 2,390,719 | 2,424,297 |
| Net Assets | | |
| Capital stock | 20,798 | 21,359 |
| Capital surplus | 14,933 | 15,494 |
| Retained earnings | 58,670 | 63,920 |
| Treasury stock | (241) | (483) |
| Total stockholders' equity | 94,161 | 100,291 |
| Valuation difference on available-for-sale securities | 12,172 | 17,518 |
| Revaluation reserve for land | 7,717 | 7,413 |
| Remeasurements of defined benefit plans | (26) | 93 |
| Valuation and translation adjustments | 19,863 | 25,025 |
| Non-controlling interests | 902 | 1,009 |
| Total net assets | 114,927 | 126,325 |
| Total liabilities and net assets | 2,505,647 | 2,550,623 |

Consolidated Statements of Income

(Unit: million yen)

| | Previous FY (April 1, 2016 to March 31, 2017) | Current FY (April 1, 2017 to March 31, 2018) |
|--|---|--|
| Ordinary income | 42,063 | 44,965 |
| Interest income | 33,120 | 34,696 |
| Interest on loans and discounts | 24,751 | 25,056 |
| Interest and dividends on securities | 5,990 | 7,328 |
| Interest on call loans and bills bought | 7 | 70 |
| Interest due from banks | 104 | 99 |
| Other interest income | 2,265 | 2,141 |
| Fees and commissions | 3,836 | 4,610 |
| Other ordinary income | 4,024 | 4,182 |
| Other income | 1,082 | 1,475 |
| Bad debt recovered | 1 | 2 |
| Other | 1,080 | 1,472 |
| Ordinary expenses | 34,589 | 35,592 |
| Interest expenses | 2,861 | 3,453 |
| Interest on deposits | 1,688 | 1,299 |
| Interest on negotiable certificates of deposit | 61 | 49 |
| Interest on call money and bills sold | 40 | 57 |
| Interest on payables under securities lending transactions | 35 | 84 |
| Interest on borrowings and rediscounts | 209 | 377 |
| Warrant bond interest payments | 9 | 5 |
| Other interest expenses | 815 | 1,579 |
| Fees and commissions payments | 4,685 | 5,338 |
| Other ordinary expenses | 910 | 1,001 |
| General and administrative expenses | 24,306 | 24,978 |
| Other expenses | 1,825 | 820 |
| Provision of allowance for loan losses | 826 | — |
| Other | 999 | 820 |
| Ordinary profit | 7,474 | 9,373 |
| Extraordinary income | 0 | 7 |
| Gain on disposal of noncurrent assets | 0 | 7 |
| Extraordinary losses | 220 | 457 |
| Loss on disposal of noncurrent assets | 56 | 32 |
| Impairment loss | 164 | 425 |
| Income before income taxes | 7,254 | 8,923 |
| Income taxes-current | 2,076 | 1,338 |
| Income taxes-deferred | (324) | 1,427 |
| Total taxes and adjustments | 1,751 | 2,765 |
| Net income | 5,502 | 6,157 |
| Of which: | | |
| Net income attributable to owners of parent | 5,449 | 6,102 |
| Net income attributable to non-controlling interests | 53 | 55 |
| Other comprehensive income | (2,385) | 5,520 |
| Net unrealized gains(losses) on other securities | (2,410) | 5,401 |
| Retirement benefits adjustment | 24 | 119 |
| Comprehensive income | 3,117 | 11,678 |
| Of which: | | |
| Comprehensive income attributable to owners of the parent | 3,067 | 11,567 |
| Comprehensive income attributable to minority interests | 49 | 110 |

Consolidated Statements of Changes in Net Assets

Previous FY (April 1, 2016 to March 31, 2017)

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at start of fiscal year | 19,114 | 13,249 | 54,145 | (236) | 86,273 |
| Changes in the fiscal year | | | | | |
| New stock issuance | 1,684 | 1,684 | | | 3,368 |
| Dividends from surplus | | | (1,064) | | (1,064) |
| Net income attributable to owners of parent | | | 5,449 | | 5,449 |
| Purchase of treasury stock | | | | (5) | (5) |
| Disposal of treasury stock | | | (0) | 0 | 0 |
| Reversal of land revaluation excess | | | 139 | | 139 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | 1,684 | 1,684 | 4,524 | (5) | 7,887 |
| Balance at the end of the fiscal year | 20,798 | 14,933 | 58,670 | (241) | 94,161 |

(Unit: million yen)

| | Accumulated other comprehensive income | | | | Minority interests | Total net assets |
|---|---|-------------------------|---|--|--------------------|------------------|
| | Valuation difference on available-for-sale securities | Land revaluation excess | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | | |
| Balance at start of fiscal year | 14,580 | 7,857 | (51) | 22,386 | 855 | 109,515 |
| Changes in the fiscal year | | | | | | |
| New stock issuance | | | | | | 3,368 |
| Dividends from surplus | | | | | | (1,064) |
| Net income attributable to owners of parent | | | | | | 5,449 |
| Purchase of treasury stock | | | | | | (5) |
| Disposal of treasury stock | | | | | | 0 |
| Reversal of land revaluation excess | | | | | | 139 |
| Net changes in items other than shareholders' equity in the fiscal year | (2,407) | (139) | 24 | (2,522) | 46 | (2,475) |
| Net changes in the fiscal year | (2,407) | (139) | 24 | (2,522) | 46 | 5,412 |
| Balance at the end of the fiscal year | 12,172 | 7,717 | (26) | 19,863 | 902 | 114,927 |

Current FY (April 1, 2017 to March 31, 2018)

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at start of fiscal year | 20,798 | 14,933 | 58,670 | (241) | 94,161 |
| Changes in the fiscal year | | | | | |
| New stock issuance | 561 | 561 | | | 1,122 |
| Dividends from surplus | | | (1,156) | | (1,156) |
| Net income attributable to owners of parent | | | 6,102 | | 6,102 |
| Purchase of treasury stock | | | | (241) | (241) |
| Disposal of treasury stock | | | | | — |
| Reversal of land revaluation excess | | | 304 | | 304 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | 561 | 561 | 5,249 | (241) | 6,130 |
| Balance at the end of the fiscal year | 21,359 | 15,494 | 63,920 | (483) | 100,291 |

(Unit: million yen)

| | Accumulated other comprehensive income | | | | Minority interests | Total net assets |
|---|---|-------------------------|---|--|--------------------|------------------|
| | Valuation difference on available-for-sale securities | Land revaluation excess | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | | |
| Balance at start of fiscal year | 12,172 | 7,717 | (26) | 19,863 | 902 | 114,927 |
| Changes in the fiscal year | | | | | | |
| New stock issuance | | | | | | 1,122 |
| Dividends from surplus | | | | | | (1,156) |
| Net income attributable to owners of parent | | | | | | 6,102 |
| Purchase of treasury stock | | | | | | (241) |
| Disposal of treasury stock | | | | | | — |
| Reversal of land revaluation excess | | | | | | 304 |
| Net changes in items other than shareholders' equity in the fiscal year | 5,345 | (304) | 119 | 5,161 | 106 | 5,268 |
| Net changes in the fiscal year | 5,345 | (304) | 119 | 5,161 | 106 | 11,398 |
| Balance at the end of the fiscal year | 17,518 | 7,413 | 93 | 25,025 | 1,009 | 126,325 |

Consolidated Statements of Cash Flows

(Unit: million yen)

| | Previous FY (April 1, 2016 to March 31, 2017) | Current FY (April 1, 2017 to March 31, 2018) |
|---|---|--|
| Cash Flows from Operating Activities | | |
| Income (loss) before income taxes and minority interests | 7,254 | 8,923 |
| Depreciation | 978 | 988 |
| Losses on impairment of fixed assets | 164 | 425 |
| Increase (decrease) in reserve for possible loan losses | 554 | (1,451) |
| Increase (decrease) in reserve for directors' bonuses | (8) | (5) |
| Increase (decrease) in retirement benefit obligations | 65 | (44) |
| Increase (decrease) in reserve for directors' retirement benefits | (255) | (234) |
| Increase (decrease) in reserve for share-based compensation | — | 42 |
| Increase (decrease) in reserve for reimbursement deposits | (34) | 23 |
| Increase (decrease) in reserve for loss due to returning interests | 1 | (19) |
| Interest income | (33,120) | (34,696) |
| Interest expenses | 2,861 | 3,453 |
| Securities losses (gains), net | (837) | (119) |
| Foreign exchange losses (gains), net | (3) | (3) |
| Losses (gains) on disposition of fixed assets | 54 | 24 |
| Net decrease (increase) in trading securities | (113) | 6 |
| Net decrease (increase) in loans and bills discounted | (80,783) | (53,067) |
| Net increase (decrease) in deposits | 994 | 40,999 |
| Net increase (decrease) in negotiable certificates of deposits | 21,671 | (9,977) |
| Net increase (decrease) in borrowed money (excluding subordinated borrowings) | 10,996 | 3,380 |
| Net decrease (increase) in due from banks (excluding due from central banks) | 10,275 | (123) |
| Net decrease (increase) in call loans | 120,608 | (4,373) |
| Net change in call money (decrease) | 3,365 | (178) |
| Increase (decrease) in payables under securities lending transactions | 5,297 | (337) |
| Net decrease (increase) in foreign exchange assets | 3,124 | 3,731 |
| Net increase (decrease) in foreign exchange liabilities | 1 | 5 |
| Interest and dividend income | 33,163 | 34,421 |
| Interest expenses | (3,276) | (3,388) |
| Other-net | (404) | (13,790) |
| Subtotal | 102,595 | (25,384) |
| Cash refunded (paid) in income taxes | (2,138) | (2,066) |
| Net cash provided by (used in) operating activities | 100,456 | (27,450) |
| Cash Flows from Investing Activities | | |
| Payments for purchase of securities | (929,833) | (205,536) |
| Proceeds from sale of securities | 17,686 | 11,423 |
| Proceeds from redemption of securities | 895,614 | 181,750 |
| Payments for purchase of tangible fixed assets | (1,608) | (770) |
| Proceeds from sale of tangible fixed assets | 109 | 79 |
| Payments for purchase of intangible fixed assets | (64) | (257) |
| Net cash provided by investing activities | (18,096) | (13,311) |
| Cash Flows from Financing Activities | | |
| Cash dividends paid | (1,064) | (1,156) |
| Cash dividends paid to non-controlling interests | (3) | (3) |
| Payments for repurchase of treasury stock | (5) | (241) |
| Proceeds from sale of treasury stock | 0 | — |
| Net cash provided by (used in) financing activities | (1,072) | (1,401) |
| Foreign currency translation adjustments | 3 | 3 |
| Net increase (decrease) in cash and cash equivalents | 81,291 | (42,160) |
| Cash and cash equivalents at the beginning of the fiscal year | 228,529 | 309,820 |
| Cash and cash equivalents at the end of the fiscal year | 309,820 | 267,660 |

Capital

| Year | Increase (decrease) of total number of shares issued (1,000 shares) | Increase (decrease) of capital (million yen) | Capital of end of the period (million yen) |
|----------------------------------|---|--|--|
| (April 1, 2017 - March 31, 2018) | 946 | 561 | 21,359 |

Breakdown of Types of Shareholders

(As of March 31, 2018)

| Type | Shares held (1 trading unit=100 shares) | | | | | | | | Number of shares held in less than trading units (shares) |
|-----------------------------------|---|------------------------|------------------|--------------------|-------------------|-------------|--------------------|---------|---|
| | Government and local authorities | Financial institutions | Securities firms | Other corporations | Foreign investors | | Individuals, other | Total | |
| | | | | | Non-individuals | Individuals | | | |
| No. of shareholders | — | 48 | 27 | 972 | 138 | 1 | 5,069 | 6,255 | — |
| No. of shares held (trading unit) | — | 135,305 | 3,413 | 132,278 | 42,749 | 16 | 79,104 | 392,865 | 126,779 |
| Percentage | — | 34.44 | 0.86 | 33.67 | 10.88 | 0.00 | 20.13 | 100.00 | — |

(Notes) 1. The 138,069 shares of treasury stock include 1,380 units under "Individuals, other," and 69 units under "Number of shares held in less than trading units." The figure of 138,069 shares is the actual number of treasury shares as of the last day of the fiscal year.
 2. The "Other corporations" column includes two units of shares on the ledger of the Securities Depository Center

Principal Stockholders

(As of March 31, 2018)

| Name | Address | Shares held (1,000) | Percentage to outstanding shares |
|--|---|---------------------|----------------------------------|
| Japan Trustee Services Bank, Ltd. (Trust account) | 8-11, Harumi 1-Chome Chuo-ku Tokyo | 3,481 | 8.86 |
| Japan Trustee Services Bank, Ltd. (Trust account 4) | 8-11, Harumi 1-Chome Chuo-ku Tokyo | 1,918 | 4.88 |
| The Ehime Bank Employee Stockholding Association | 2-1 Katsuyama cho, Matsuyama, Ehime | 1,220 | 3.10 |
| Japan Trustee Services Bank, Ltd. (Trust account 9) | 8-11, Harumi 1-Chome Chuo-ku Tokyo | 807 | 2.05 |
| Daio Paper Corporation | 2-60, Mishimakamiya-cho, Shikokuchuo, Ehime | 750 | 1.91 |
| Mizuho Bank, Ltd. | 1-5-5 Otemachi, Chiyoda-ku Tokyo | 676 | 1.72 |
| Sumitomo Life Insurance Company | 7-18-24 Tsukiji, Chuo-ku Tokyo | 599 | 1.52 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 2-11-3 Hamamatsucho, Minato-ku, Tokyo | 565 | 1.43 |
| DFA INTL SMALL CAP VALUE PORTFOLIO | PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX78746 US | 551 | 1.40 |
| MISUGAKAIUN Co.,Ltd. | 2-2-5 Fujimi, Chiyoda-ku Tokyo | 541 | 1.37 |
| Total | — | 11,112 | 28.29 |

(Note) Of the number of shares held by trust banks as listed above, the number of shares used in said banks' (trust banking activities is as follow
 Japan Trustee Services Bank, Ltd. (Trust account, Trust account 4, Trust account 9): 6,207 thousand shares
 The Master Trust Bank of Japan, Ltd. (Trust account): 565 thousand shares

Dividends

| Fiscal year ended | March 2016 | March 2017 | March 2018 |
|---------------------|------------|------------|------------|
| Dividends per share | 8.00 yen | — | 32.00 yen |
| Interim dividends | 5.00 | 3.00 | 15.00 |
| Payout ratio | 26.13% | 21.76% | 21.62% |

(Notes) 1. The Board of Directors on November 24, 2017 approved a resolution on the payment of interim dividend for the fiscal year ending March 2018.
 2. A one for five ordinary shares reverse stock split was executed on October 1, 2016. As a result, the year-end dividend for the fiscal year ended March 2017, adjusted for the reverse stock split, is 15.0 yen. However, the total amount of the annual dividend is shown as "—" Annual dividend per share for the fiscal year ended March 2017 prior to adjustment for the reverse stock split is 6 yen.

THE EHIME BANK, LTD.

| | |
|------------------------------|-------------------------------------|
| ■ Founded | 1915 |
| ■ Incorporated | March 20, 1943 |
| ■ Paid in Capital | ¥21,359 million |
| ■ Number of Branches | 104 (including 8 sub-branches) |
| ■ Number of Employees | 1,383 |
| ■ Stock Listings | Tokyo Stock Exchange, First Section |

■ **Directory**

Head Office

1, Katsuyama-cho 2-chome, Matsuyama, Ehime 790-8580, Japan

Phone: +81-(0)89-933-1111 <https://www.himegin.co.jp/>

■ **Board of Directors & Corporate Auditors (as of July 1, 2018)**

| | | |
|-----------------------------------|--|--|
| Chairman | Motohiro Honda | |
| President | Yoshinori Nishikawa | |
| Vice President | Keizo Yamamoto | |
| Managing Directors | Yuzo Ojuku Shoichi Chikami | Mitsuru Hino Tokio Isobe |
| Directors | Muneo Tsubouchi Shuichiro Hirao Hisakazu Matsuki | Yasuhiro Kataoka Masamitsu Toyoda Toshiyuki Yano |
| Outside Directors | Minenori Takeda | Shozo Isshiki |
| Senior Corporate Auditor | Morinobu Kihara | |
| Corporate Auditor | Koichi Terada | |
| Outside Corporate Auditors | Koichi Nishizawa | Katsuhiro Aono |