


















# Activities in Fiscal 2019

## Annual Report

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-  [Human Resource Strategy \(Efforts for Health Management\) \(133KB\)](#)
-  [Group Brand Strategy \(New Headquarters Project\) \(143KB\)](#)

> Annual Report



> よくあるご質問

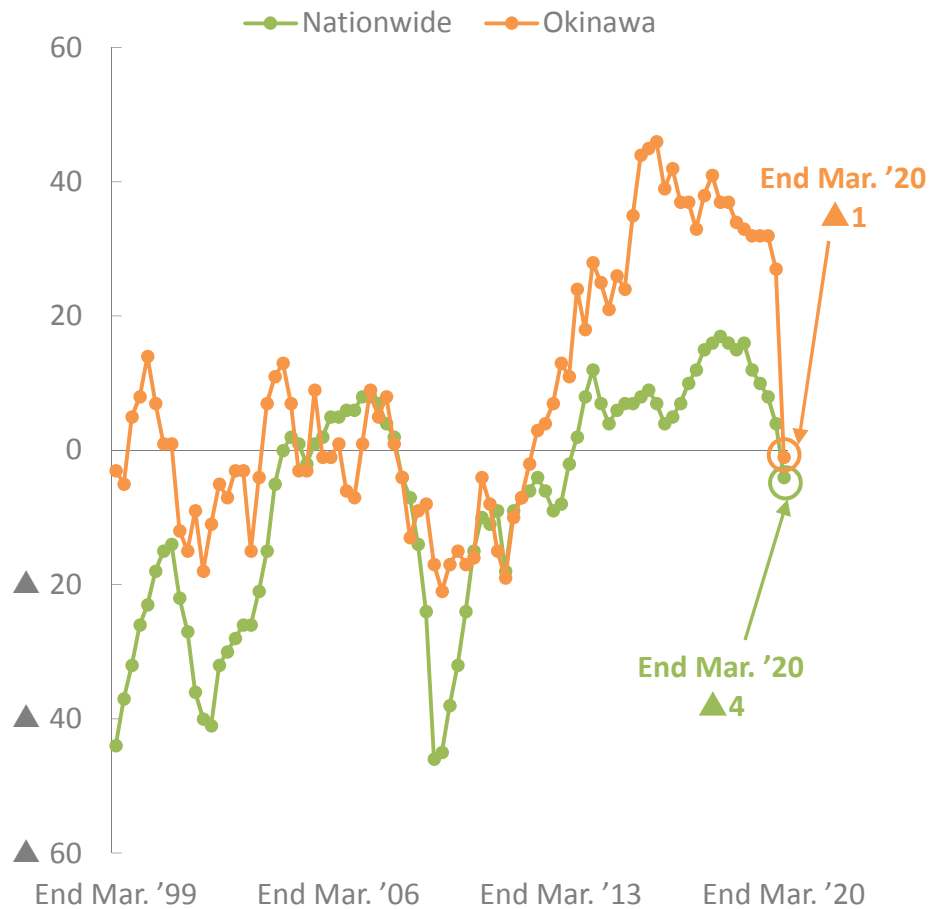
> お問い合わせ

りゅうぎんの商品

# Tankan Survey

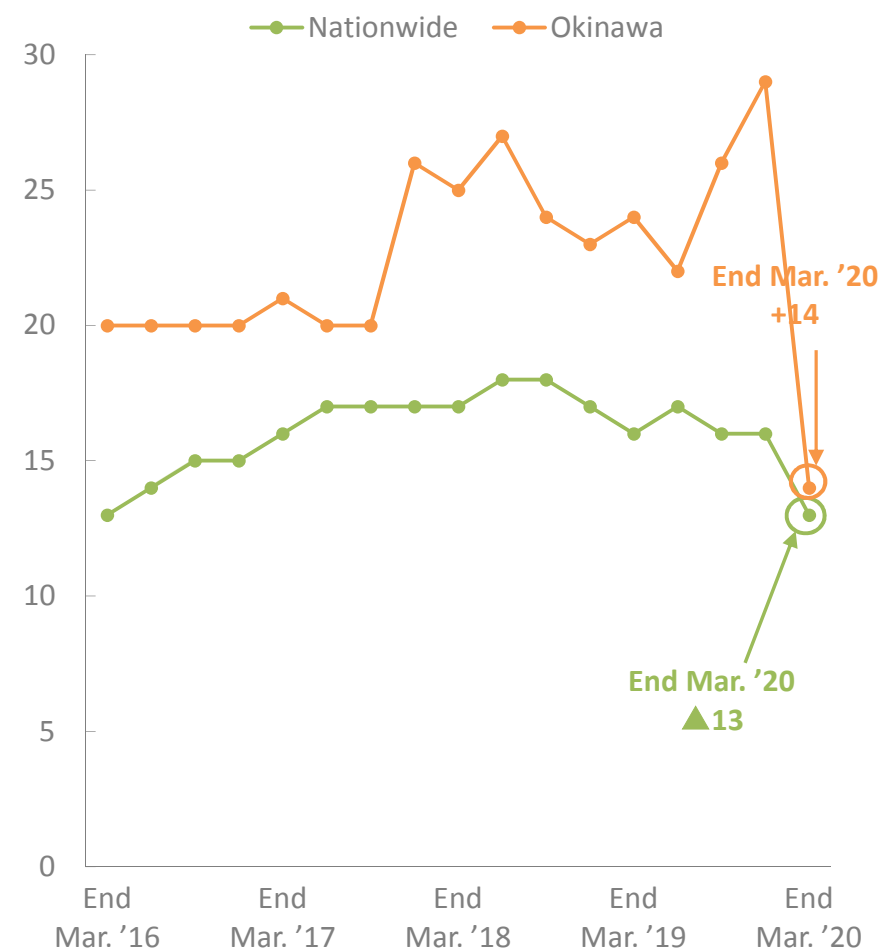
Like in other prefectures, business confidence in Okinawa fell significantly due to Covid-19.

**Business Sentiment DI (Good/Bad)**



\* New base data has been used since Dec. 2014 and Dec. 2017 (discontinuous with the previous data).  
Source: The Bank of Japan Naha Branch

**Cash Flow Sentiment DI (Good/Bad)**

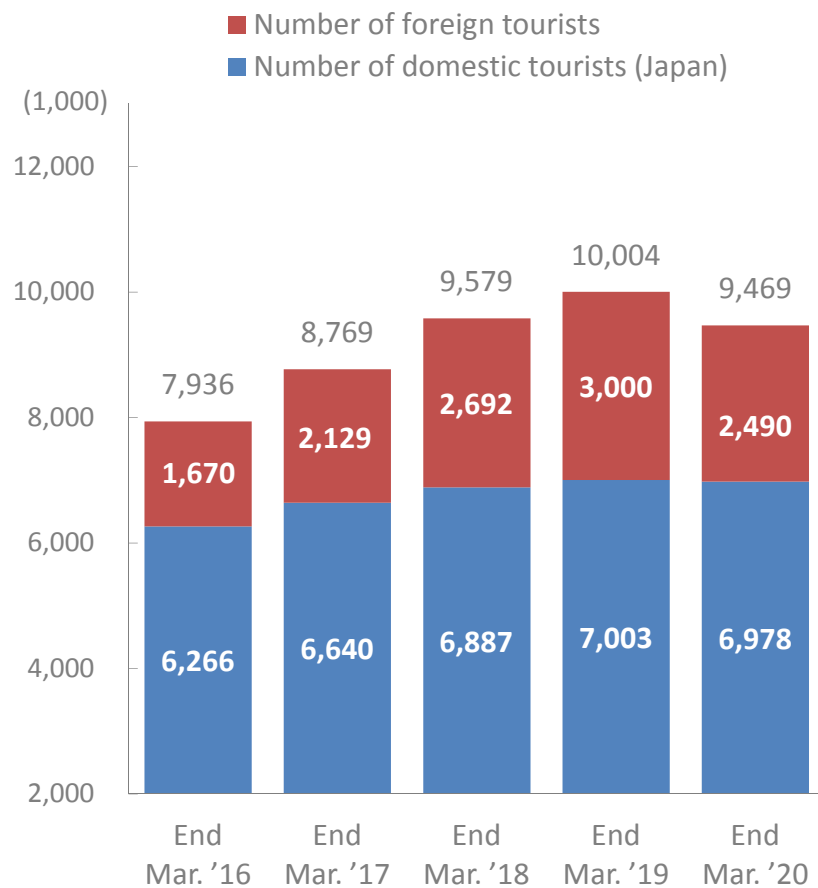


\* New base figures have been used since Dec. 2014.  
Source: The Bank of Japan Naha Branch

# Tourism

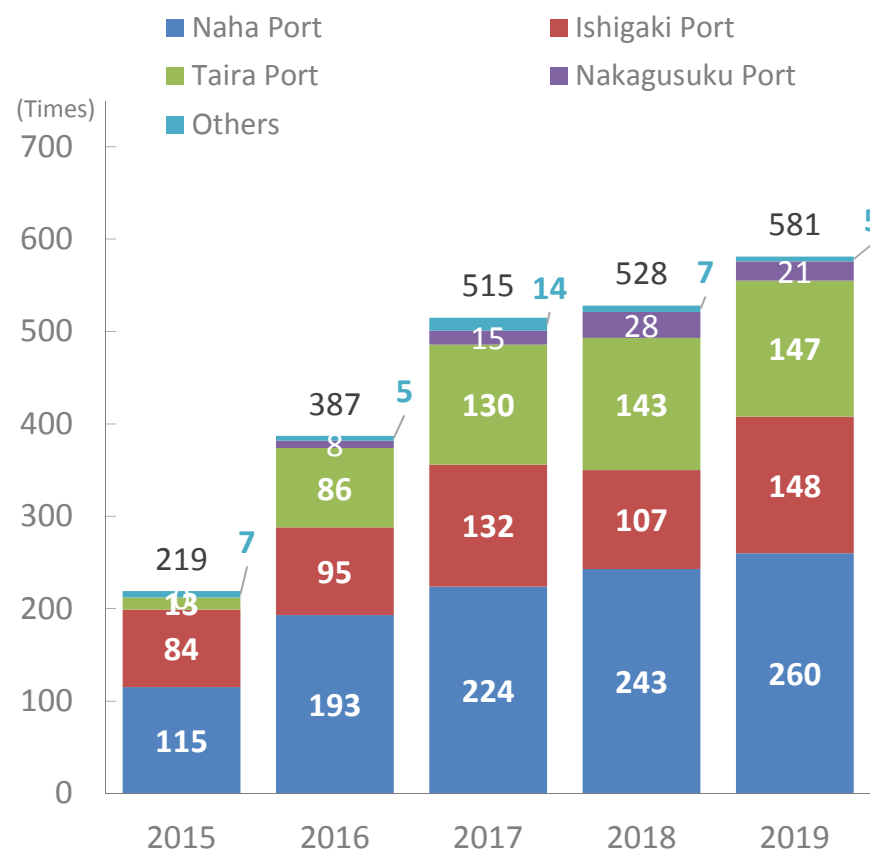
The number of tourists for FY2019 significantly decreased compared to the previous fiscal year due to Covid-19. Cruise ship calls reached an all-time high in 2019 (calendar year) but the number is expected to decrease in the future.

**Number of Tourists and Tourism Revenues**



Source: Okinawa Prefecture

**Number of Cruise Ship Calls in Okinawa Prefecture**



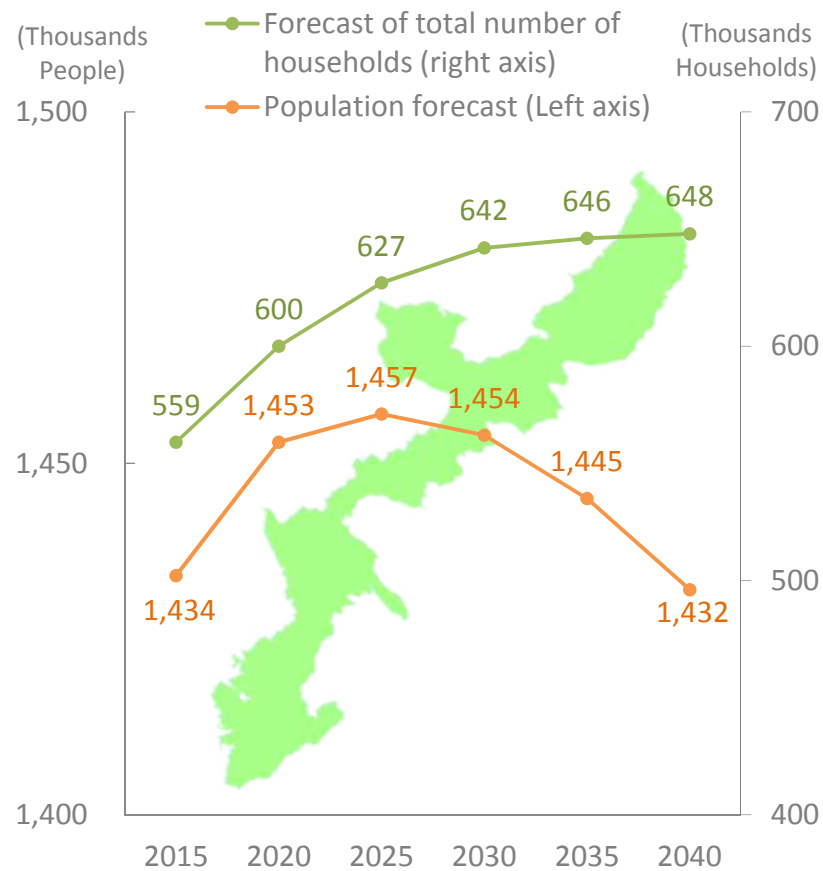
Source: Okinawa General Bureau, Cabinet Office

# Population, Number of Households, and Housing Starts

Okinawa's population is expected to grow until 2025, while the number of households is expected to keep growing onward.

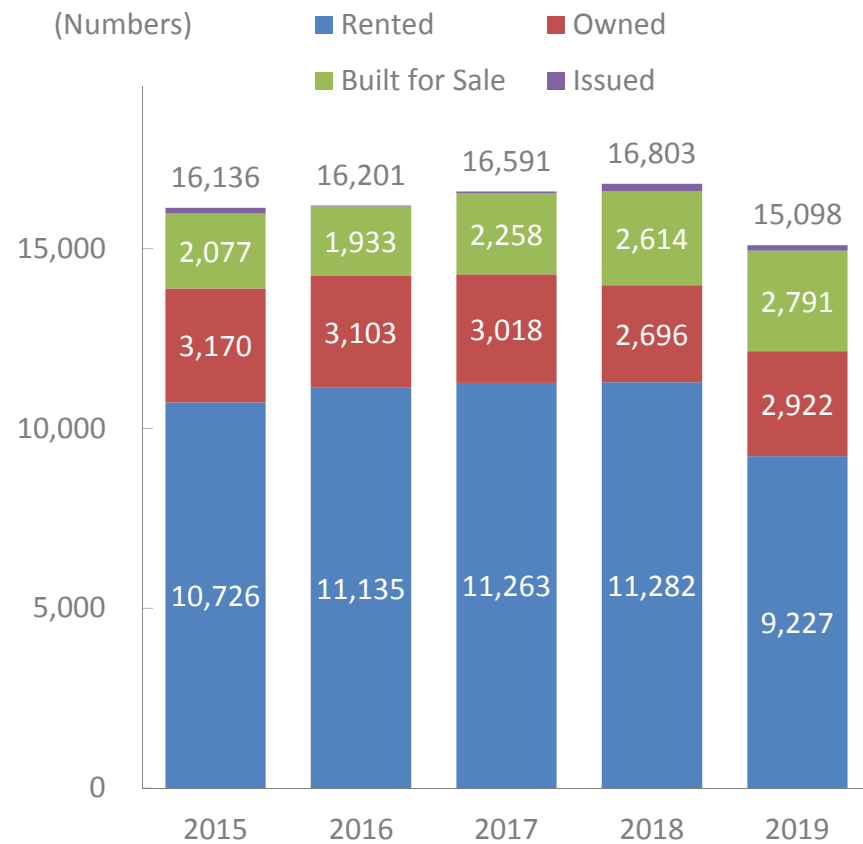
The number of new housing starts will decline as a whole due to the significant decrease in rental housing.

## Okinawa's Future Population and Number of Households



Source: Data from Census and the Nansei Shoto Industrial Advancement Center (NIAC)

## Okinawa Housing Starts

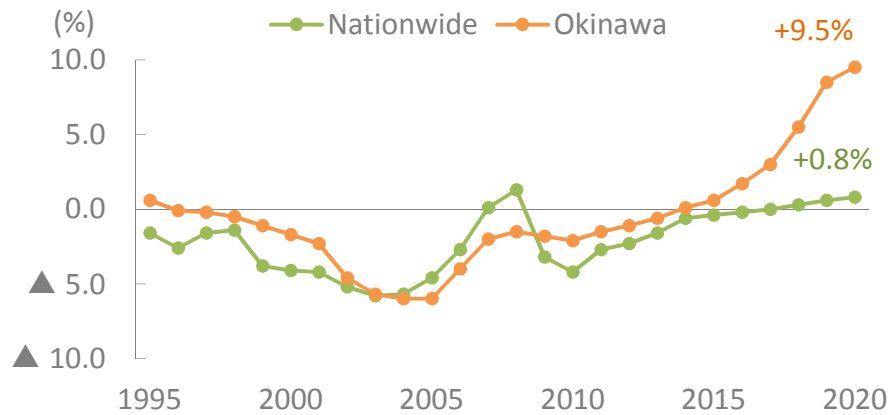


Source: "Housing Starts Statistics" by Ministry of Land, Infrastructure, Transport and Tourism

# Real Estate

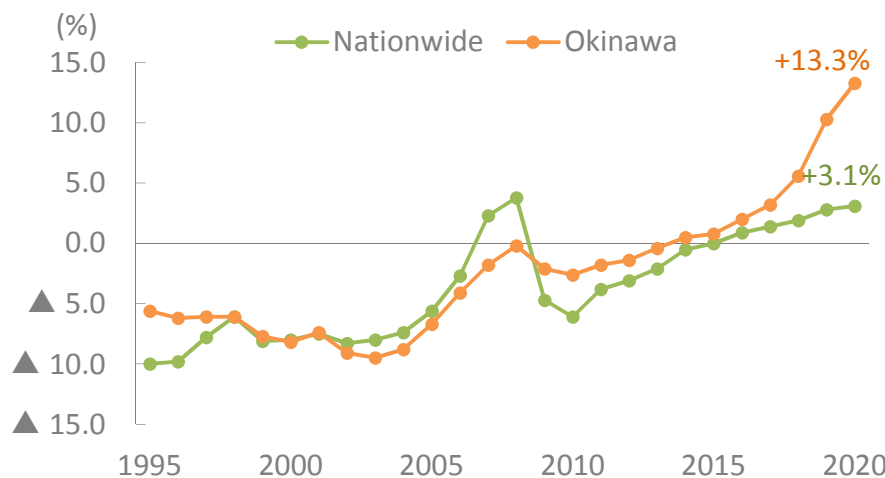
Growth rate of land prices and unit construction costs have surpassed the national average.

**Price Growth Rate of Residential Areas**



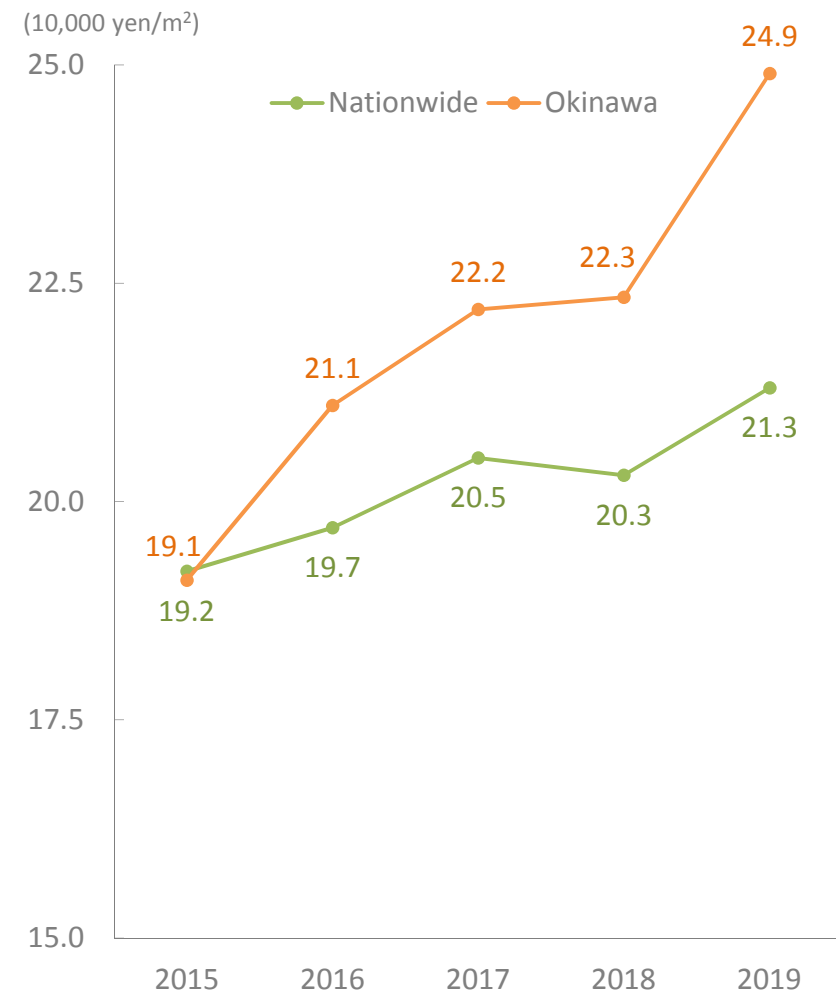
Source: Land prices listed by the ministry of Land, Infrastructure, Transport and Tourism (MLIT)

**Price Growth Rate of Commercial Areas**



Source: Land prices listed by the ministry of Land, Infrastructure, Transport and Tourism (MLIT)

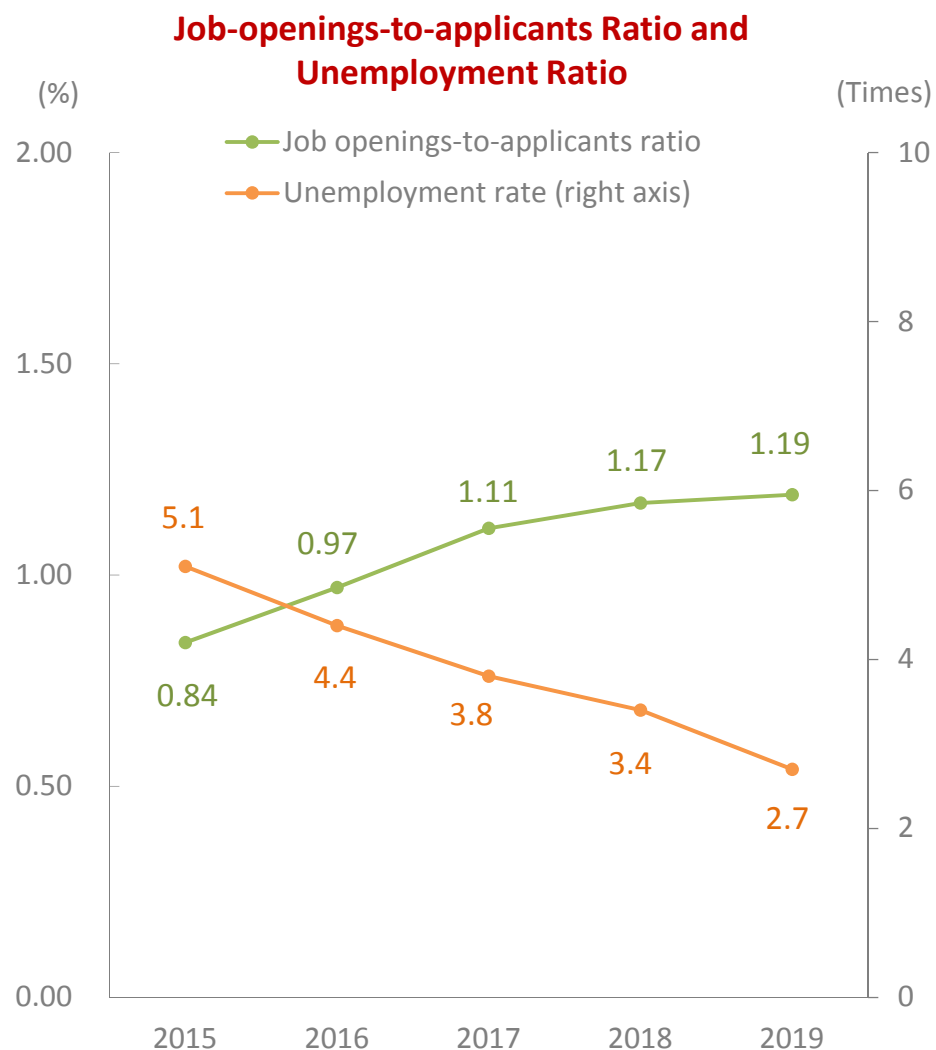
**Unit construction cost**



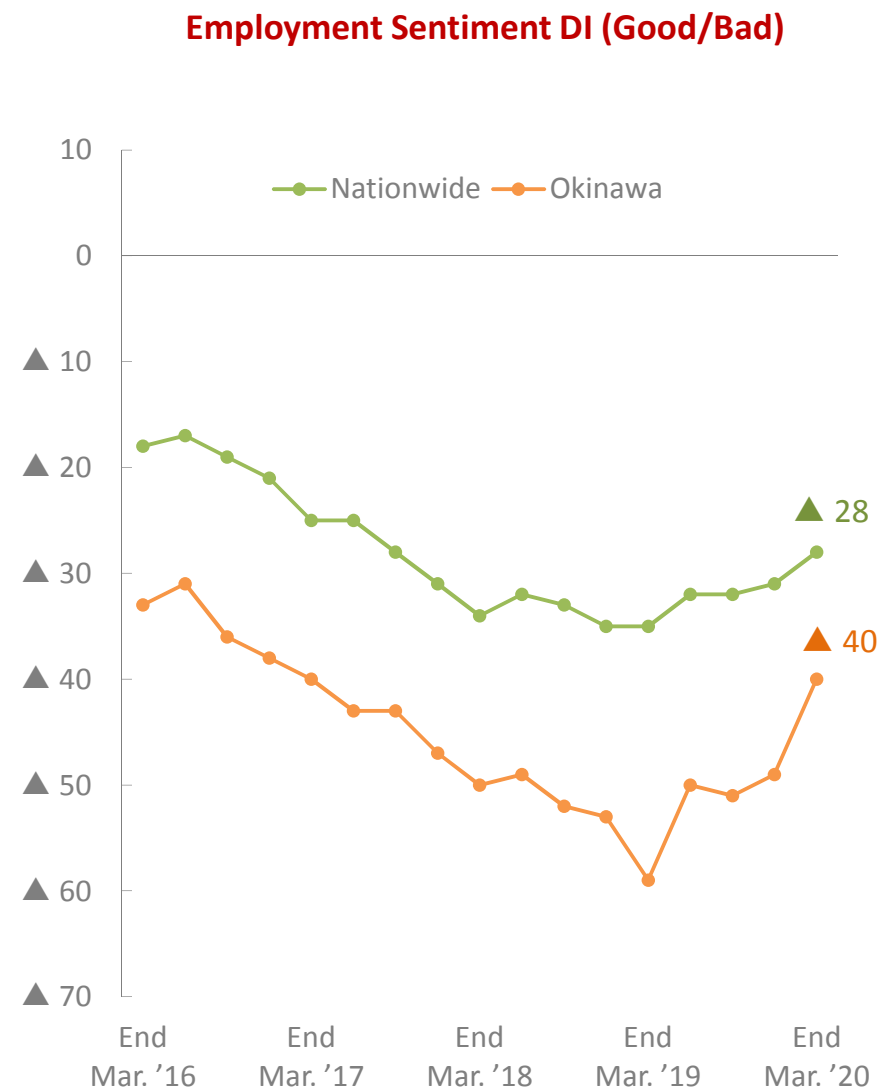
Source: Prepared by Ryugin Research Institute based on the MLIT's Housing Starts Statistics

# Employment

Employment has improved, with the unemployment ratio declining up to 2019. The labor shortage is also currently improving due to Covid-19.



Source: Okinawa Prefecture, the Cabinet Office, and the Ministry of Internal Affairs and Communications



Source: The Bank of Japan Naha Branch

# Economic Trends in Okinawa Prefecture

Economic conditions in Okinawa Prefecture worsened significantly (in April) mainly in the tourism-related industry, which is likely to be greatly affected by Covid-19.

## Survey of Economic Trends in Okinawa (April 2020)

Compiled by Ryugin Research Institute

		-	+
Consumption-related Situation	Department stores	▲75.1	
	Supermarkets	Existing stores	1.6
		All stores	3.2
	Number of new vehicles sold	▲39.3	
	Wholesale of electrical appliances	▲0.9	
Construction-related Situation	Contract amount for public works		37.2
	Amount of construction orders received	P▲7.5	
	Cement	P▲2.9	
	Steel	▲1.3	
	Lumber	▲9.8	
Tourism-related Situation	Number of tourists	▲90.9	
	Hotels	Rate of operation	P▲70.1
		Sales proceeds	P▲91.5
	Number of visitors to tourist facilities	P▲94.6	
	Number of visitors to golf courses	▲44.6	
Other	Number of new job openings in Okinawa	▲42.0	
	Number of company bankruptcies	▲3	
	Advertising revenues	▲7.6	

\* Advertising revenue: Results for March 2020

Values: Year on year (%)

Hotels' rate of operation (% point)/Number of company bankruptcies: Difference from previous year

P: Preliminary figures

Number of visitors to tourist facilities: excl. Shuri Castle Park

(Source: Ryukyu Shimpo)

## Consumption-related Situation

- The sales proceeds of department stores decreased year on year for eleven consecutive months due to shortened business hours, temporary closures, and other measures to prevent the spread of Covid-19.
- The number of new vehicles sold declined year on year for seven consecutive months due to decreased demand for rental cars as well as the effect of the consumption tax hike.

## Tourism-related Situation

- The number of tourists decreased year on year for four consecutive months. The number of domestic tourists decreased by approximately 90%, and no foreign tourists visited the prefecture.
- Both the rate of operation and sales proceeds of major hotels in Okinawa declined year on year.
- The number of visitors to major tourist facilities declined year on year.
- The number of visitors to golf courses decreased year on year.
- The outlook for the industry is expected to remain negative due to the following factors: uncertainty about when the global spread of Covid-19 will end; foreign tourists having difficulty in entering Japan; and domestic tourists tending not to visit other prefectures.

## Employment-related Situation

- The number of new job openings declined by 42% year on year, and as a result, the number decreased compared to the same month last year for five consecutive months. Several industries (including accommodation, food service, living-related service, entertainment, and information and communication industries) saw declines.

# Financial Summary (Non-Consolidated)

Revenue increased, but profit decreased. The decrease in profit is due to increased net credit costs and reduced profit/loss balance in the Trading Division.

(100 million yen)

	FY2019	Year-on-year change	FY2018
<b>Ordinary income</b>	<b>424</b>	<b>+4</b>	<b>420</b>
<b>Business gross profit (a)</b>	<b>315</b>	<b>+7</b>	<b>308</b>
<b>Expenses (b)</b>	<b>243</b>	<b>+4</b>	<b>239</b>
<b>Real net business profit (c=a-b)</b>	<b>71</b>	<b>+2</b>	<b>69</b>
<b>Net credit costs (d)</b>	<b>8</b>	<b>+10</b>	<b>▲2</b>
<b>Other extraordinary gain/loss (e)</b>	<b>▲10</b>	<b>▲12</b>	<b>2</b>
<b>Ordinary profit (f=c-d+e)</b>	<b>53</b>	<b>▲20</b>	<b>73</b>
<b>Net income</b>	<b>40</b>	<b>▲13</b>	<b>53</b>

\* Year on year calculation is spreadsheet-based.

# Financial Summary (Consolidated)

Revenue increased, but profit decreased. Consolidated profit also decreased due to our bank's situation.

(100 million yen)

	FY2019		FY2018
		Year-on-year change	
Ordinary revenue	627	+6	621
Ordinary expenses	558	+24	534
Ordinary profit	69	▲17	86
Profit attributable to owners of the parent	49	▲12	61

\* Year on year calculation is spreadsheet-based.

# Summary of Profit/Loss Trends

## (Non-consolidated: Mar. 2016–Mar. 2020)

(Million yen)

	End Mar. '16	End Mar. '17	End Mar. '18	End Mar. '19	End Mar. '20	Year on Year
Profit from customer services *1	5,312	3,325	3,395	3,472	3,619	+147
Deposit and loan balance *2	22,901	22,127	21,890	22,278	22,837	+559
Profit from service charges *3	4,849	4,893	5,277	5,347	5,400	+53
Expenses	▲22,438	▲23,694	▲23,772	▲24,153	▲24,618	▲465
Profit/loss in Trading Division	4,171	4,386	4,937	3,238	2,054	▲1,184
Profit/loss in Securities & International Department	4,009	2,828	4,425	1,845	1,778	▲67
Interest and dividends	2,982	3,163	2,911	2,298	1,597	▲701
Gains/losses from forex and commodities trading	255	369	▲36	821	149	▲672
Class 5 bonds	734	▲691	387	▲169	421	+590
Share 3 balance of account	▲99	▲100	1,123	▲730	▲1,089	▲359
Policy-related investment	162	1,537	511	1,393	276	▲1,117
Net credit costs	▲1,310	▲806	1,808	217	▲869	▲1,086
General provision for doubtful accounts *4	▲787	▲241	850	▲644	▲1,591	▲947
Miscellaneous, corporate tax, etc.	▲3,121	▲1,893	▲2,314	▲1,553	▲795	+758
Net income	5,052	5,012	7,826	5,374	4,009	▲1,365

\*1 Profit from customer services = Deposit and loan balance + Profit from service charges - Expenses

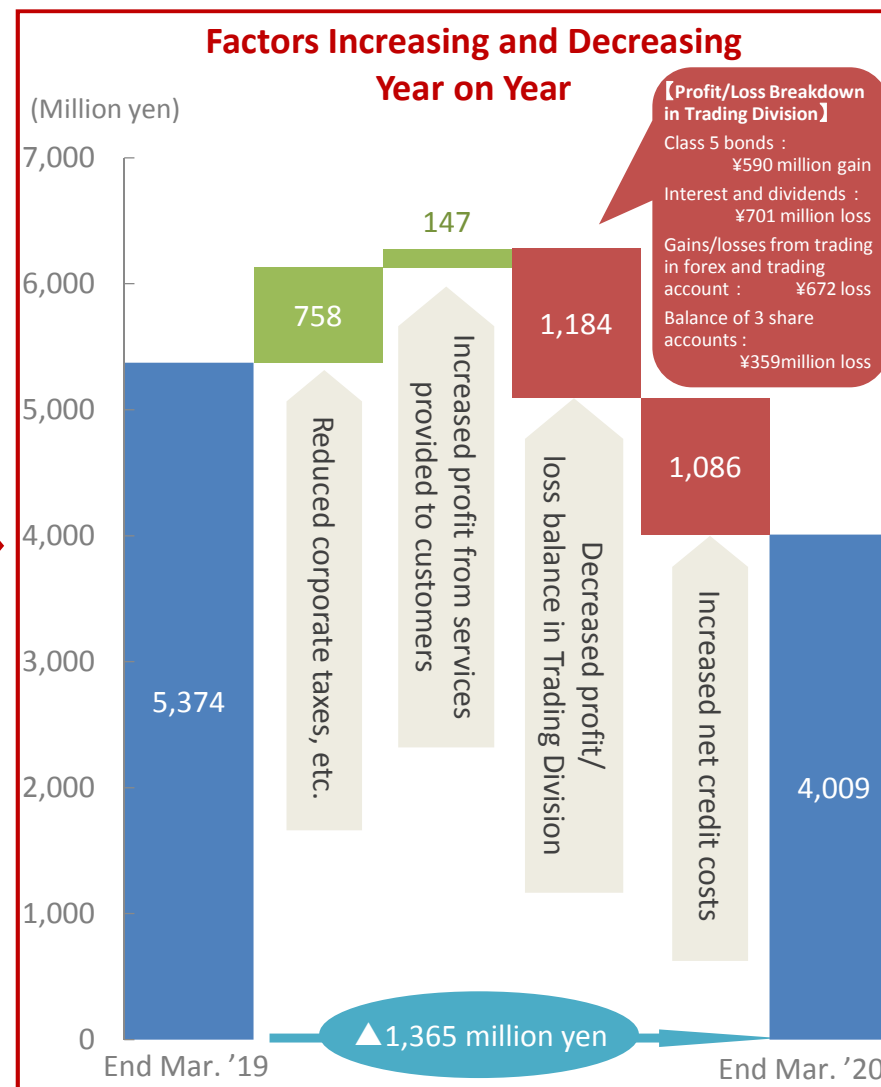
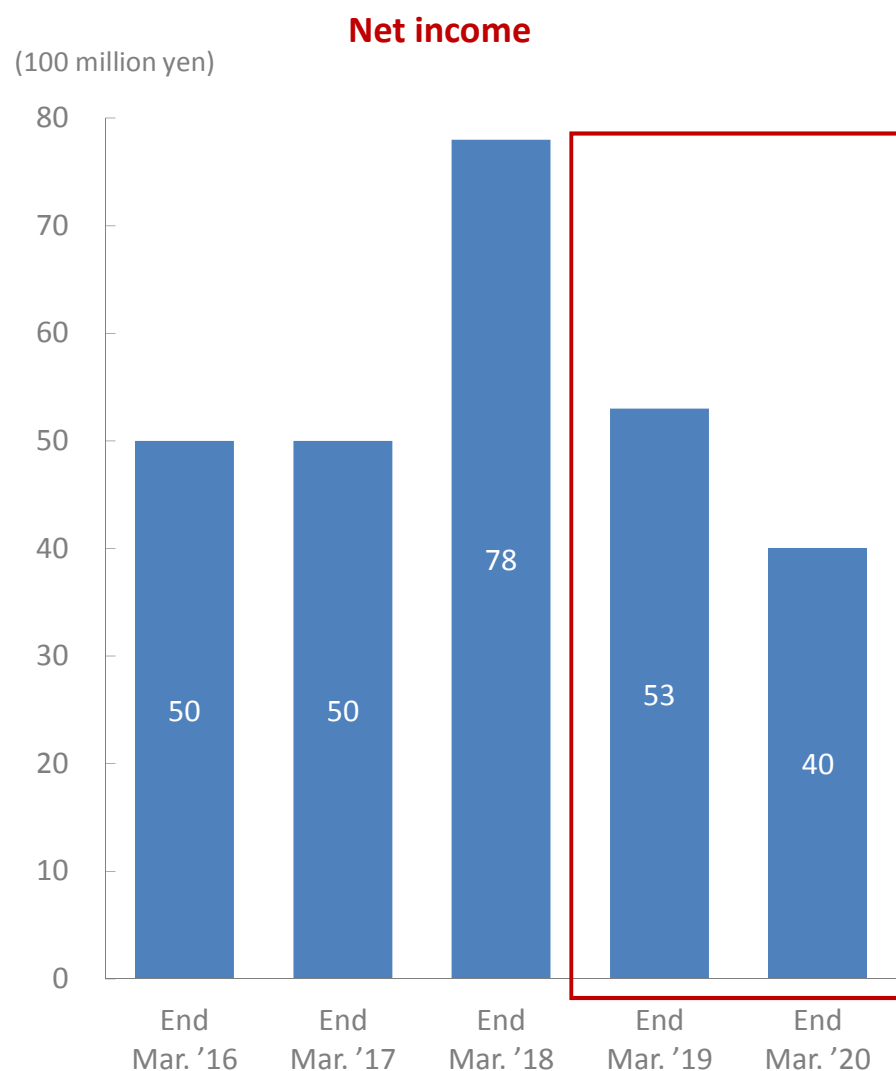
\*2 Balance of deposits and loans (incl. loan-related fees: consumer loan guarantee fees, group credit life insurance premiums). Interest on deposits is calculated based on currency swap income in real terms.

\*3 Profit from service charges (excl. loan fees).

\*4 General provision for doubtful accounts: Negative amounts indicate a provision, and positive amounts indicate a reversal.

# Profit/Loss during Fiscal Year Ended March 31, 2020

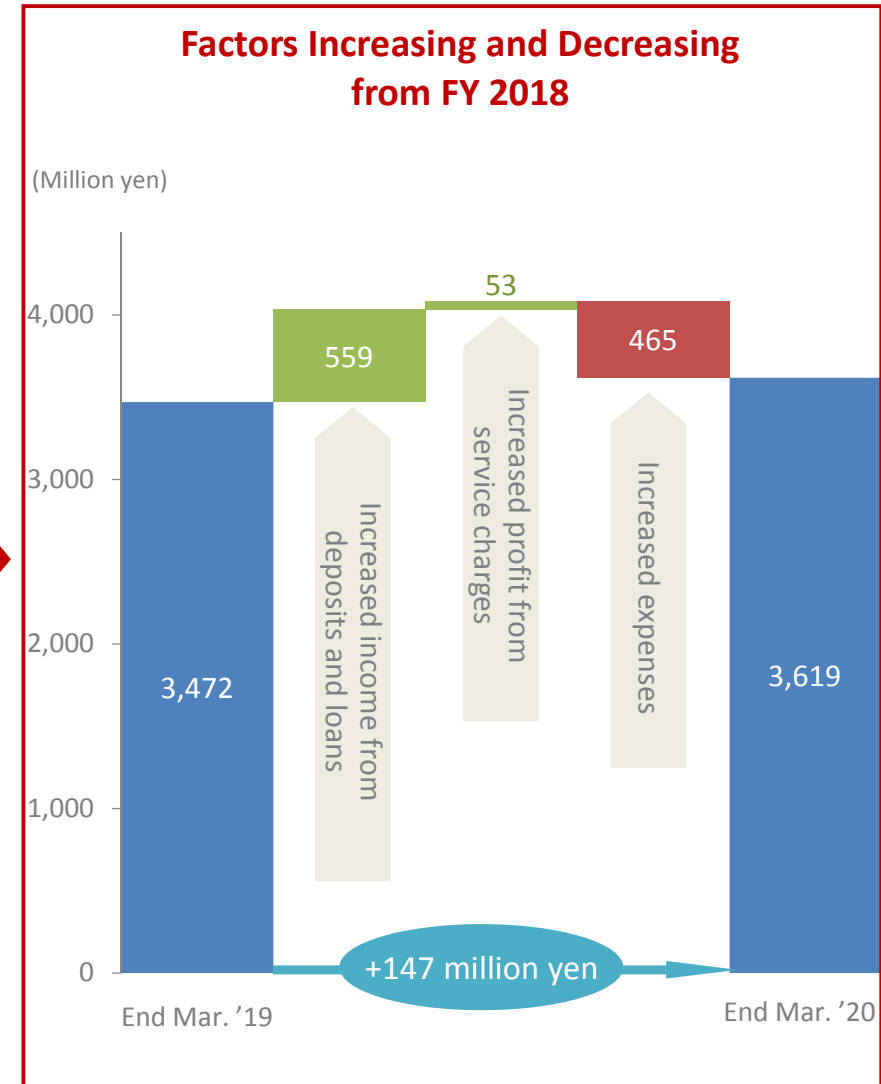
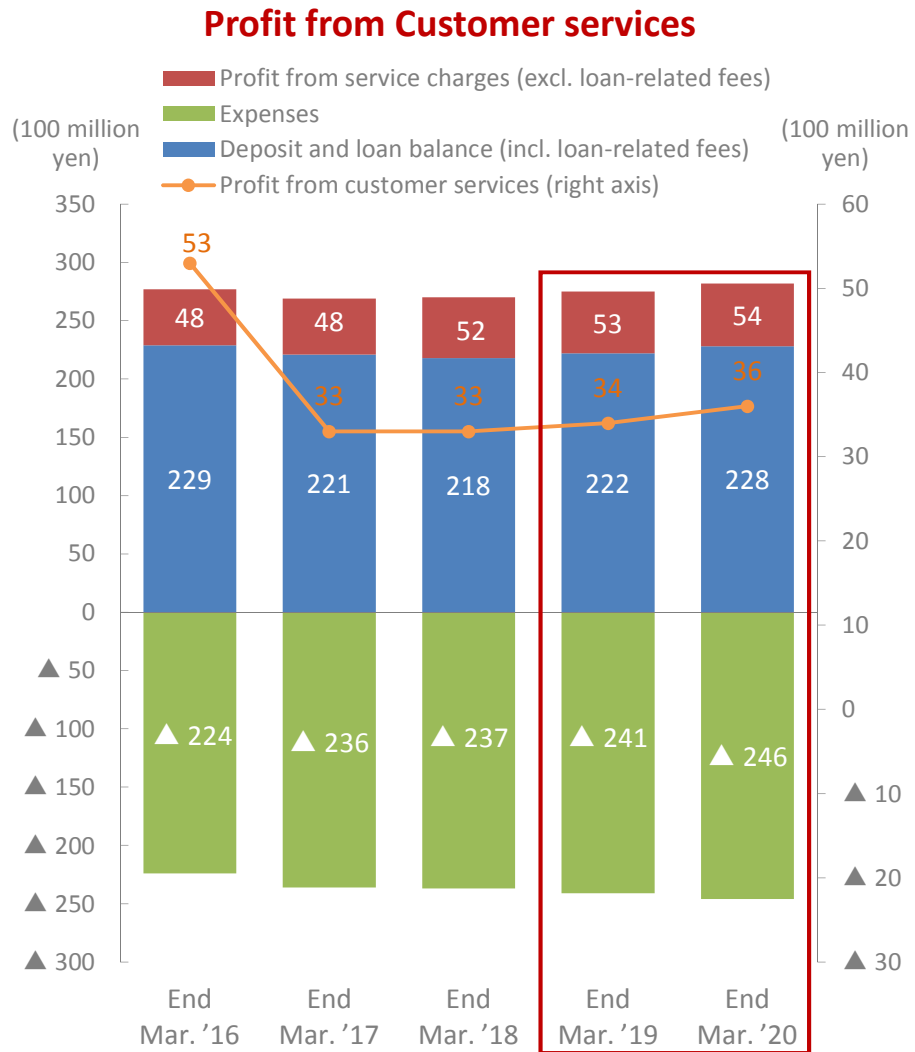
The profit from customer services increased, but total profit decreased due to increased net credit costs and decreased profit/loss balance in the Trading Division.



\* "Reduced corporate taxes, etc." incl. other profit and loss balances.

# Profit from Customer Services

Expenses increased, but total profit increased due to increased deposit and loan balance and profit from service charges.

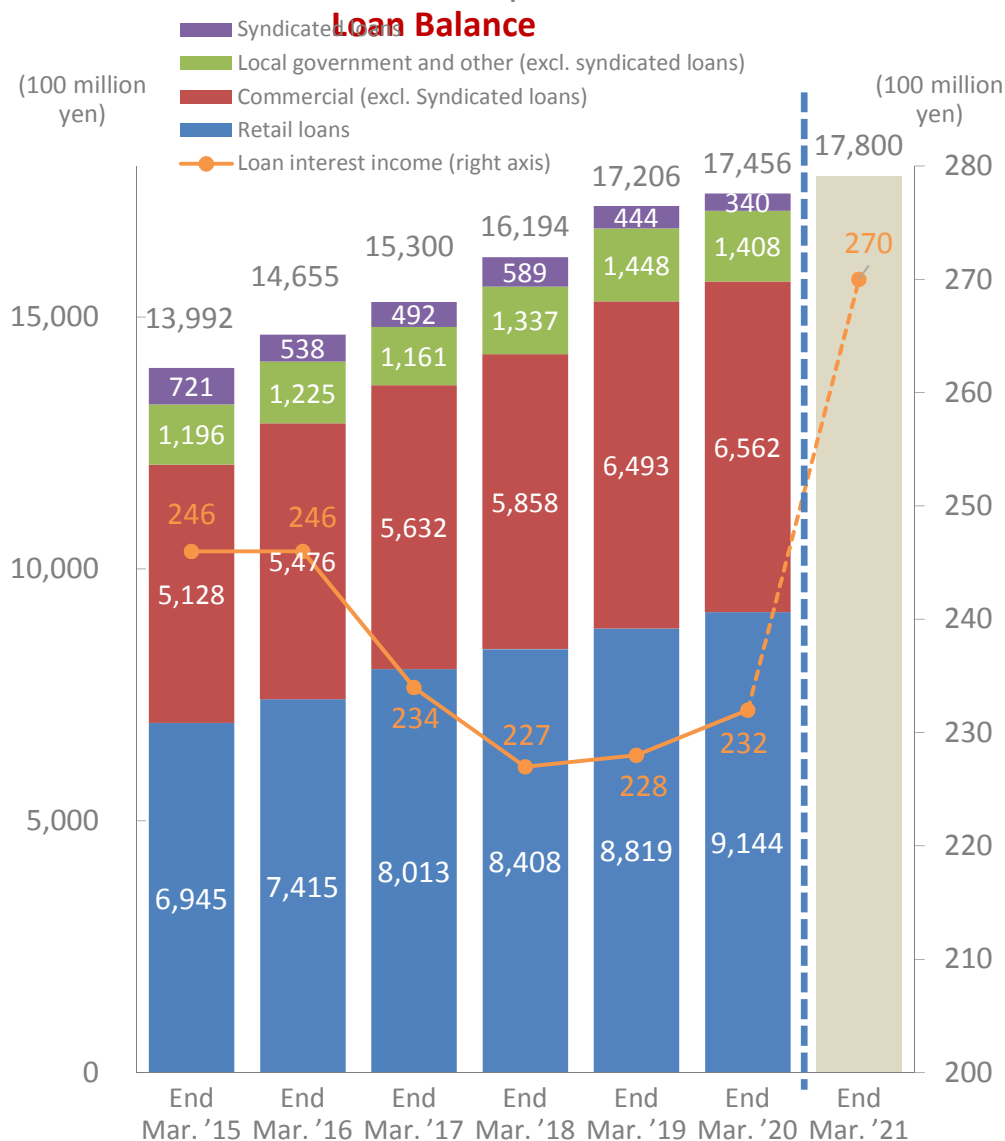


\* Profit from customer services = Deposit and loan balance + Profit from service charges – Expenses

\* Among balances of deposits and loans, interest on deposits is calculated based on currency swap income in real terms.

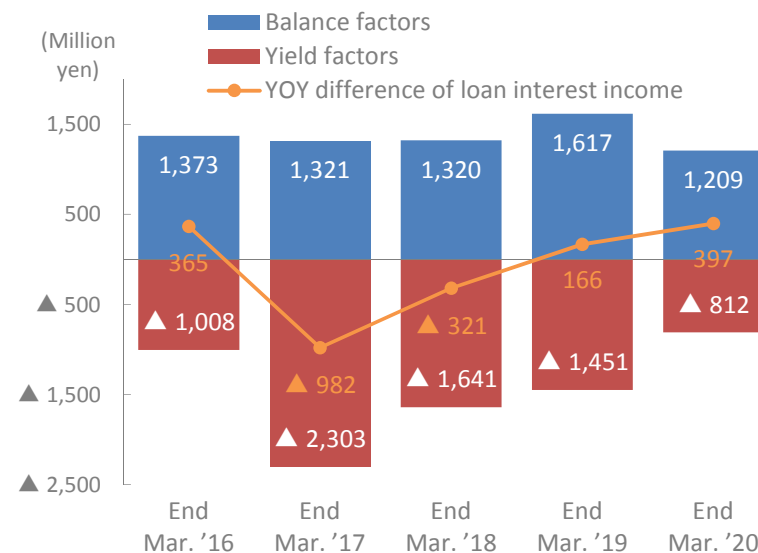
# Loans

Although the yield declined, the balance steadily increased, resulting in an increase in loan interest income for two consecutive periods.

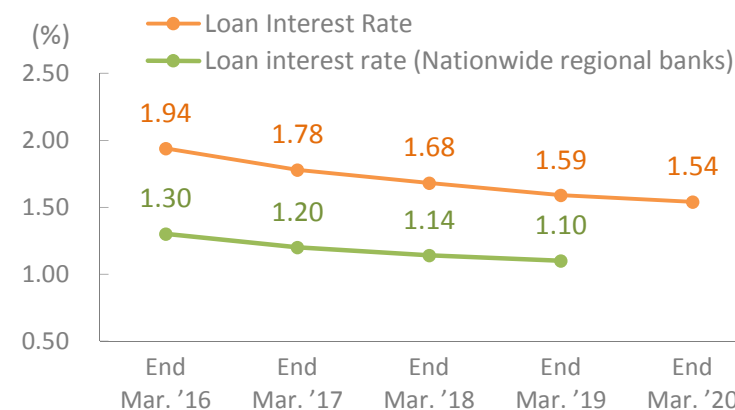


\* Loan-related fees are deducted from the amount of loan interest income.

## Factors Increasing and Decreasing Loan Interest Income



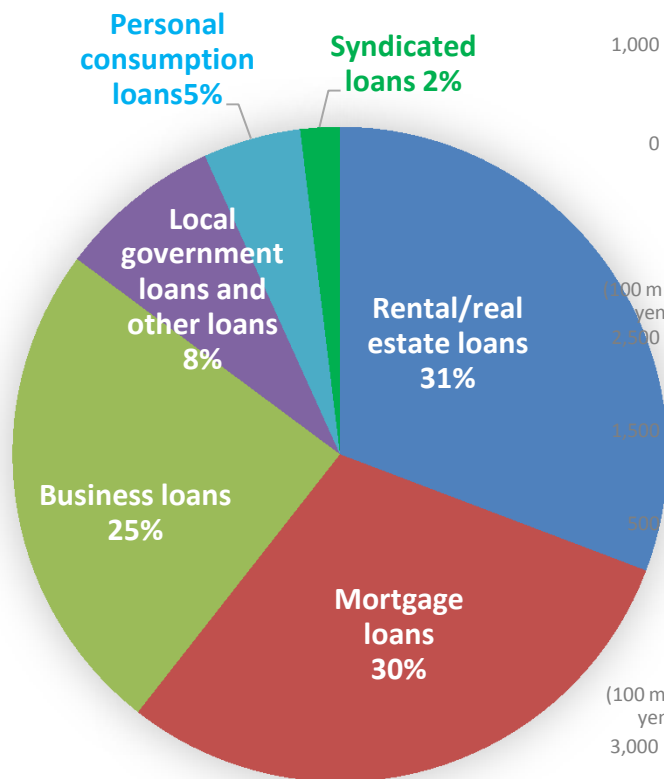
## Loan Interest Rate



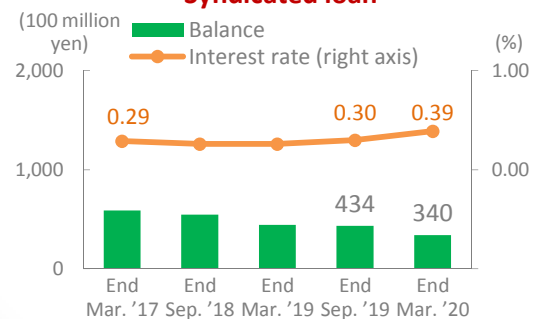
# Loans

The balance of mortgage loans, especially rental housing and lending to real estate agents, is increasing. The interest rate charged to borrowers is tending to decline.

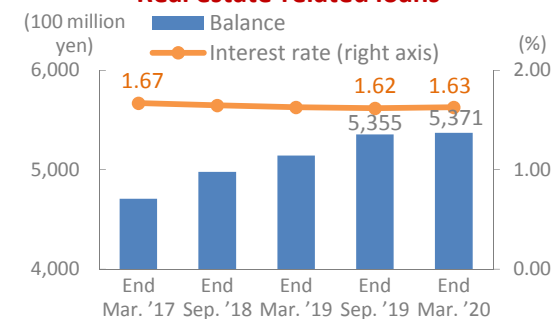
## BREAKDOWN OF LOAN BALANCES BY USE



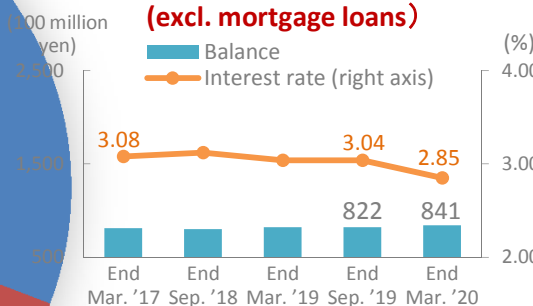
### Syndicated loan



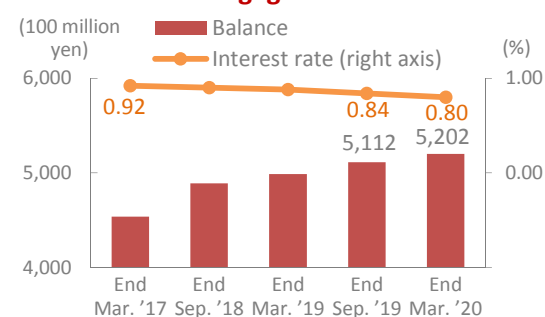
### Real estate-related loans



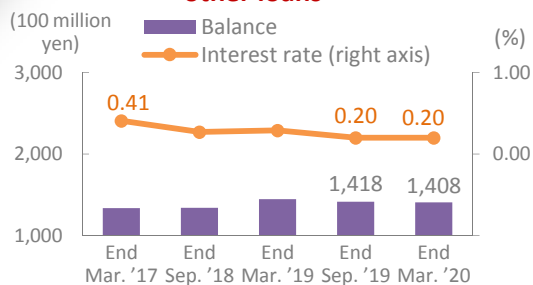
### Personal loans (excl. mortgage loans)



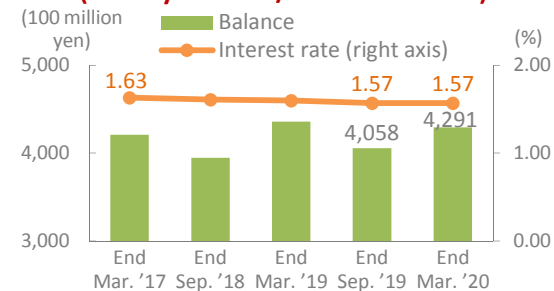
### Mortgage loans



### Local government loans and other loans



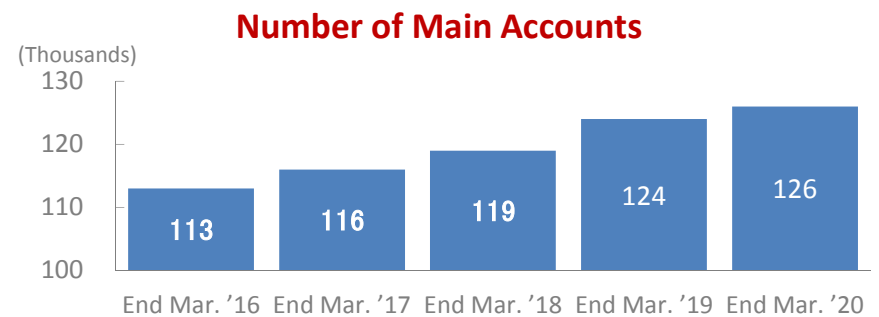
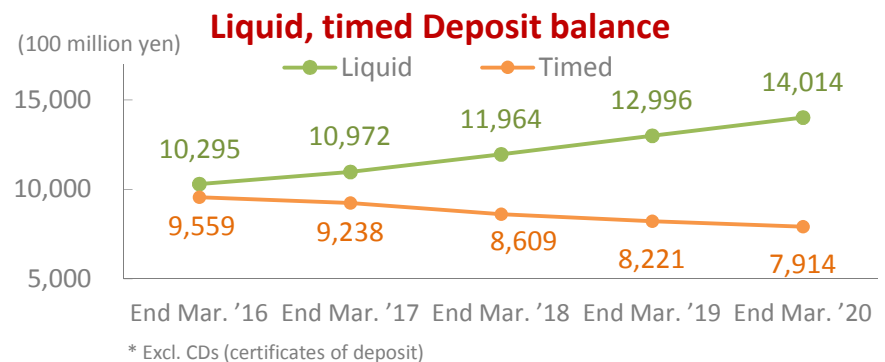
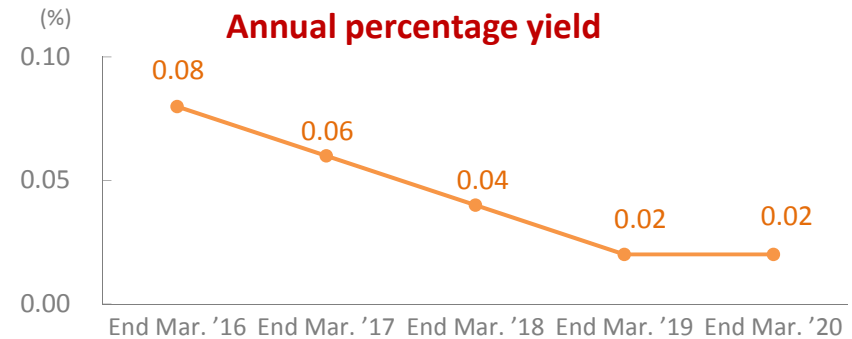
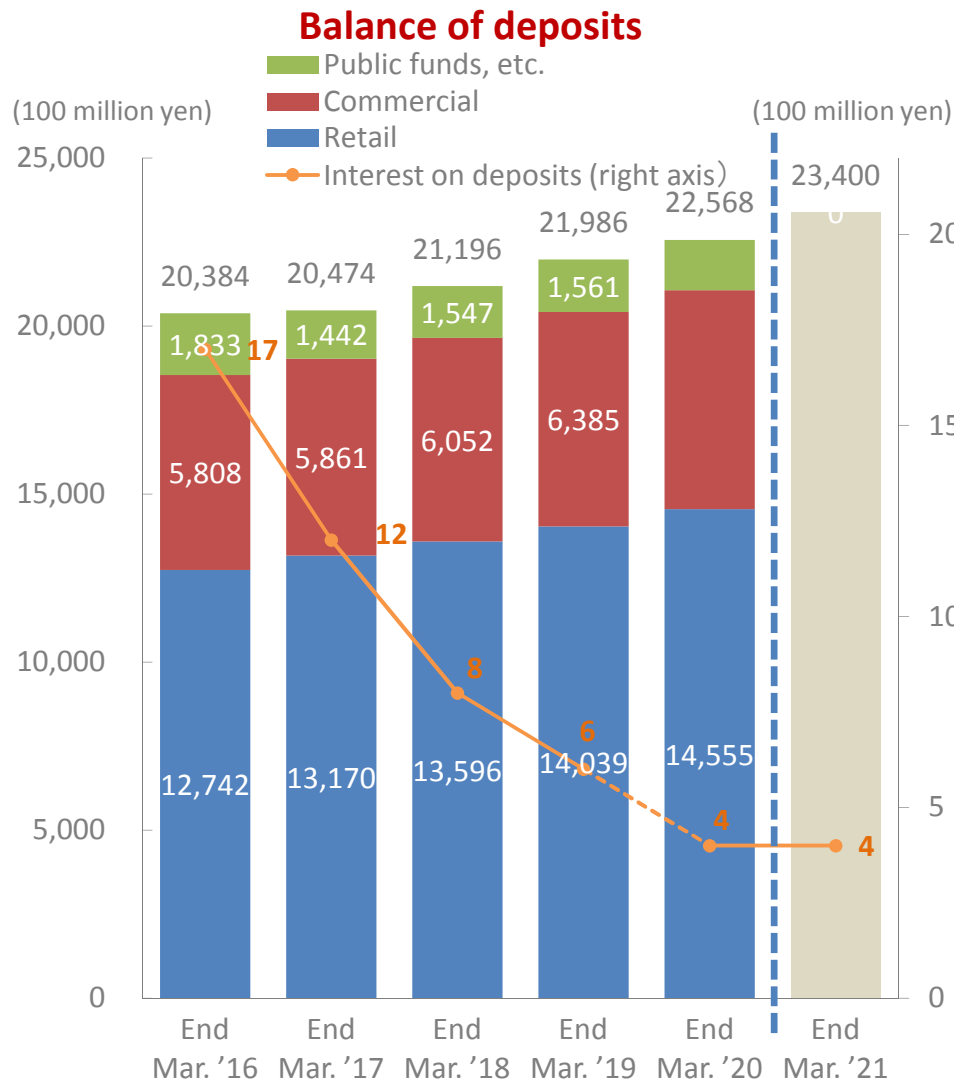
### Business loans (excl. Syndicated/real estate loans)



\* Loan-related fees are deducted from yield calculation.

# Deposits

Deposits for both retail and corporate customers are steadily increasing. Annual percentage yield dropped due to a decline in time deposit balances.

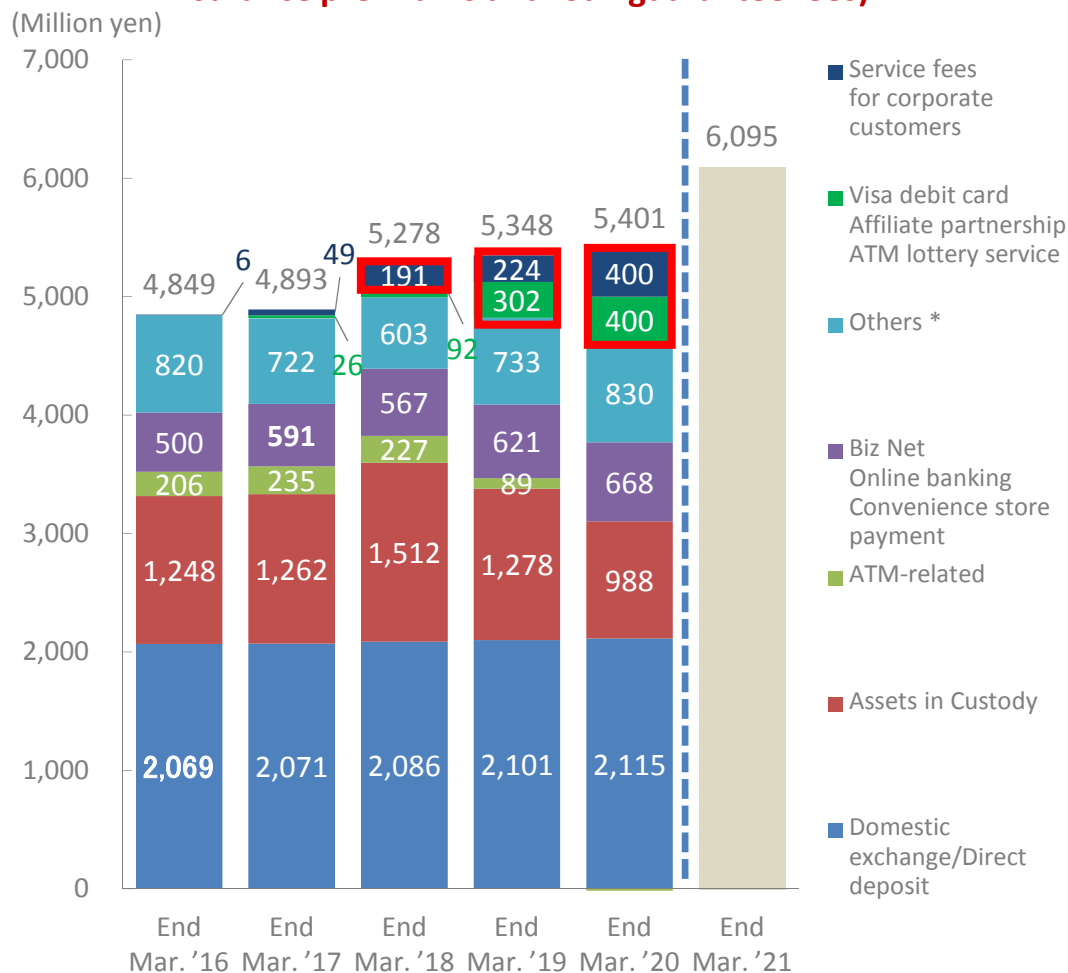


\* The main account is a personal account that is used for a certain service or product, in addition to using direct deposit of payroll, pension, or mortgage loan.

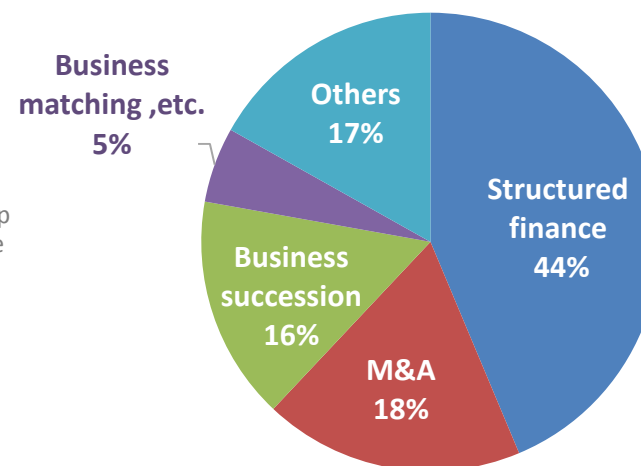
# Profit from Service Charges

Profit from service charges is steadily increasing due to increased service fees for corporate customers and card-related services.

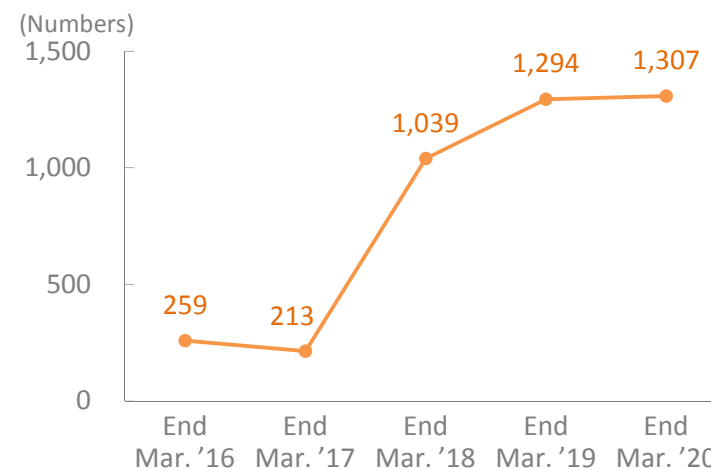
## Trend of Profit from Service Charges (excl. group credit life insurance premiums and loan guarantee fees)



## Percentage of Service Fees for Corporate Customers by Division



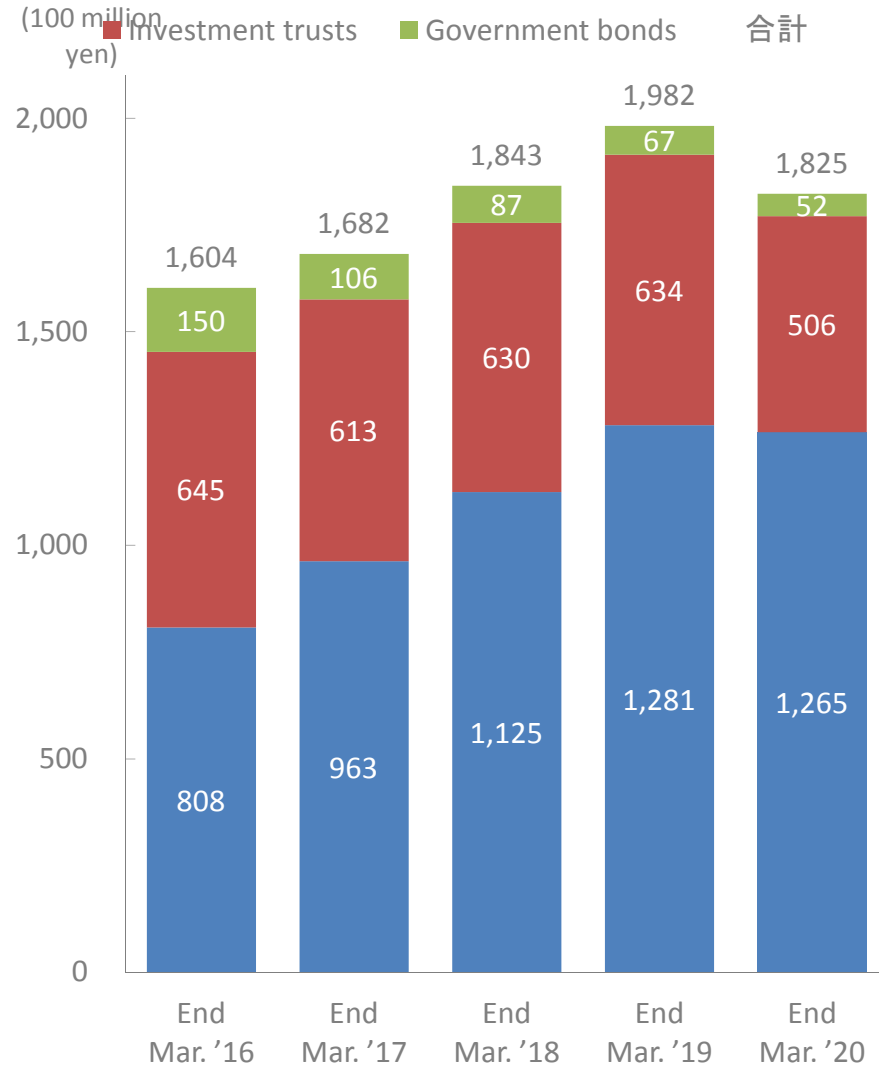
## Number of visits for consulting activities



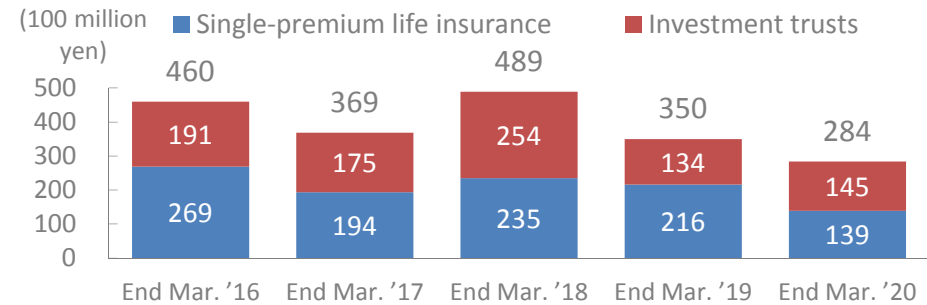
# Assets in Custody

The balance of assets in custody turned negative due to a decline in net asset values of mutual funds or other factors.

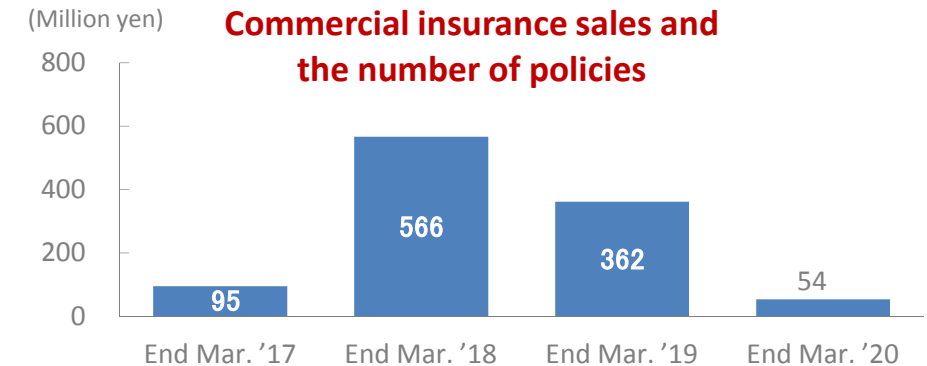
## Assets in custody balance



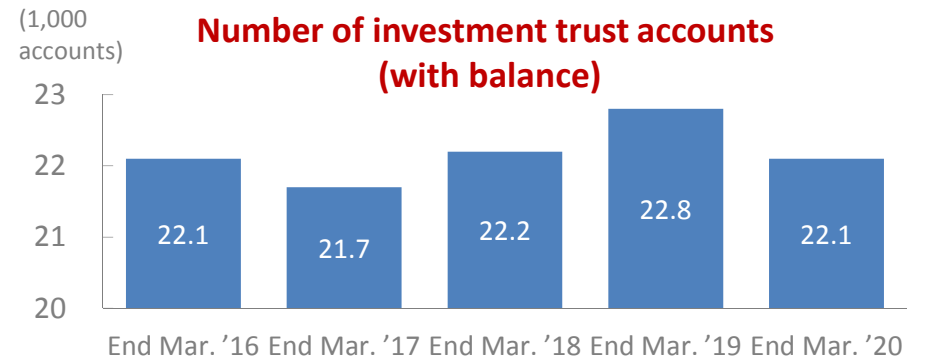
## Assets on custody sales revenue



## Commercial insurance sales and the number of policies



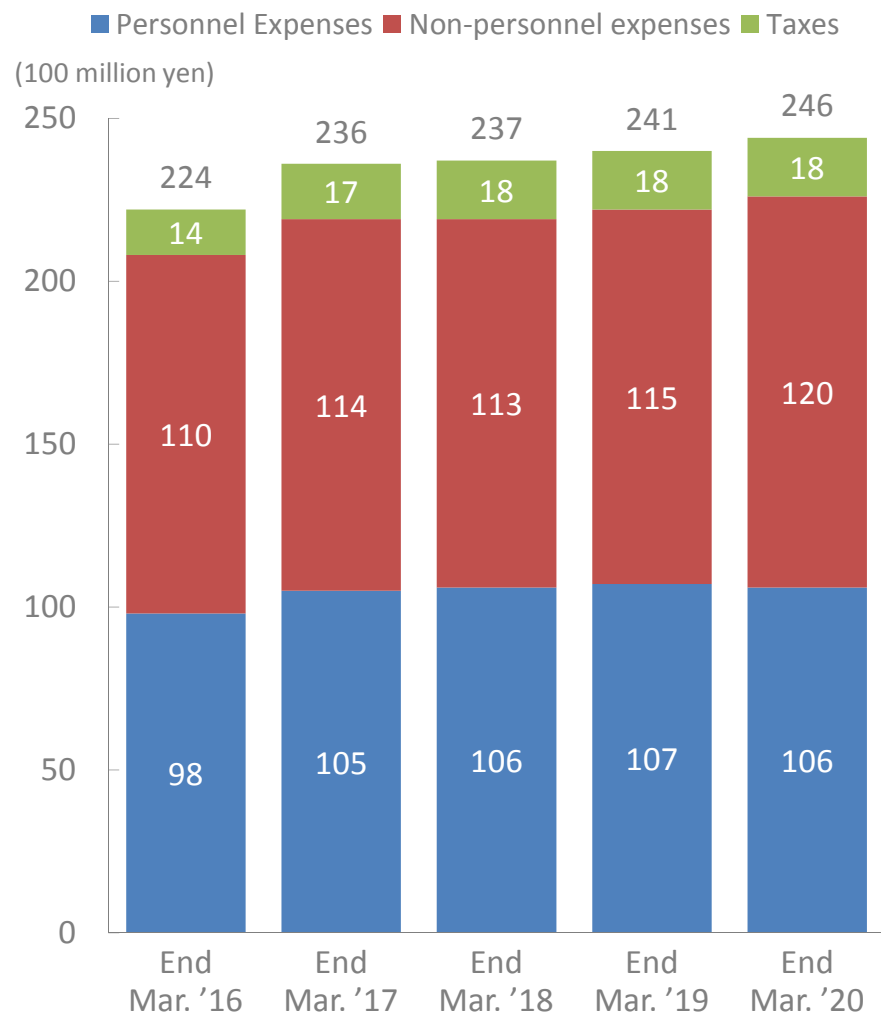
## Number of investment trust accounts (with balance)



# Expenses

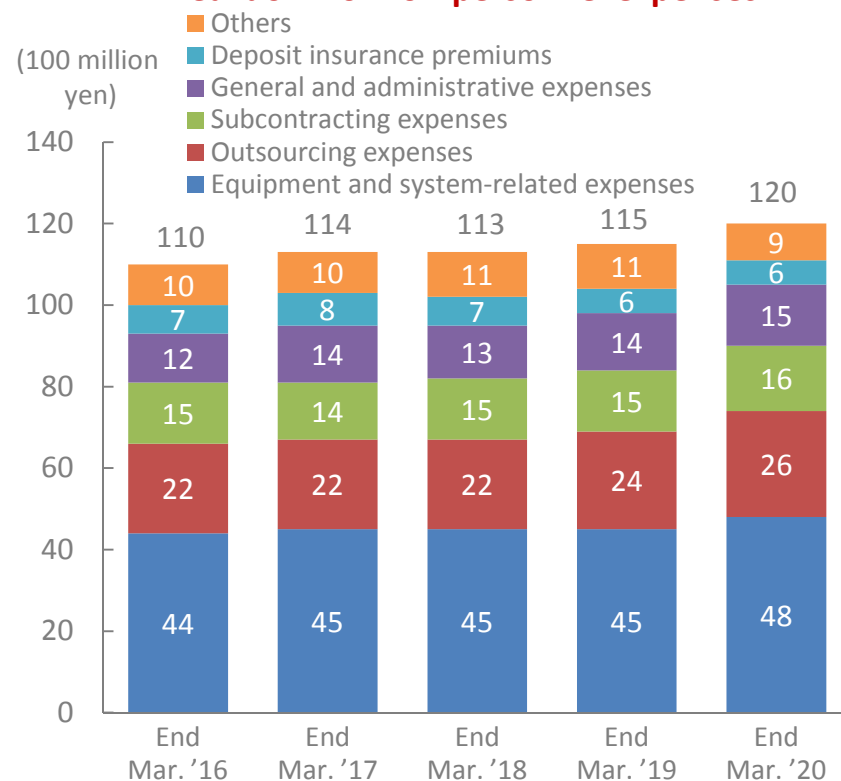
Personnel expenses decreased due to a reduction in number of personnel. Non-personnel expenses increased due to investment to streamline operations and ensure various revenue sources.

## Expenses



\* Personnel expenses include employees' past salaries with respect to retirement benefits, and impacts (loss/profit) of actuarial differences.

## Breakdown of non-personnel expenses



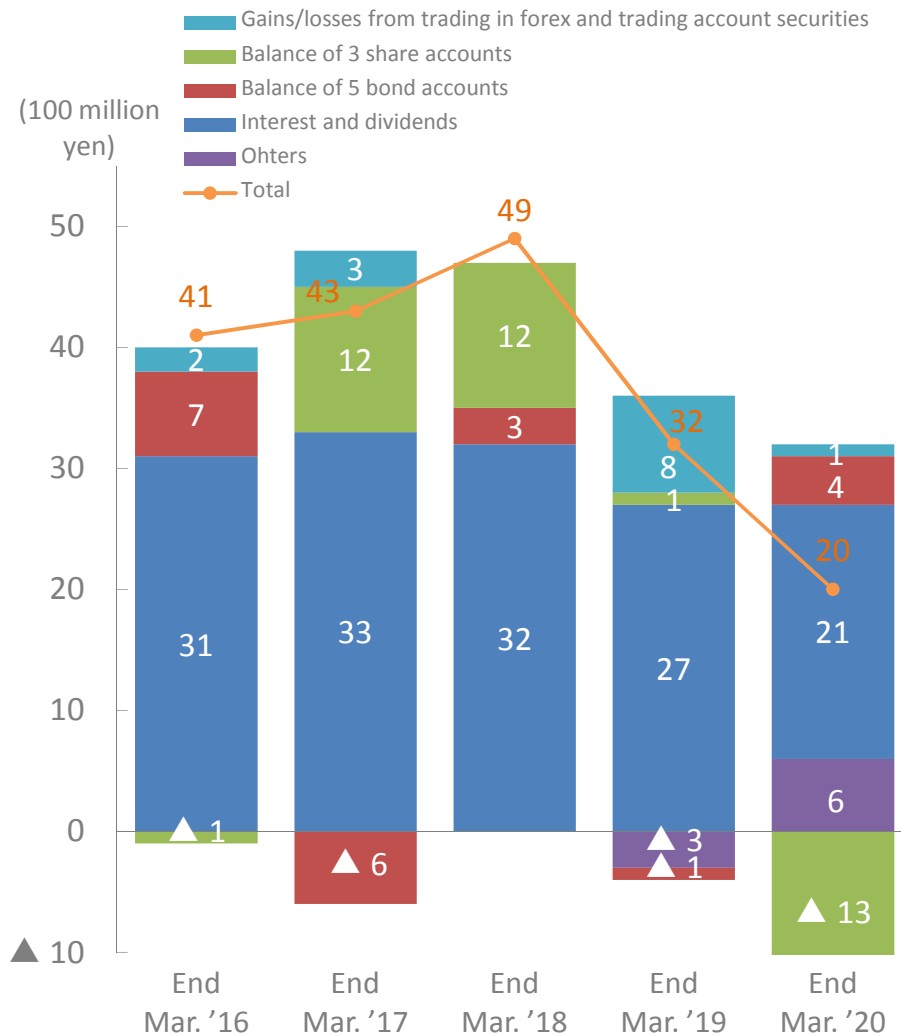
### Major factors of increased non-personnel expenses in FY 2019 include:

- Amortization expenses related to next-generation systems (TfACE, FTB, etc.) introduced in sales offices
- Expenses for card payment terminals (consumer return initiative)
- Consulting fees for stronger risk management, and so on.

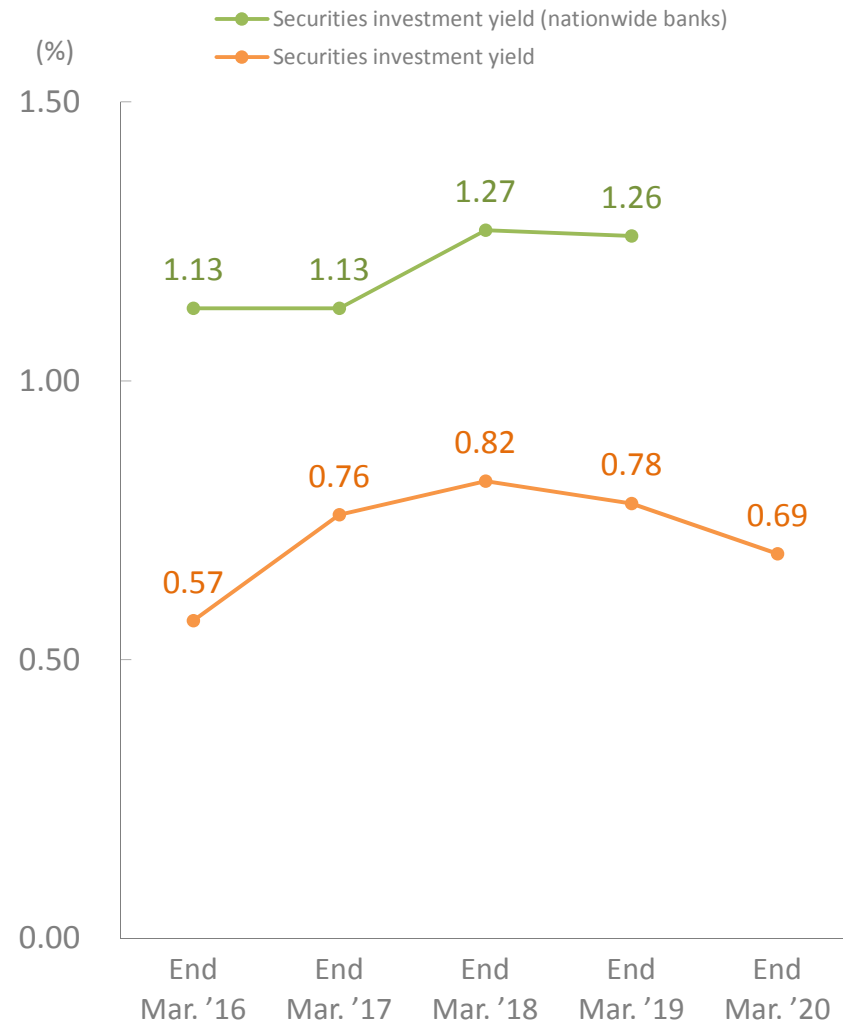
# Securities

The profit/loss balance in the Trading Division decreased due to the decreased profit from forex trading, balance of three share accounts, interest and dividends, etc.

## Profit/loss in Trading Division

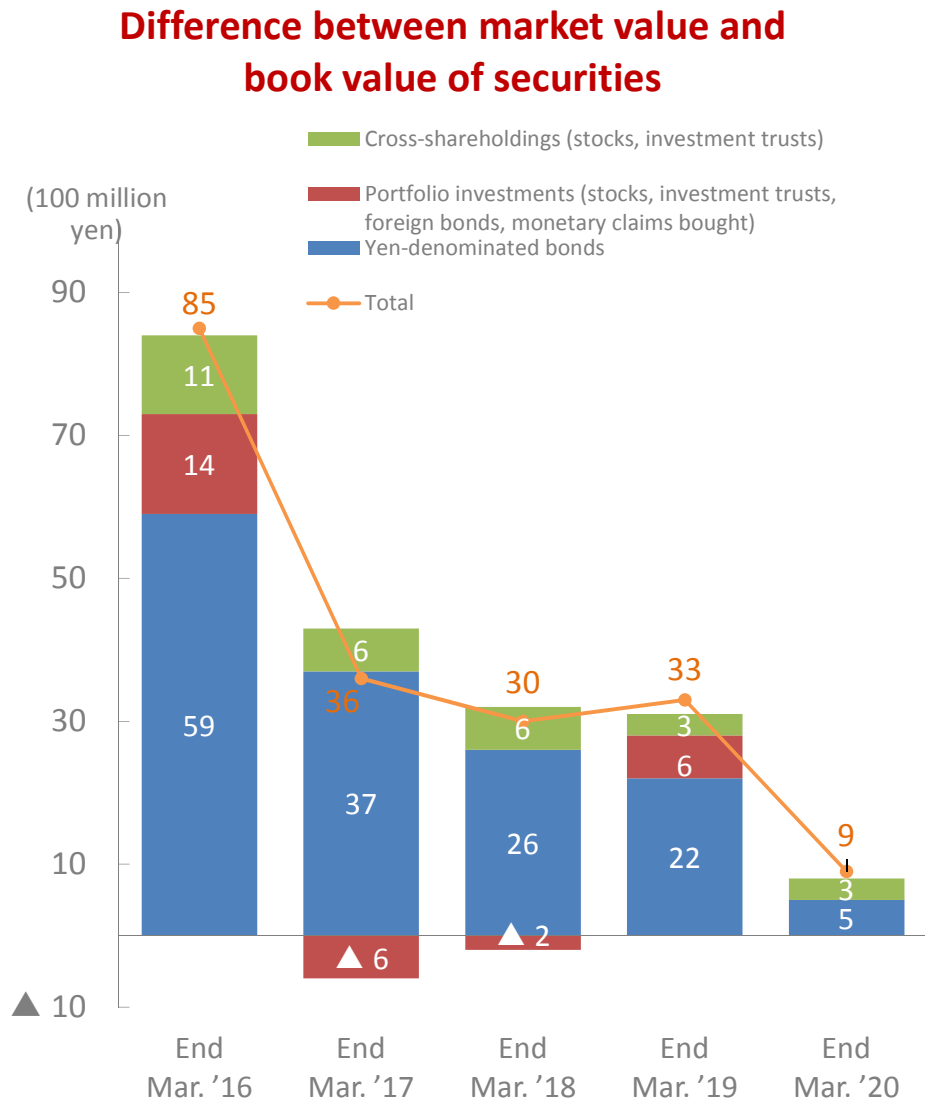
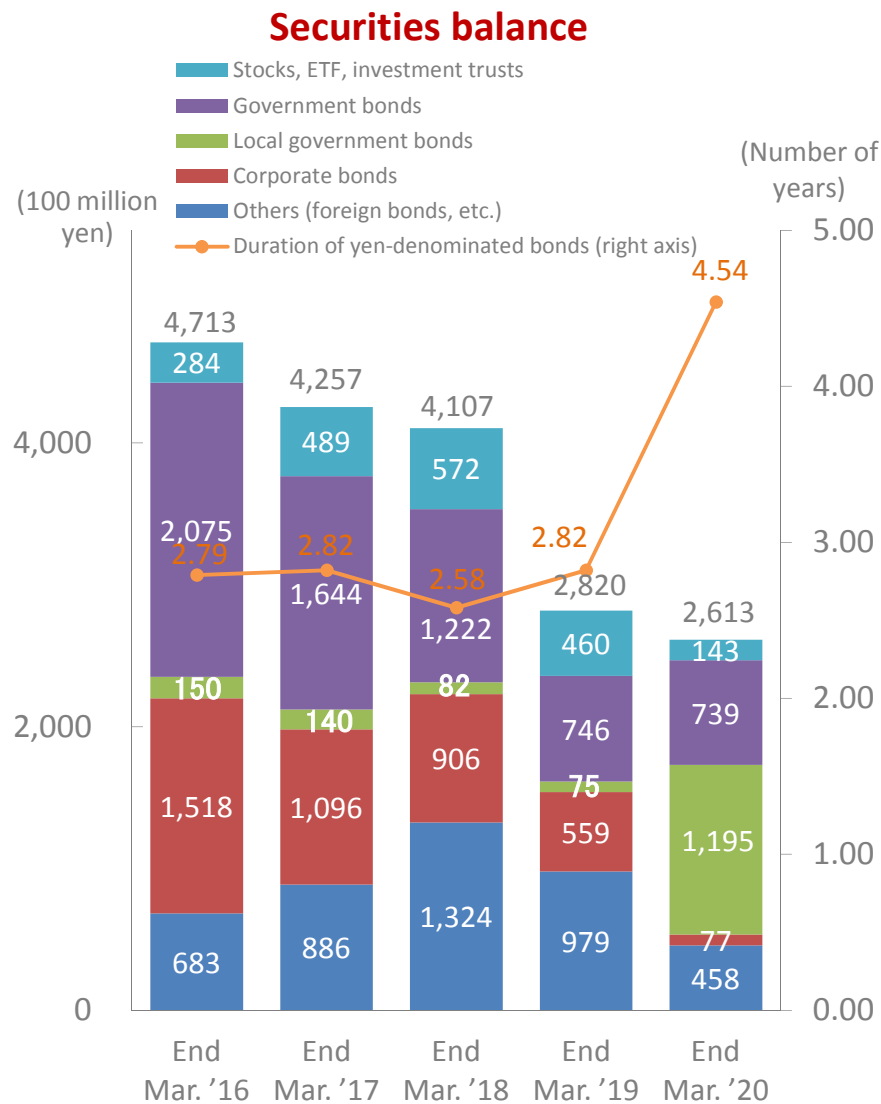


## Securities investment yield



# Securities

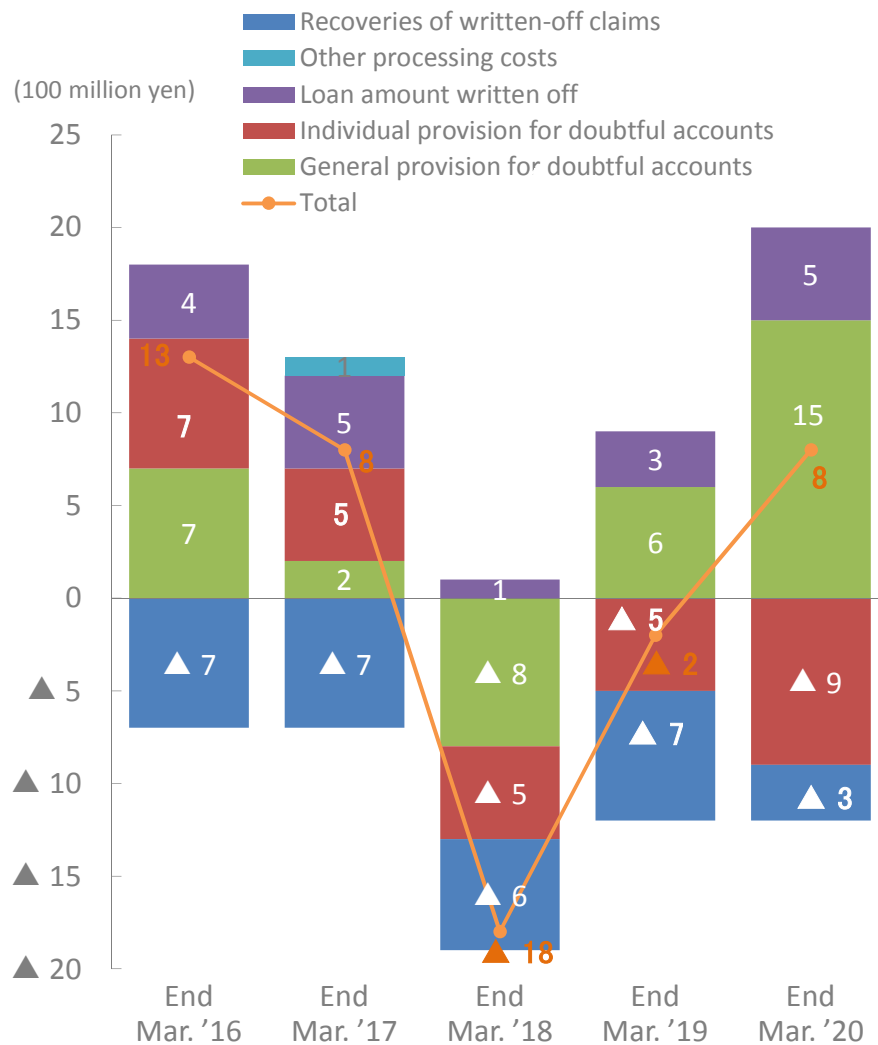
An increase in local government bonds led to the prolonged duration of the bonds. The securities balance moved to a risk-off position.



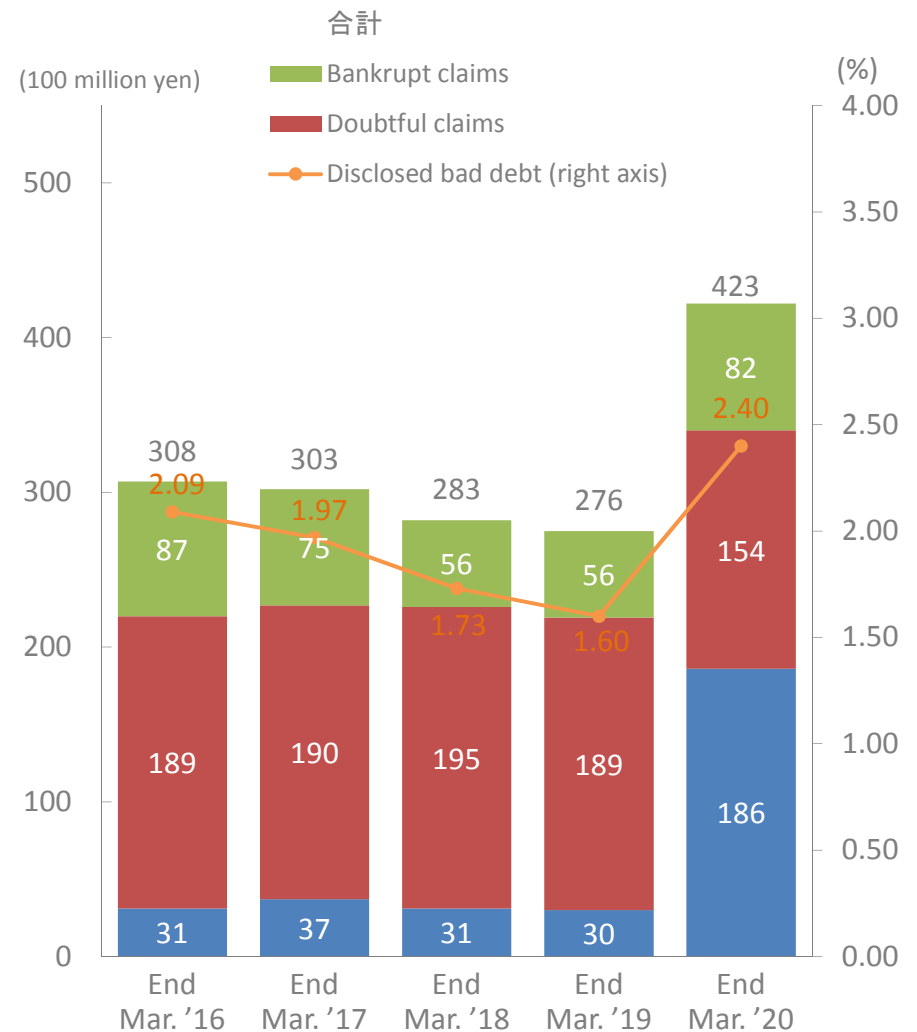
# Net Credit Costs/Disclosed Bad Debt

The general provision for doubtful accounts and substandard claims increased due to Covid-19 (changes of conditions, etc.).

## Net credit costs



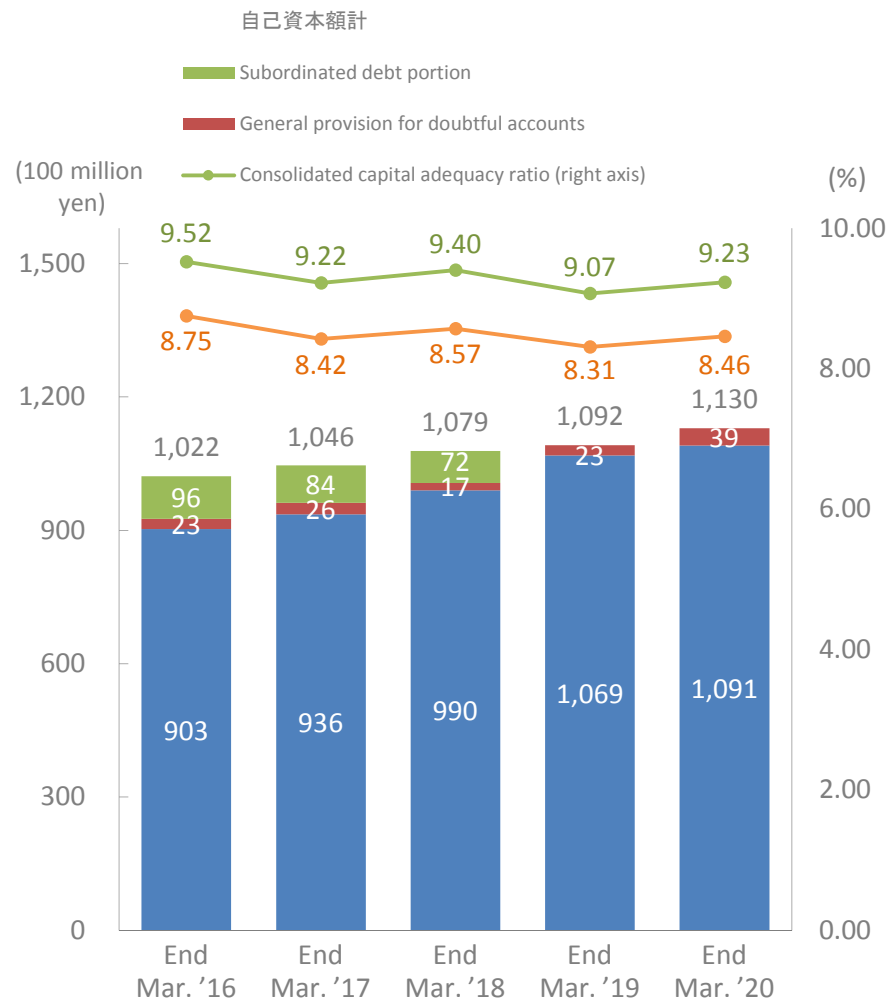
## Disclosed bad debt



# Capital Adequacy Ratio

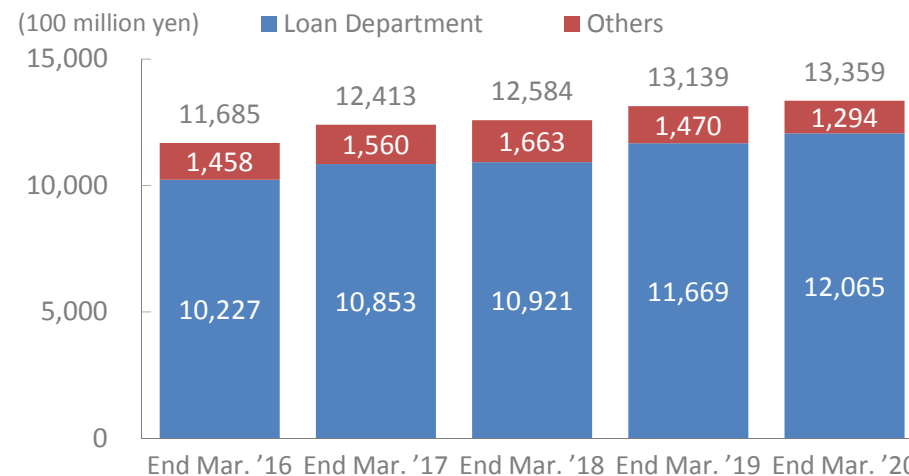
The capital adequacy ratio increased due to stronger management of risk assets in addition to accumulation of profit and allowance for doubtful accounts.

## Regulatory capital and capital adequacy rate

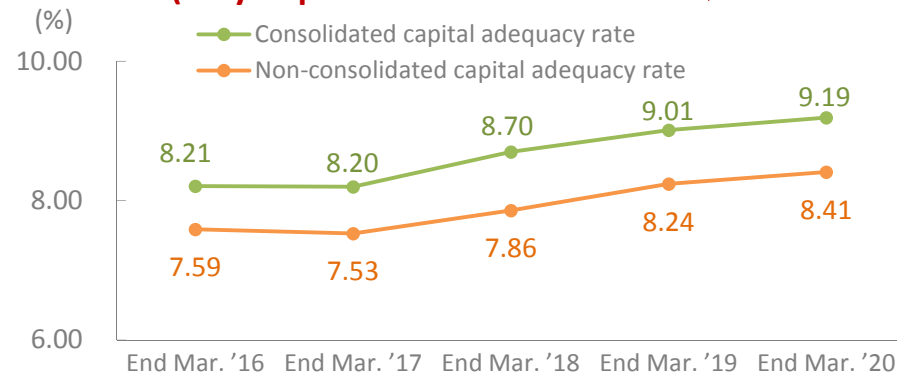


\* In Sep. 2018, public offering was made to raise capital (5.6 billion yen). In Oct. 2018, subordinated debt (12 billion yen) was repaid before the maturity date.

## Risk assets



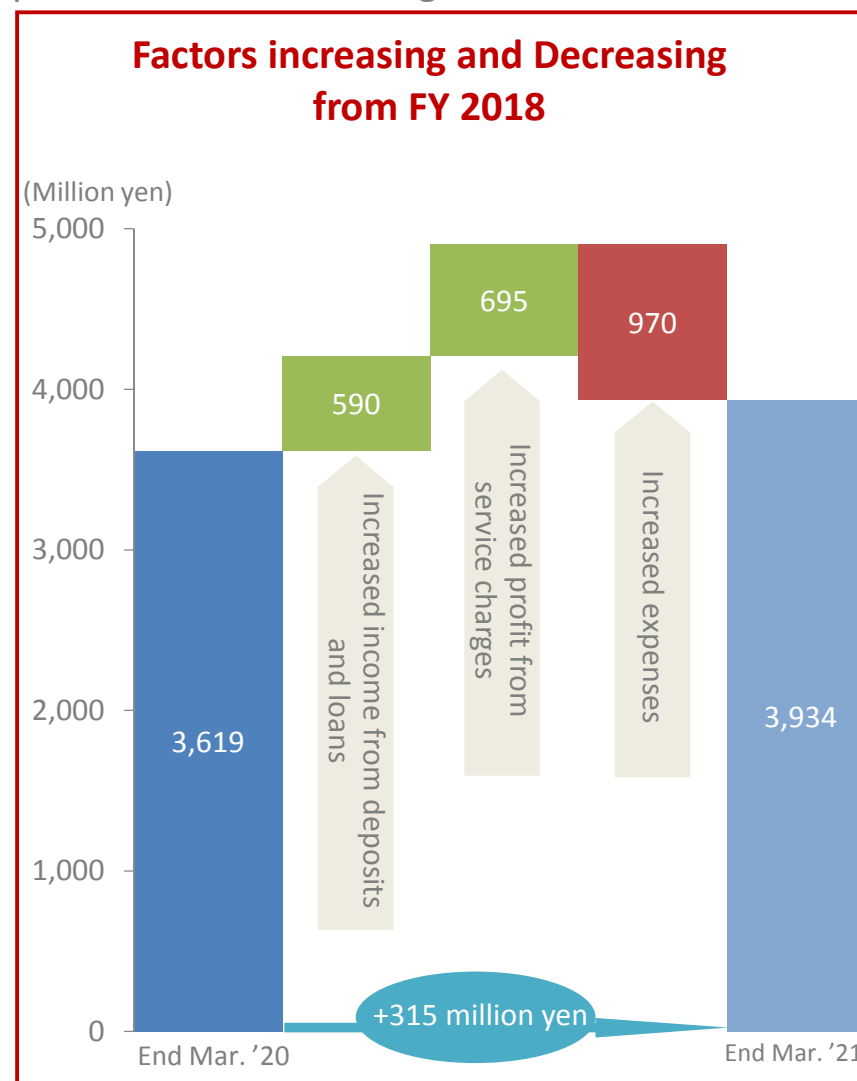
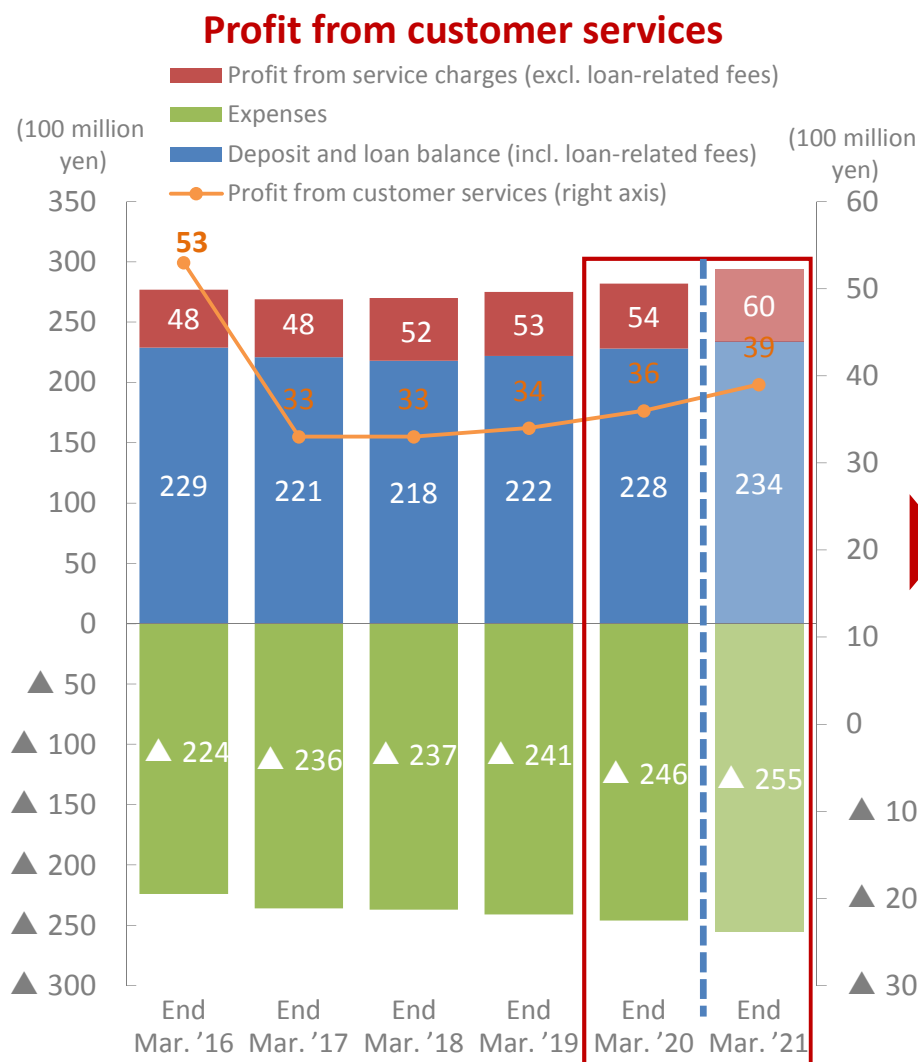
## Capital adequacy rate (fully implemented under Basel III)



\* The fully implemented capital adequacy ratio was calculated by setting capital computation of subordinated debt and the difference in land revaluation as zero, and summing up the entire amount of intangible fixed assets and prepaid pension cost as adjusted capital.

# Profit from Customer Services Plan

Although expenses increased due to continued necessary investments, profit is expected to grow due to improved balance of deposits and loans and increased profit from service charges.

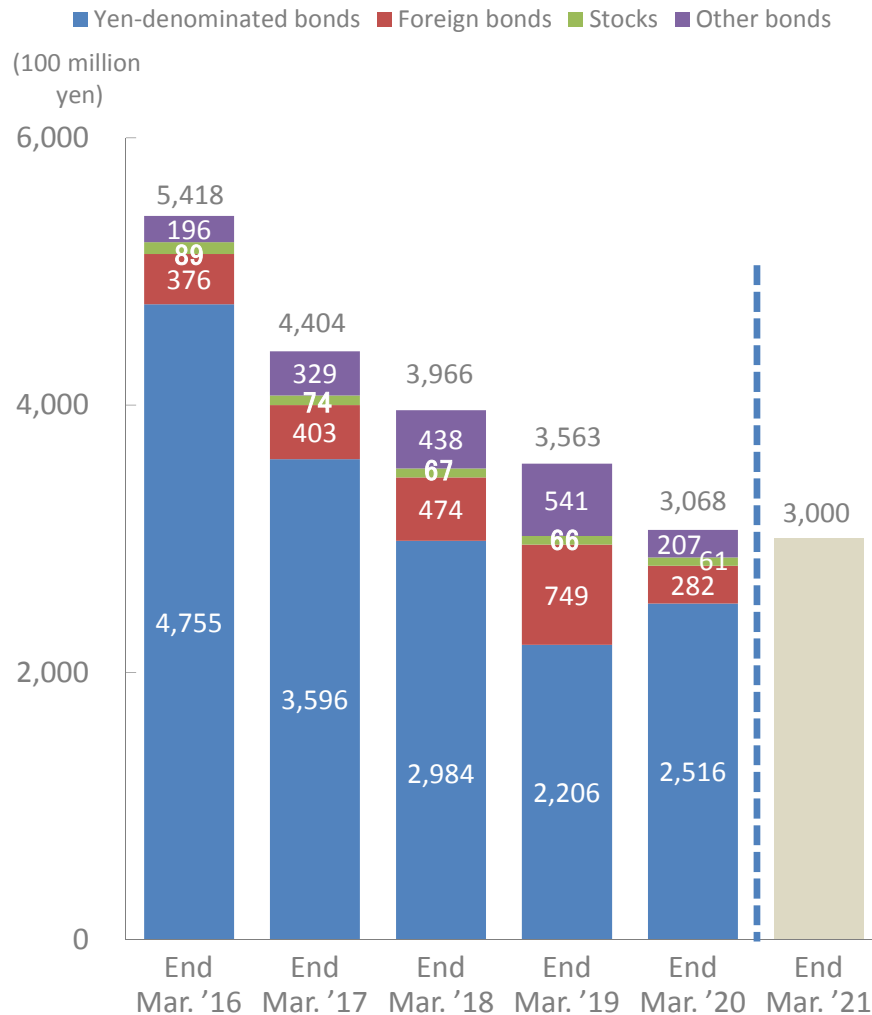


\* Profit from customer services = Deposit and loan balance + Profit from service charges – Expenses  
 Among balances of deposits and loans, interest on deposits is calculated based on currency swap income in real terms.

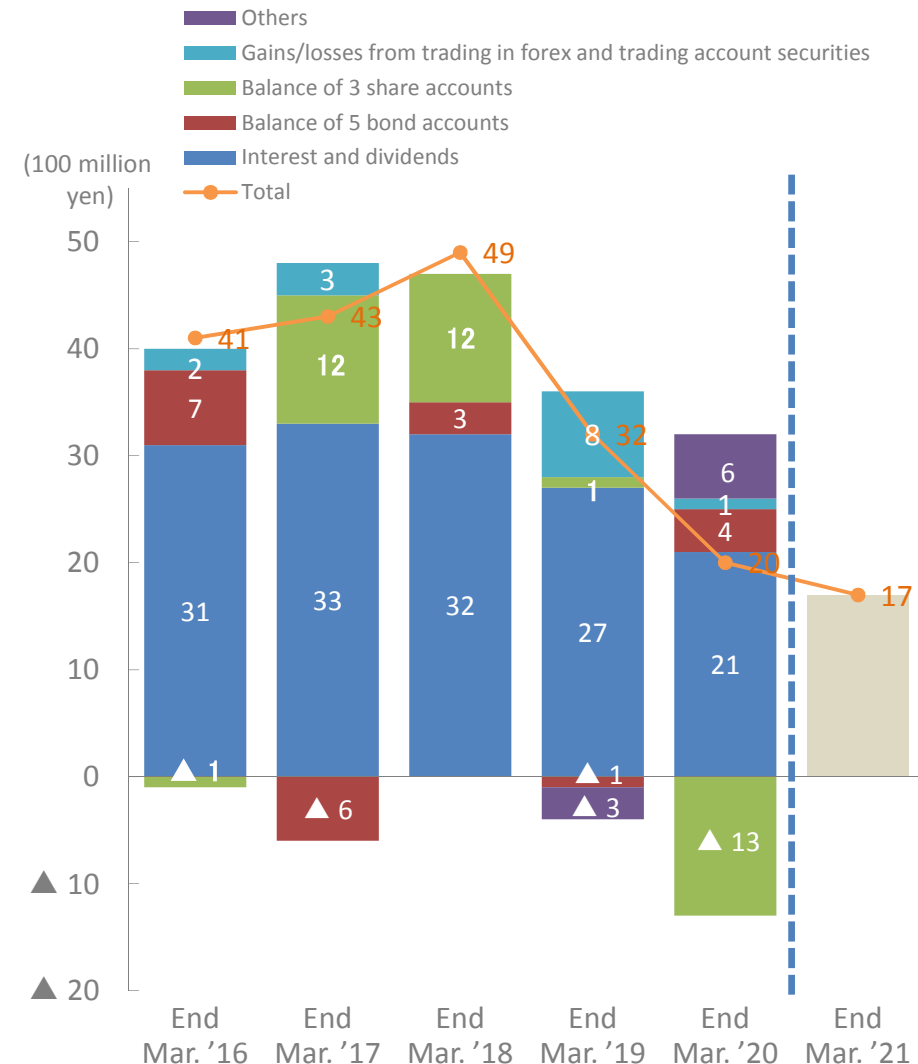
# Concept and Planning for Securities Operations

Operations of securities reduce risks, ensuring further profit gains.

## Average Securities Balance



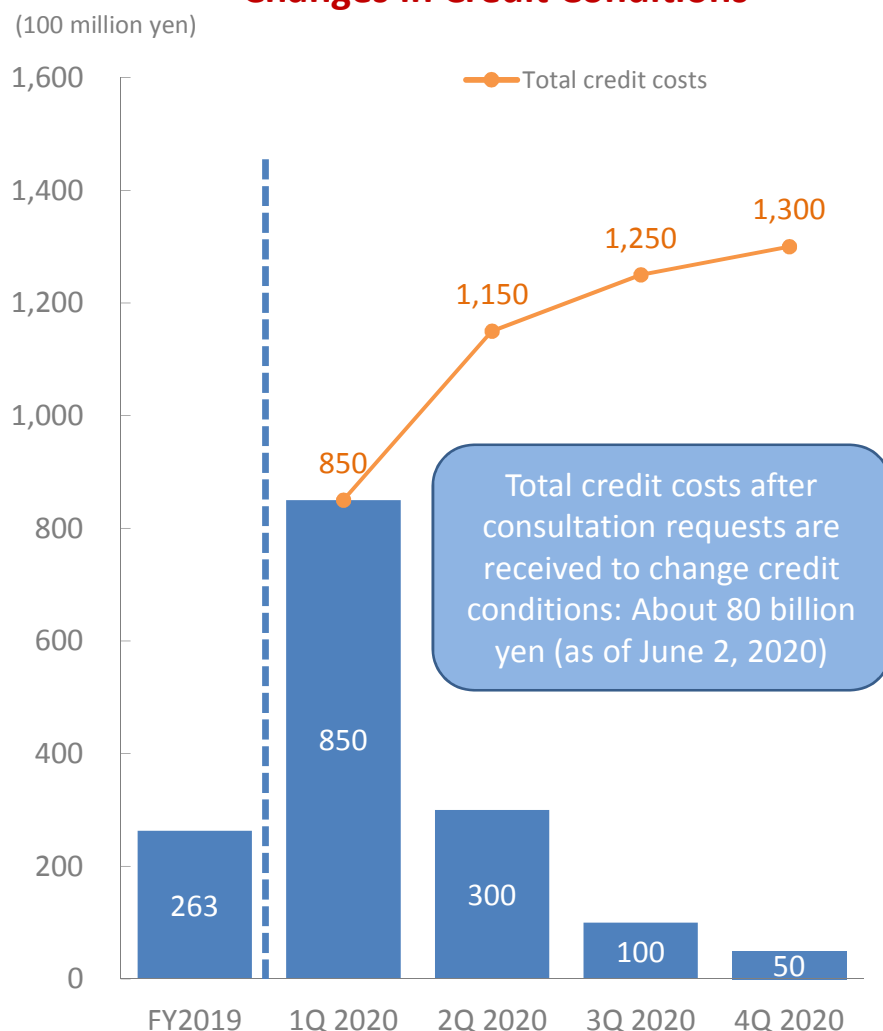
## Profit/Loss Balance in Trading Division



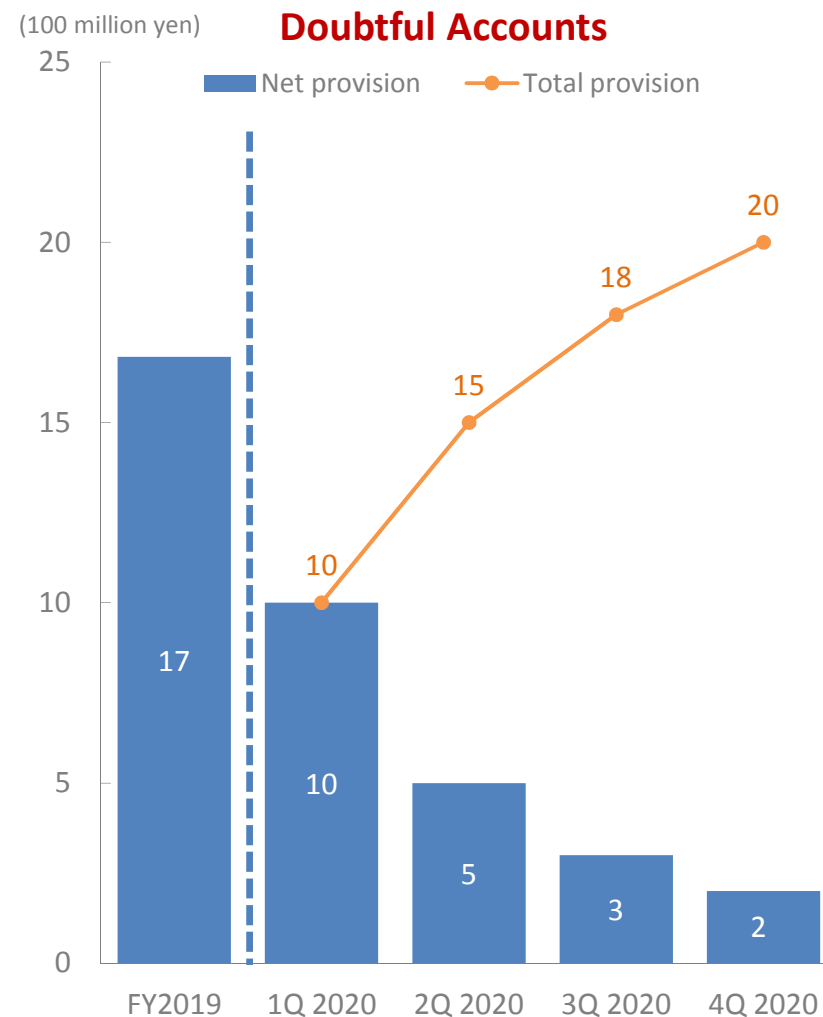
# Responses to Covid-19

Actively committed to supporting customers in terms of funding. Customers will continue to be affected by Covid-19 during FY2020.

## Changes in Credit Conditions



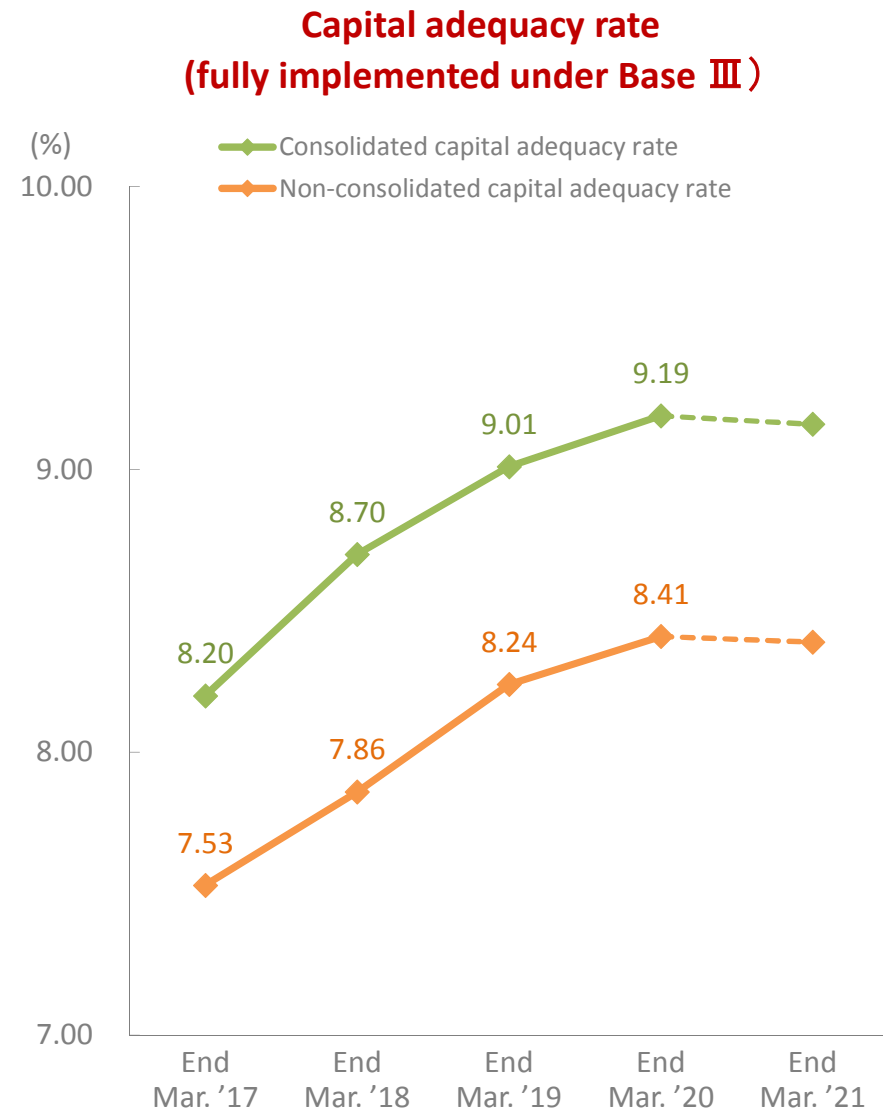
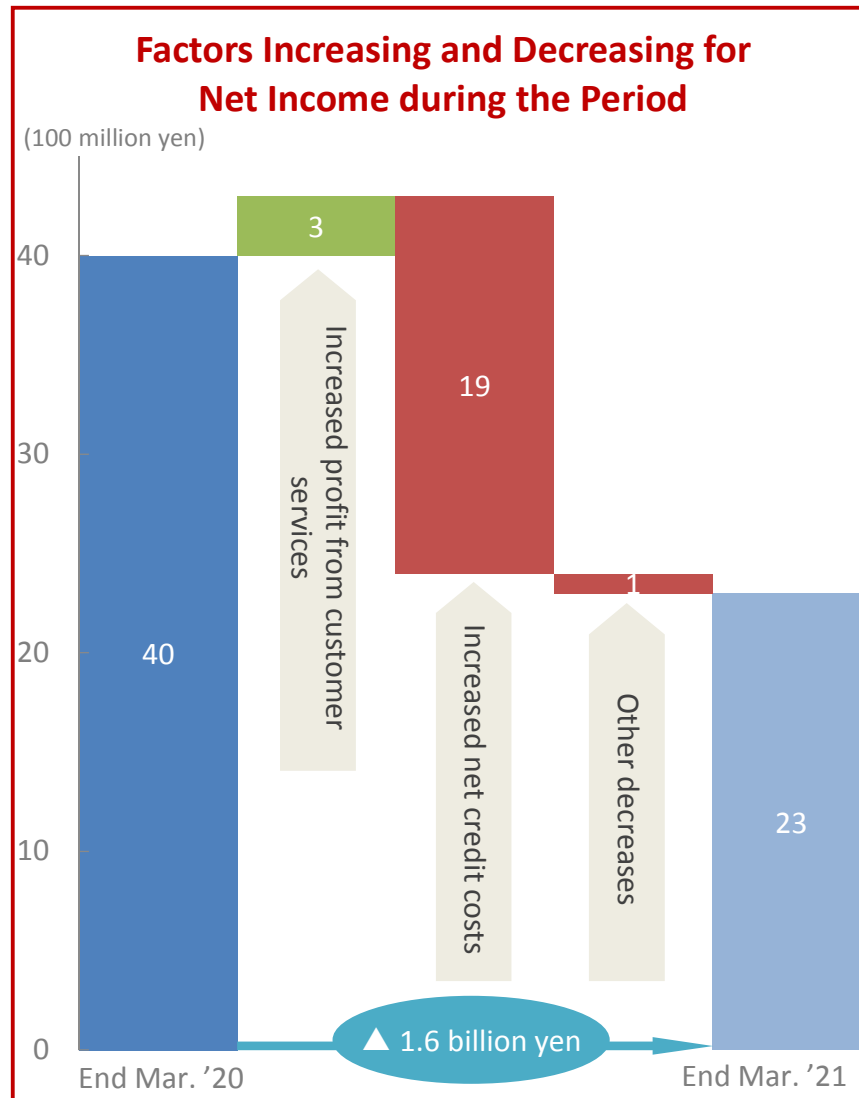
## General Provision for Doubtful Accounts



\* Costs for FY2019 are calculated based on the actual costs, and costs for FY2020 are calculated based on consultation status on or before June 2 of the fiscal year. Doubtful accounts during 1Q 2020 are calculated based on reversal of allowance for FY2019, but the reversal is not included in the calculation for doubtful accounts after 2Q 2020.

## Net Income during the Period and Capital Adequacy Ratio in FY2020 Plan

Net income is decreasing. The capital adequacy ratio is expected to remain nearly flat.



# Forecast for FY 2020 (ending March 31, 2021)

Profit is expected to decline for both non-consolidated and consolidated financial results due to Covid-19.

## Non-consolidated

(100 million yen)

	FY 2020 (ending Mar. '21)		FY 2019 (ended Mar. '20) Results
	Forecast	Year on Year	
Ordinary income	395	▲ 29	424
Ordinary profit	38	▲ 15	53
Net income	23	▲ 17	40

## Consolidated

(100 million yen)

	FY 2020 (ending Mar. '21)		FY 2019 (ended Mar. '20) Results
	Forecast	Year on Year	
Ordinary income	600	▲ 27	627
Ordinary profit	50	▲ 19	69
Profit attributable to owners of the parent	30	▲ 19	49

\* Year on year calculation is spreadsheet-based.

# Mid-Term Management Plan (Basic Strategy for SINKA 2020)

This Mid-Term Management Plan focuses on four basic strategies based on the understanding of the current situation.

## Understanding of the Current Situation

### Environmental Restrictions

#### Nationwide

Aging of society/  
Reduction in  
population

#### Okinawa

Potential downturn  
in tourism

#### Financial Environment

Continued low  
interest rate/Easing  
of regulations

#### Risk Management

AML/CFT

Low growth

Potential downturn  
in real estate  
industry

Participation in  
FinTech from  
different industries

Cyber attacks

### Trend of Customers: Customers' Needs/ Various Contacts with Customers

Decreasing younger  
customers

Growing elderly  
customers

Emergence of  
millennials/  
Widening of digital gap

Non-face-to-face  
online completion

Face-to-face  
consultations

### Challenges We Face

#### Capital adequacy ratio

- ✓ Asset management
- ✓ Different types of revenue sources

#### Profit from customer services

- ✓ Increased profit from service charges
- ✓ Cost reduction

#### IT investment

- ✓ Active new investments
- ✓ Reduction in existing costs

## Direction of the Management Strategy based on the Awareness of the Current Situation

### Basic Strategies

#### Structural Reform

- ✓ Strengthen our bank's finances in order to enter new fields while responding to changes in the management environment.

#### Think and Act Reform

- ✓ Improve training systems and change the awareness of officers and employees to ensure customer-oriented service operation.

#### IT Investment Strategy

- ✓ Support employees in the workplace as well as try to meet increasingly diverse customer needs, by actively using digital technologies.
- ✓ Work on reducing costs for existing systems and maintenance/repair to leverage active and passive investments in IT assets according to the situation.

#### Group Brand Strategy

- ✓ Ensure that customers can access products and services of each group company at any time, and strive to enhance the brand strength and corporate value of the Bank of The Ryukyus group.

# Mid-Term Management Plan (Individual Strategies for SINKA 2020)

Nine individual strategies have been created based on four basic strategies.



Ideal State

To be a true leading bank that contributes to community growth at all times, regardless of the situation.

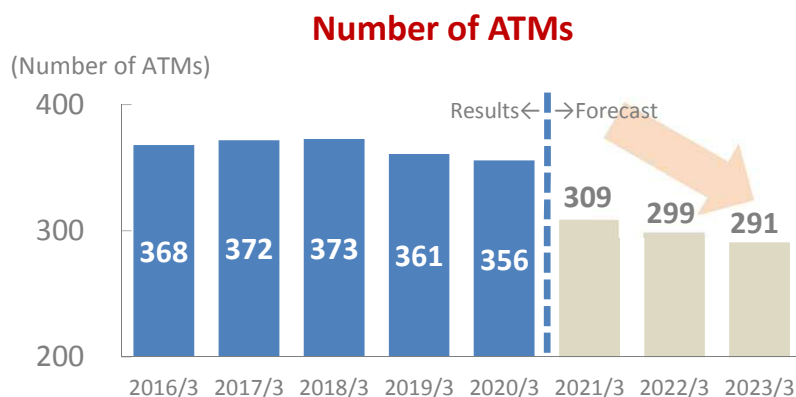
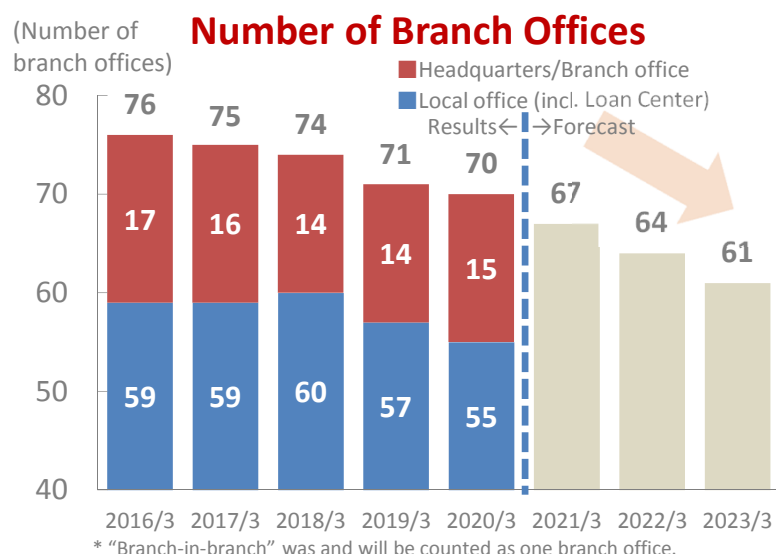
\* Major individual strategies written in red are explained in detail in the following pages.

# Channel Strategy (Promoting Non-Face-to-Face Services)

Reducing fixed costs by promoting “branch-in-branch (multiple branches in one location)” and releasing a mobile banking app.

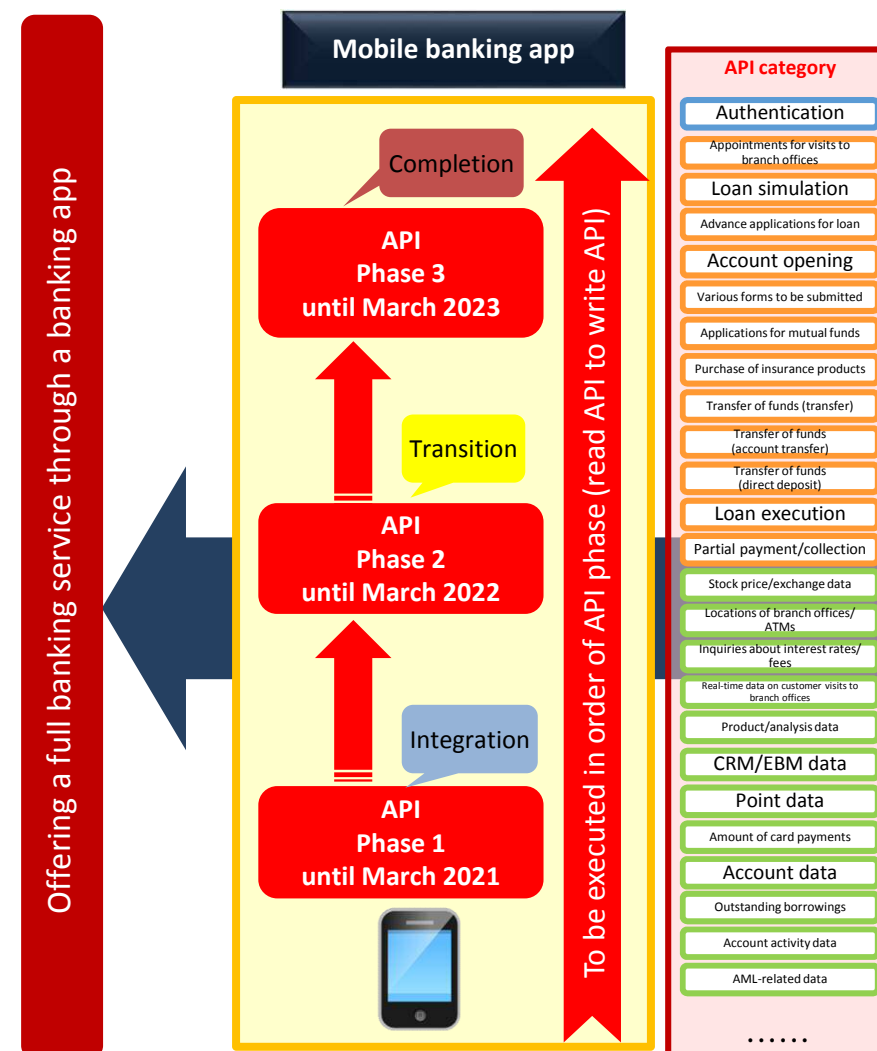
## Reduction in the number of branch offices and ATMs

- Promote “branch-in-branch” to replace less profitable branch offices; Expected to close about 10 branch offices during the mid-term management plan.
- Reduce the number of ATMs, most of which are unprofitable with a low rate of operation, by using ATM connections to other banks.



## Development of a mobile banking app

- Newly joined TSUBASA Alliance on April 27, 2020.
- Aim to provide a mobile banking app that offers a full banking service by using the API platform of TSUBASA Alliance.



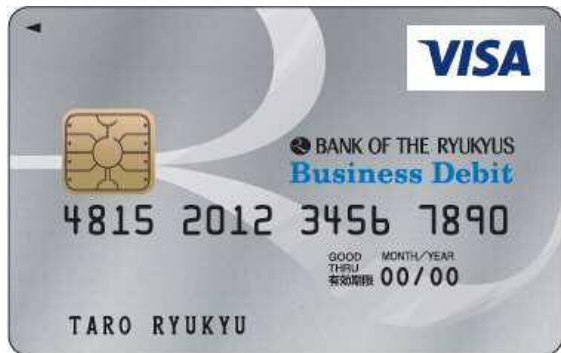
# Cashless Strategy (Ryugin Visa Debit Card)

Offering new functional cards such as corporate cards and contactless cards, to expand the number of our card customers.

## Issuance of Ryugin Visa Debit Card (Oct. 2015)

Mar. 2018	Support for 3-D Secure began
Jul. 2018	Immediate card issuance over the bank counter began
Sep. 2018	Issuance of Ryugin Visa Business Debit Card for corporate customers began
Dec. 2019	Number of cards issued exceeded 130 thousand (total of retail customers and corporate customers)
Jul. 2020	Visa Touch payment to become available

## Business Debit Card for Corporations



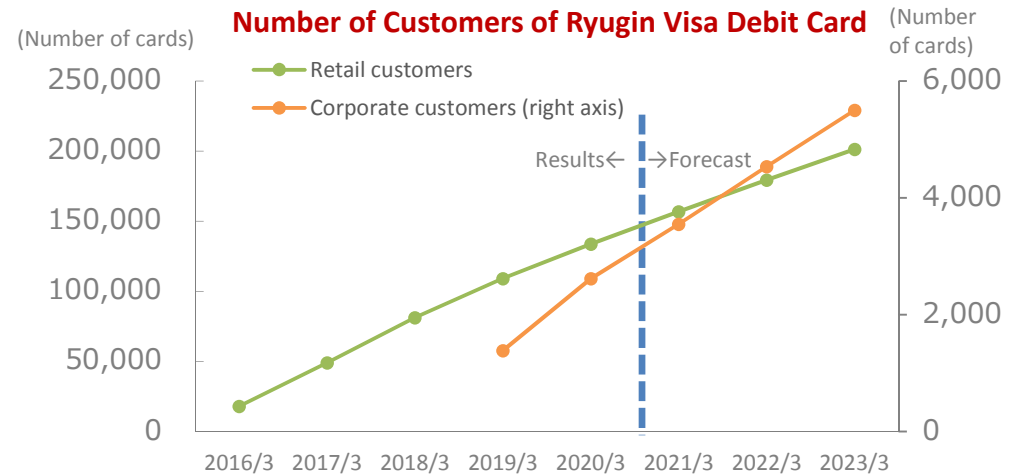
## Visa Touch Payment

Visa Touch payment is available in stores with a  sticker.

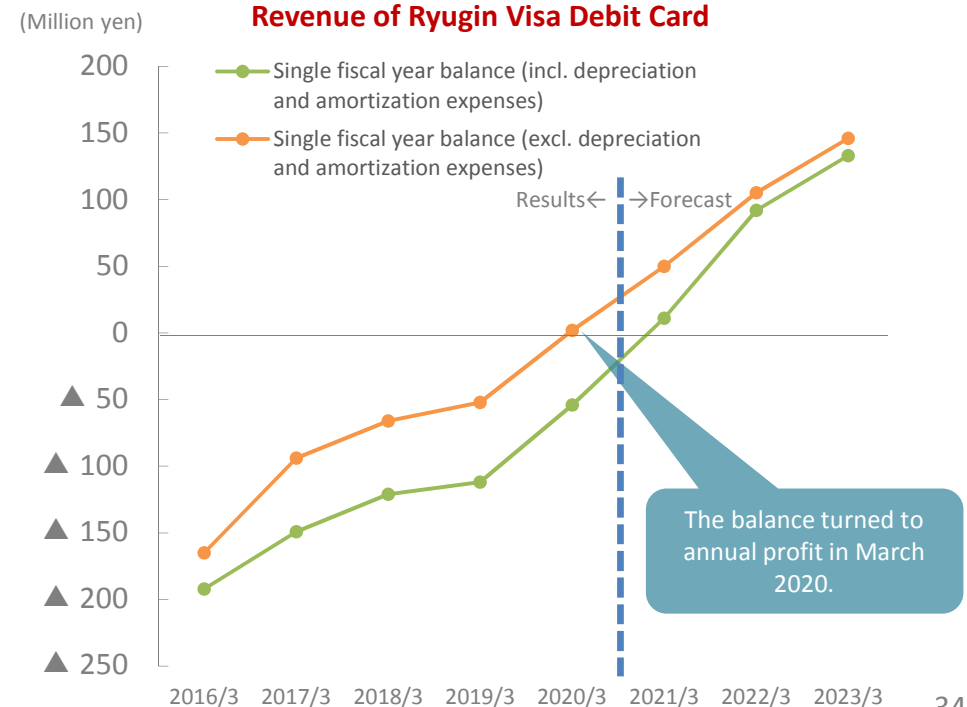
Payment is completed immediately just by touching your card on the reader at a cash register, without giving your signature and security code.



## Number of Customers of Ryugin Visa Debit Card



## Revenue of Ryugin Visa Debit Card



# Cashless Strategy (Card Affiliates)

Speeding up the process of gaining card affiliates to realize “Cashless Islands.”

## Efforts to Realize “Cashless Islands”

### Acquiring: enabling all kinds of payment to be completed with one terminal

Over 30 brands will be accepted, the highest number in the industry.

#### Existing Features (23 brands):

- ✓ Card (Credit/Debit/Prepaid)
- ✓ Electronic money
- ✓ QR code (Alipay/WeChat Pay)

#### New Features and Services (to be introduced):

- ✓ QR code (Domestic brands)
- ✓ Vending machine/Ticket machine
- ✓ EC payment



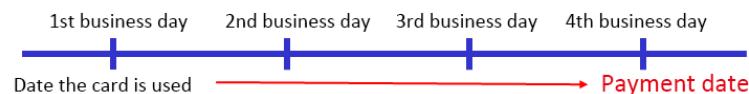
### Various payment cycles according to needs of card affiliates

- Enable card affiliates to be paid every day for better financing by effectively using the feature that our bank is engaged in card affiliate services.

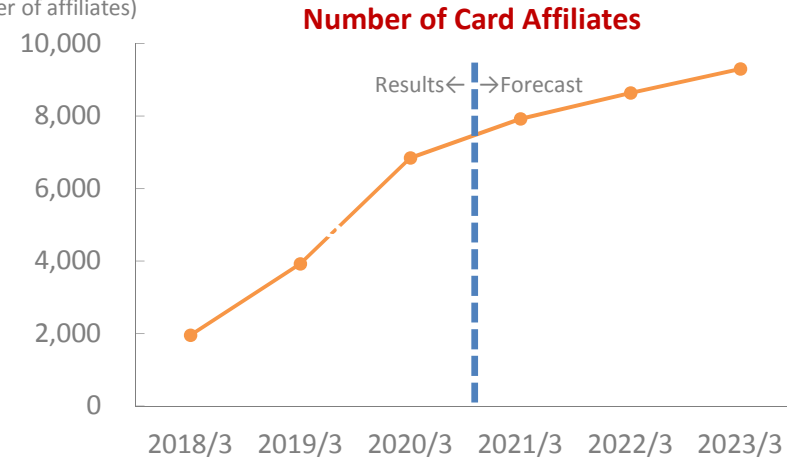
### Payment Schedule for Ryugin Card Affiliate Services

Type	Closing Dates	Payment Date
Everyday Payments	Everyday	4th business day after the date the card is used
Six Payments	5th, 10th, 15th, 20th, 25th, last day of the month	6th business day after the closing date
Three Payments	10th day	20th day
	20th day	Last day of the month
	Last day of the month	10th day of the next month
Two Payments	15th day	Last day of the month
	Last day of the month	15th day of the next month

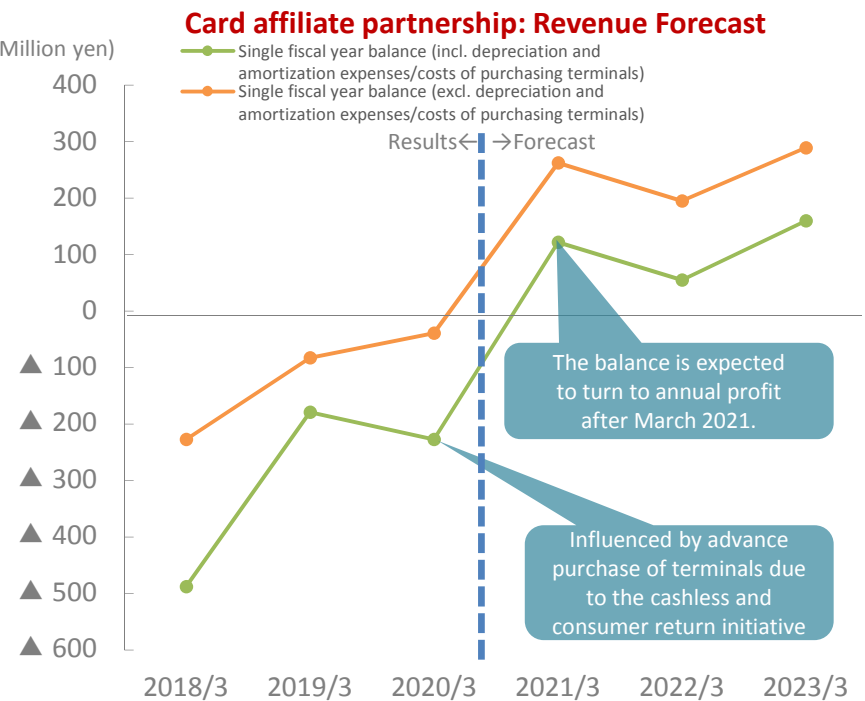
**Everyday Payments:** only for Visa and MasterCard



(Number of affiliates)



(Million yen)

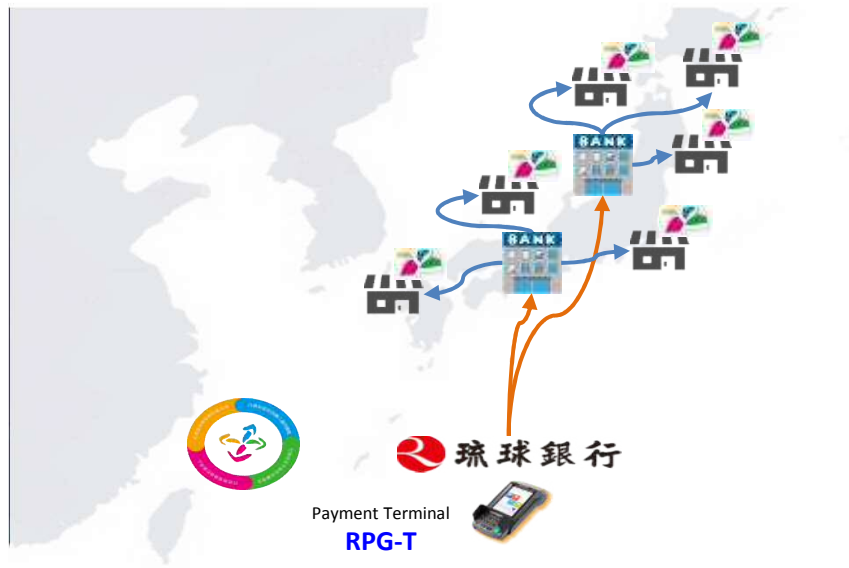


# Cashless Strategy (Easy Card)

Allowing “Easy Cards,” which have the largest share in Taiwan, to be used in Japan and seeking to promote use of the card across the nation.

## Creation of a platform for accepting Easy Cards and domestic deployment of the cards

- Establish a domestic gateway that allows Easy Cards to be used.
- Look for card affiliates as an acquirer in Okinawa prefecture (payment is made by our RPG-T terminal).
- Enter into agency relationships with other financial institutions outside the prefecture and seek to deploy the card nationwide.



### What is Easy Card?

It is a contactless transport IC card for using subways, buses, etc. in Taiwan. The card is also increasingly used for commercial purposes such as purchasing at convenience stores and eating at restaurants, and is the leading IC card in Taiwan. The number of cards issued is 78.9 millions (as of September 2019), which is over three times the population of Taiwan.

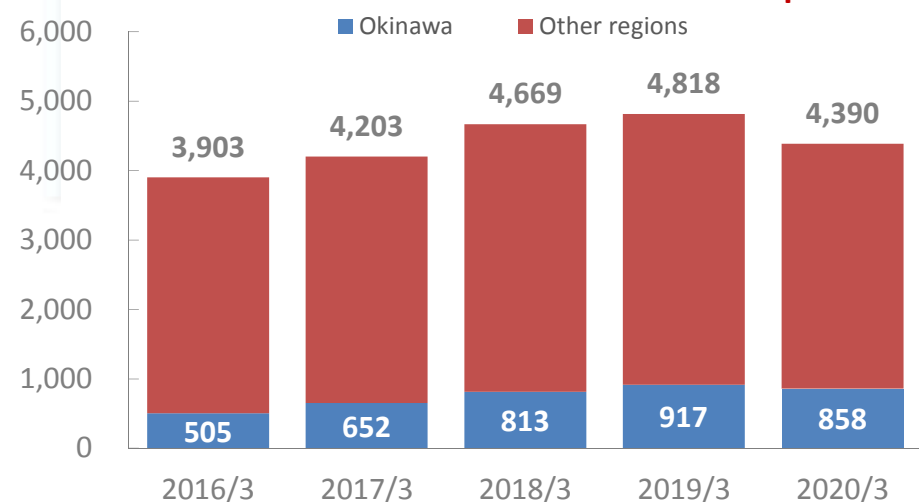
Operating entity: 悠遊卡股份有限公司 (EASY CARD CORPORATION)\*

\* A large Taiwanese company, with 39.7% of shares owned by Taipei City

## Deployment Schedule for Easy Cards

2020	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Development of the platform	→							
Card affiliates start to receive applications				↔				
Cards become available for use							↔	

## Number of Taiwanese Visitors to Japan



Source: Japan National Tourism Organization (JNTO)

# Retail Business Strategy (Streamlining Sales of Assets in Custody)

Actively installing new systems to reduce administrative workload for staff, and strengthening the sales capability by using resources.

**Installing a compliance system at a bank counter (Jan. 2015)**

Staff confirms customer's intentions and explains our products via a tablet



**Installing a system that manages and issues prospectuses (Aug. 2018)**

Print and issue a prospectus



**Installing a negotiation recording system (that allows third-party staff to confirm the details before an agreement is made) (Oct. 2016)**

HQ staff confirms the customer's understanding of the details by Skype



**Applications for investment in mutual funds are to be made in paperless form (scheduled in Aug. 2020)**

Customer makes an application via a tablet (electronic signature)



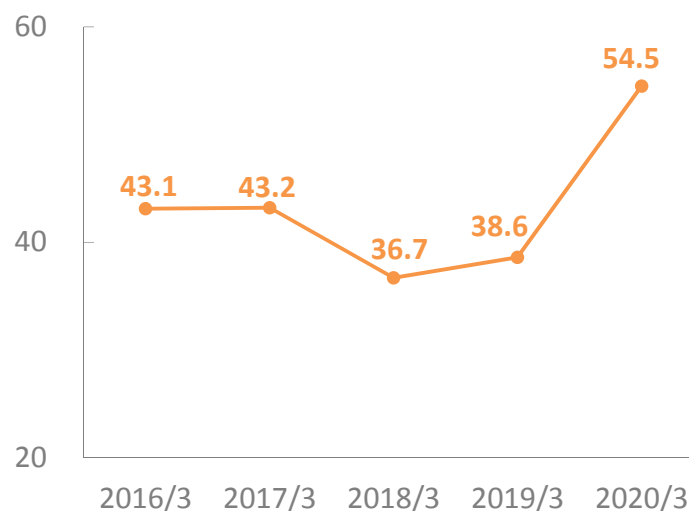
**Installing an archive system "Azukari" (May. 2015)**

Storing documents submitted by customers electronically



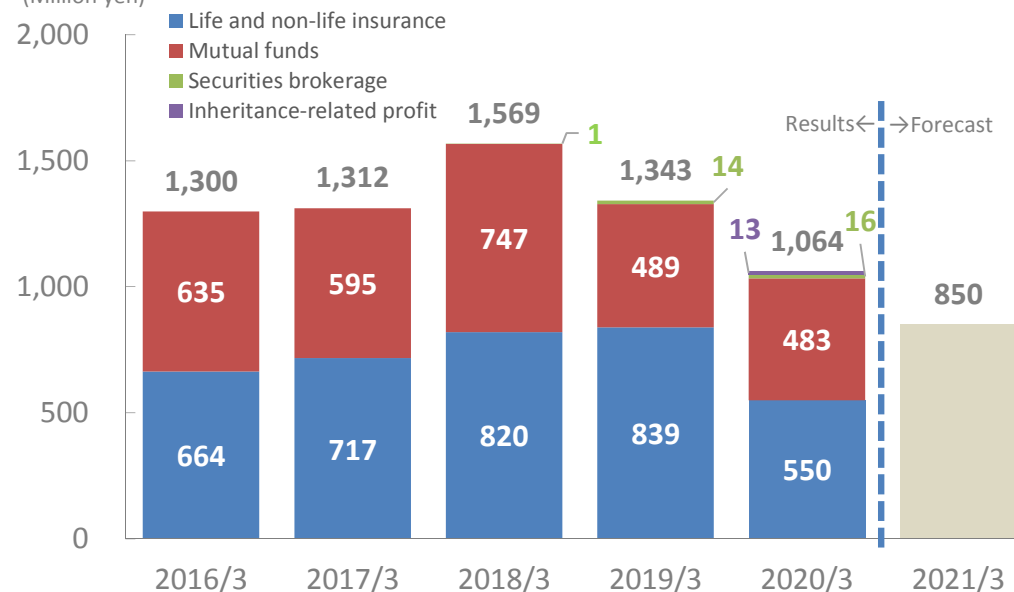
## Visiting Hours of Individual Sales Agents

(Hours/month)



## Profit from Service Charges related to Assets in Custody

(Million yen)

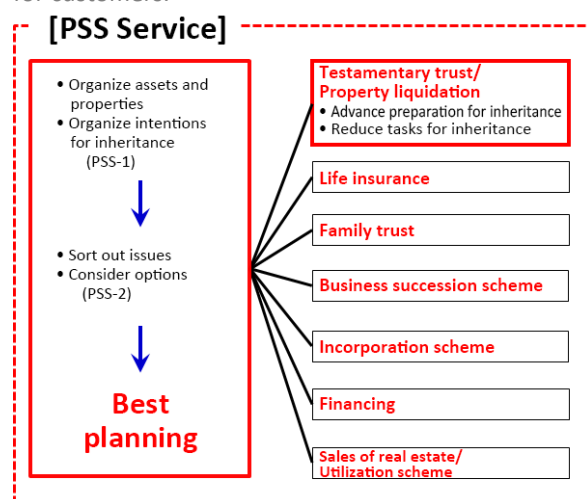


# Retail Business Strategy (Inheritance Support Services)

Approaching new/unexplored customers through inheritance consulting services for high-net-worth individuals, and testamentary-trust services, and inheritance procedure support services.

## Started property inheritance consulting services for high-net-worth individuals (Jun. 2018)

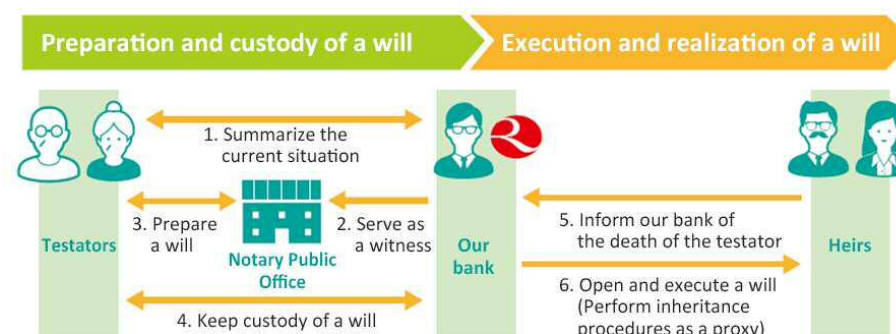
- Entered the property inheritance consulting business and started a fee-based service that prepares a Personal Support Sheet (PSS), a summary of assets and liabilities.
- Committed ourselves to providing a variety of solutions created by planning, thereby offering a one-stop service that is highly convenient for customers.



## Started providing support to create a testamentary trust and perform inheritance procedures (Oct. 2019)

- Started a testamentary-trust and inheritance procedure service, the first bank to do so among all financial institutions with head offices in Okinawa.
- To differentiate our bank services from those of other banks, improve Customer Services (CS) through comprehensive proposals based on the following: 1. entry into unexplored markets in Okinawa; 2. strengthening relationships between heirs and their family members (generation after generation of heirs); and 3. understanding all properties and assets.
- Expected to increase profit through the inheritance business by actively using data entered in the PSS.

## What is a testamentary trust?



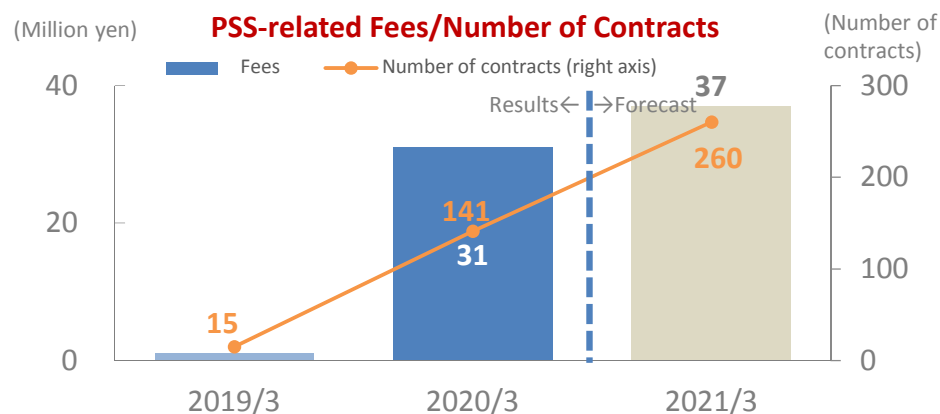
### Will Preparation:

- Step 1 **Summarization of current status:** Summarize the family structure and property details of a testator
- Step 2 **Preparation of will:** Prepare a formal will with a witness present
- Step 3 **Custody of will:** Keep custody of the formal will

### When Inheritance Occurs:

- Step 4 **Sharing the contents of will:** Tell each heir the details of the will
- Step 5 **Execution of will:** Handle inheritance procedures on behalf of heirs\*

\* If no will is prepared, the handling of inheritance procedures (preparing an inventory of assets, and supporting discussions about the division of the estate) is called **"Property Liquidation."**



# Retail Business Strategy (Development of Attractive Products)

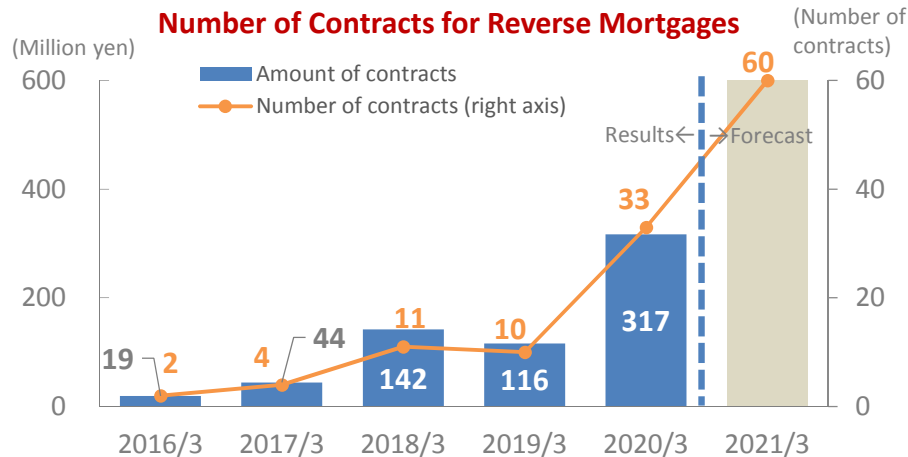
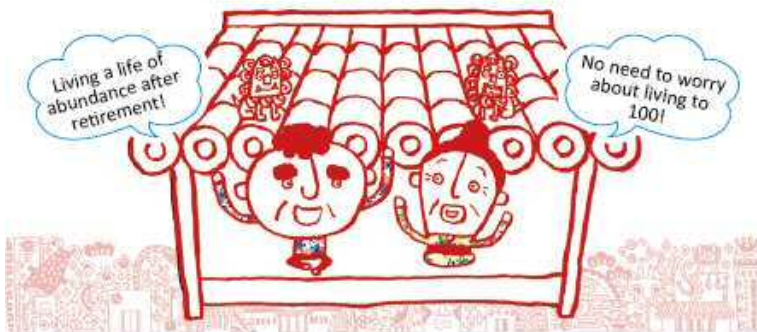
Providing new products that accurately meet potential needs of customers to broaden their options.

## Reverse Mortgages (Apr. 2015)

- Loans for elderly aged 60 and older with no upper age limit
- Available even if an applicant lives together with family members
- Possible to add the amount of real estate other than the applicant's own house to the evaluation amount

## Reverse Mortgage Yu-Yu Life from Age 60

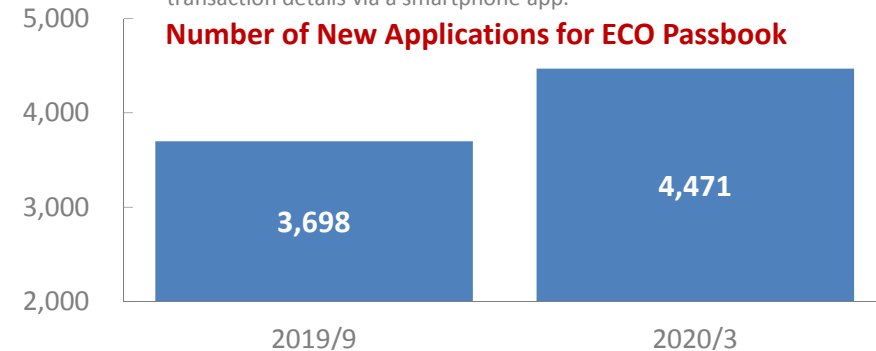
—Secured Loans from Age 60—



## Ryugin ECO Passbook (Feb. 2019)

- "Ryugin ECO Passbook" involves an online application for a saving account for which no passbook is issued.
- The holder of the saving account can check the account balance and transaction details via a smartphone app.

(Number of new applications)

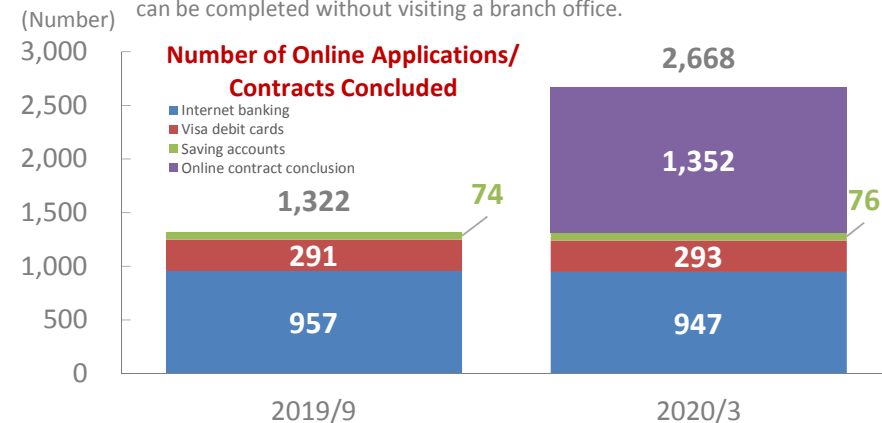


\* September includes the results of the first half, and March includes the second half of the fiscal year.

## Ryugin Application Website (May 2018)

### Online Contract Conclusion for Personal Loans (Oct. 2019)

- Ryugin Application Website: Serves as a platform for applications for: 1. opening saving accounts; 2. issuing Visa debit cards; 3. internet banking; 4. using point services, etc.
- Online Contract Conclusion for Personal Loans: Offer individuals loan contracts that can be completed without visiting a branch office.



\* September includes the results of the first half, and March includes the second half of the fiscal year.

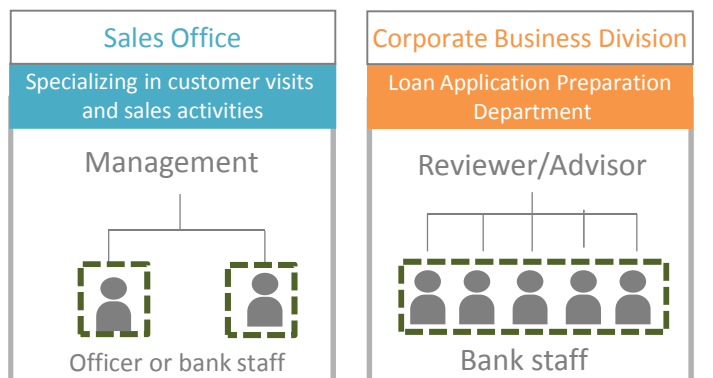
# Corporate Business Strategy

## (Reviewing the preparedness for business potential evaluation and sales)

Sales offices focus on customer visits due to centralization of the work of preparing loan application documents in headquarters, providing the best solutions to customers.

### Reviewing the preparedness for business potential evaluation and sales (Deployed in all offices in Oct. 2019)

- Divided the tasks of business potential sales agents into sales activities in sales offices and administrative tasks of preparing loan application documents and conducting customer due diligence at corporate headquarters, thus establishing a system that improves the productivity of both sales offices and headquarters.
- Intensive OJT at headquarters to promote faster skill development of young bankers.
- Started a pilot scheme in Oct. 2018 and implemented it in all branch offices from Oct. 2019.
- Hours of customer visits per staff approximately doubled, and thus the number of business potential loan recipients increased steadily.



#### Purposes

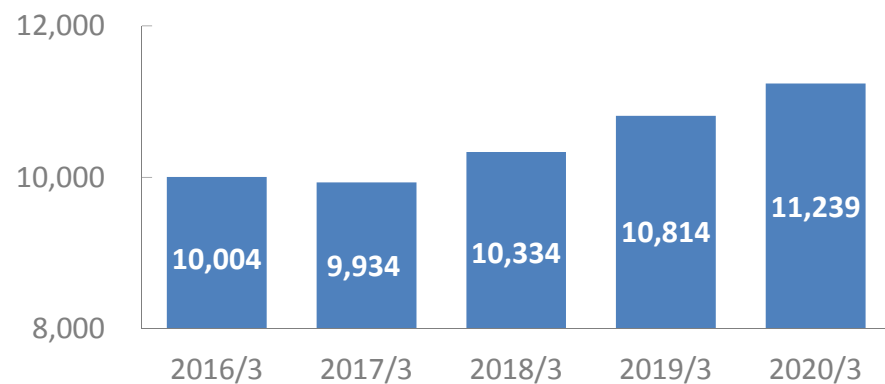
- Focus on customer visits to increase proposals
- Improve proposal skills

#### Purposes

- Expedite loan application process
- Intensive OJT for young bankers to be ready for work early in their careers (standardized training)

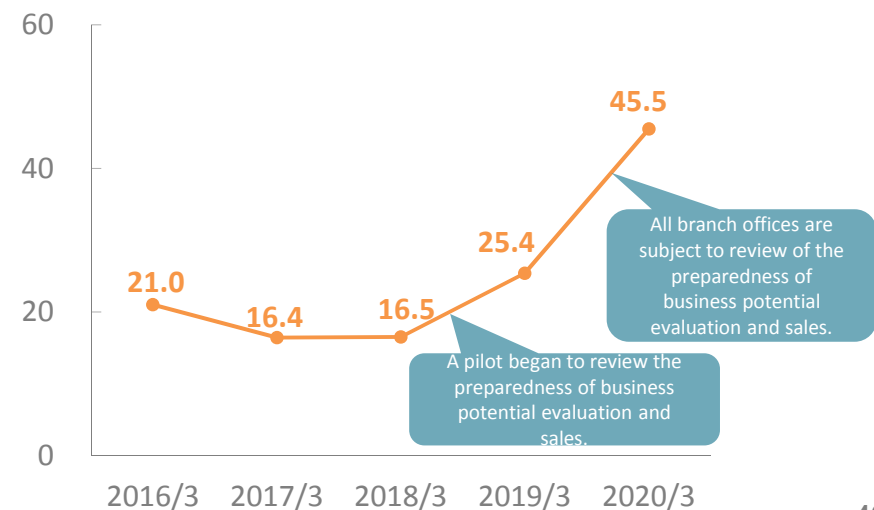
### Number of Business Potential Loan Recipients

(Number of loan recipients)



### Hours of Visits by Business Potential Sales Agents

(Hours/month)



# Corporate Business Strategy

## (Strengthening Solution Sales Capabilities)

Making effective use of customer data received from sales offices, and increasing income revenue from fees by accepting more requests for consultation.

### Established the Corporate Business Division (Apr. 2017)

- Integrated consulting services for corporate customers.
- A clear fee structure to produce steady income from fees by fostering professionalism among bank staff and providing customer-centric services.
- A wide variety of professionals have been appointed, including CPAs, SME management consultants, and experienced staff from other banks and industries.
- 23 staff members as of March 31, 2020.

### Service Details

#### Structured Finance

- Targeting corporate customers who wish to ensure long-term stable funds, we offer advice on placing private bonds and assist with arranging syndicated loans.

#### Business Succession

- Targeting customers considering handing over treasury shares and/or business assets, our seasoned staff and certified tax accountants offer advice such as future directions for the company and how to avoid disputes.

#### Mergers and Acquisitions

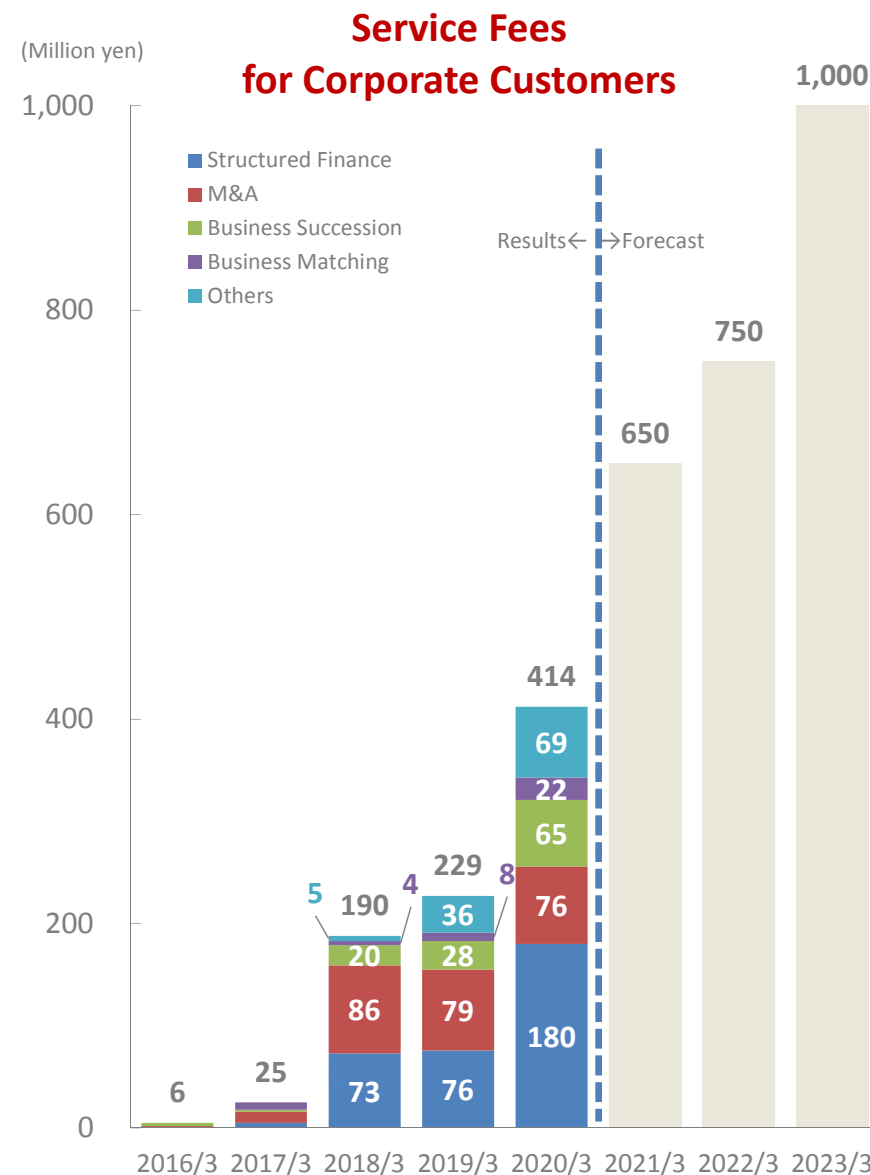
- Targeting customers who have no successors within their family or business, we offer advice on the M&A process and address concerns and questions. Using our networks inside and outside Okinawa prefecture, we introduce potential businesses that may take over the business and assist in the process to completion.

#### Business Matching

- Using our networks, we introduce our business partners and clients to customers and provide support to solve management issues.

#### Local Revitalization

- Provide support to develop business overseas, and contribute to community growth in collaboration with BOR venture funds, OKINAWA Startup Program, local government and other organizations.
- Work on solving issues facing the community, for example, by introducing foreign workers to resolve the shortage of human resources.



# Visions of Sales Offices (FTB Project/Flat Cash Counter System)

Greatly reducing the administrative workload, and striking a balance between reducing labor costs and strengthening communication with customers.

## FTB (Flexible & Traditional Bank) Project (Expected to carry out the pilot in Oct. 2019)

- Use tablet devices, taking the initiative in significantly reducing the workload of bank counters and the number of tellers.
- Eliminate the use of paper, seals, and operations.

### Screenshot of FTB Tablet



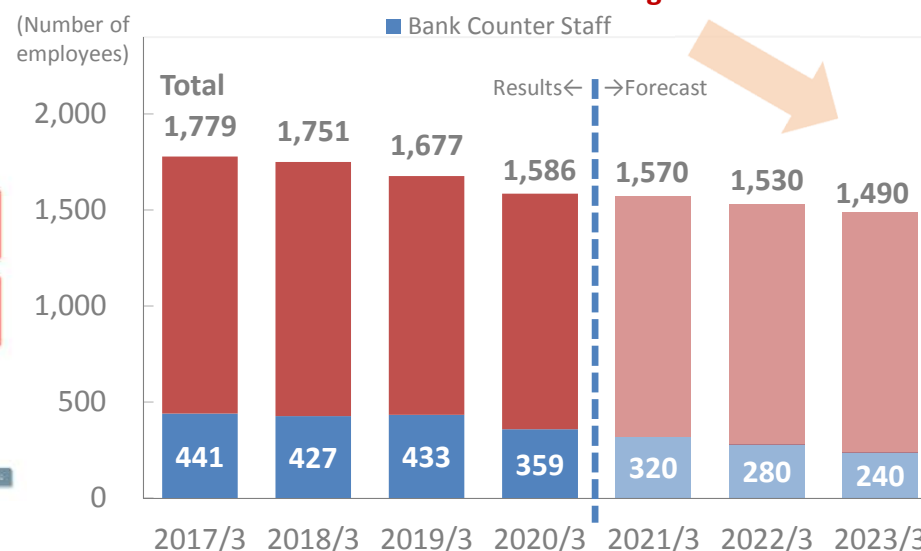
## Establishing a flat cash counter system (developing multi-skilling of staff) (Oct. 2018)

- Establish a system by which all staff members working at bank counters (incl. asset management consulting) acquire the same skills in terms of counter tasks (multi-skilling).
- 1. Enhance profitability at the bank counter, 2. Improve the readiness of business potential sales agents replaced by counter staff, and 3. Establish a structure that does not require a substitute for a counter position from another department.
- Review the placement of management positions to reduce the number of tellers.

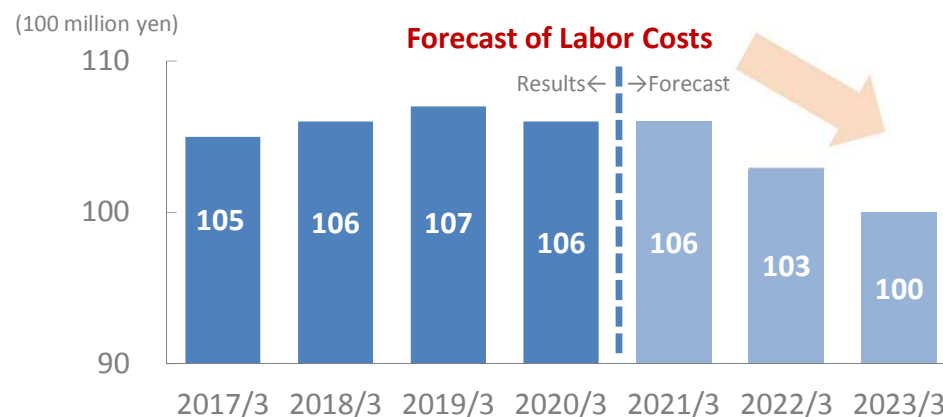
## Working toward reducing staff

- Reducing the labor force and costs by limiting the hiring of new graduates and temporary workers to fill positions, and promoting external transfers, in addition to reducing the number of tellers.

### Workforce Planning



\* Excl. externally transferred staff and employees on leave.

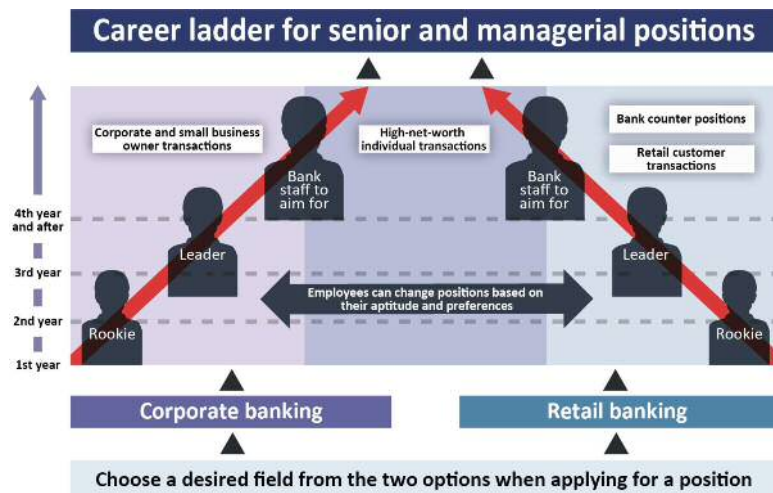


# Human Resource Strategy (Reviewing the Personnel System)

Revitalizing our bank organization by providing employees with opportunities to discover career paths that enhance their expertise and promoting diversification.

## Deploying the employee training system by field (Apr. 2019)

- Eliminated the hiring categories of future management positions and clerical positions, and changed the employee training program into two career fields: corporate and retail banking.
- Restructured the employee training period from the previous first five years only to throughout the employment life cycle for all levels, including management. Employees in both fields can be promoted to managerial positions (branch manager level or higher positions).



## Diversification

### Abolishing the policy limiting the age of management positions (Apr. 2018)

- Changed to policy that does not lower the salary of employees aged 55 or older and allows promotions and raising of their salary.

### Revising promotion requirements (Apr. 2018)

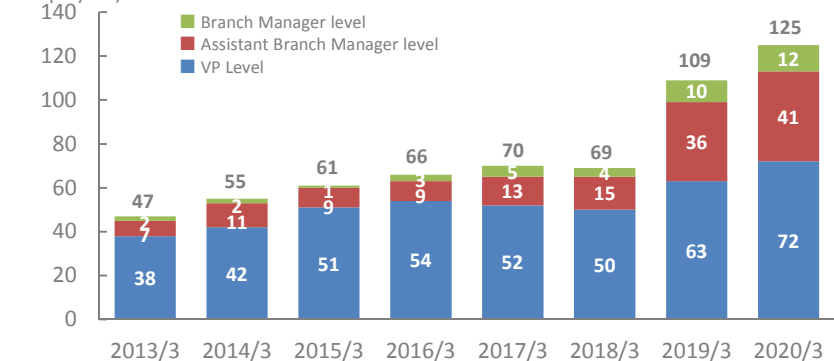
- In addition to required years of service for each requirement, maternity and childcare leaves are now factored in, increasing promotion opportunities for female employees with children.

### Promoting the hiring of temporary workers (Jul. 2017)

- Expanded the opportunity for bank clerk temp-to-hire interviews from once to twice a year.
- Clearly laid out promotion qualifications (certification, etc.) and eliminated the limit of years of service.

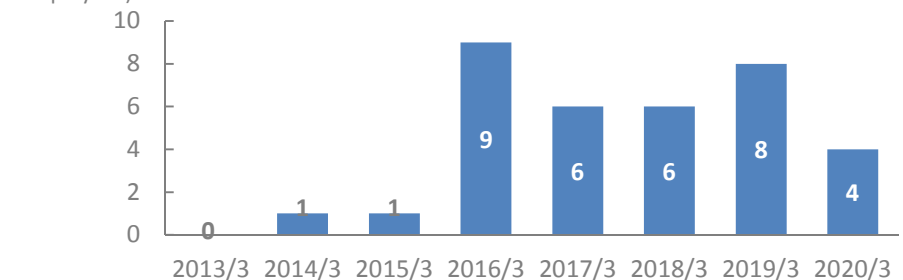
(Number of employees)

## Female Management Positions



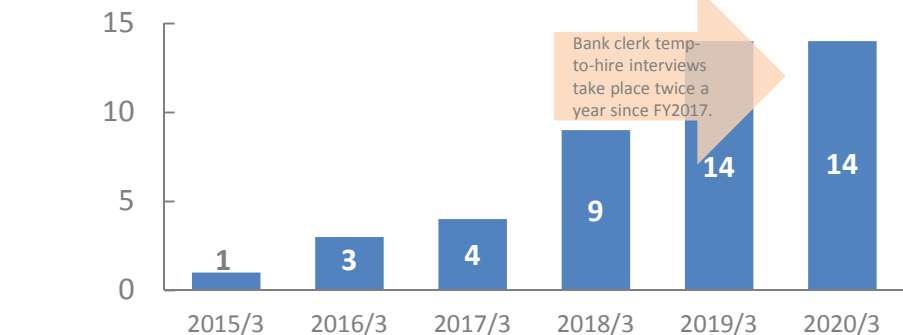
(Number of employees)

## Number of Hiring Experienced Workers



(Number of employees)

## Number of Temp-to-hire Bank Clerks



# Human Resource Strategy (Efforts for Health Management)

Promoting employees' health to improve revitalization and productivity in our bank.

## Creating a Health Management Declaration (Oct. 2019)

- Created a Health Management Declaration that provides active organizational engagement in managing and maintaining the health of employees.



## Providing rental wearable devices and holding health events (Oct. 2019)

- Assist officers and employees in improving their lifestyle habits by enabling them to monitor and manage the amount of activity and sleeping conditions by providing rental wearable devices to all employees.
- Hold walking events for all officers and employees to compete with each other by using wearable devices, which encourages them to make a habit of exercising.

## Support for Quitting Smoking/Efforts to Prohibit Employees from Smoking during Working Hours (Oct. 2019)

- Provide support for quitting smoking and prohibit employees from smoking during working hours (MO! SWAN Day) to prevent health problems caused by smoking and passive smoking.
- Provide money to cover out-of-pocket spending for counseling and incentives for quitting smoking.
- Gradually increase the number of non-smoking days, and aim to prohibit smoking during working hours in October 2020.



## Certified as Health and Productivity Management Organization Recognition Program (Mar. 2020)

- Our bank was recognized in the category of "2020 Certified Health and Productivity Management Organization Recognition Program"\* sponsored jointly by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



\* The Certified Health and Productivity Management Organization Recognition Program honors organizations that perform especially excellent health management, based on efforts in response to local issues and health promotion activities by Nippon Kenko Kaigi.

# Group Brand Strategy (New Headquarters Project)

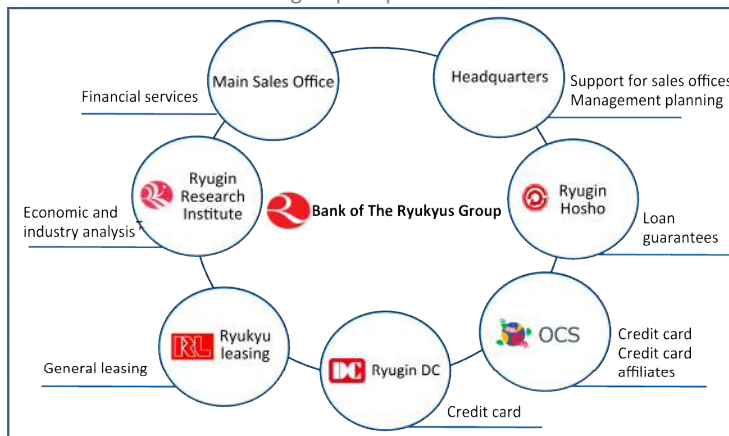
Consolidating our group's headquarters functions with a comprehensive strength. Receiving payments for rental charges, resulting in reducing a certain degree of operation costs.

## Rebuilding of our headquarters building (to be completed in January 2025)

- As the current headquarters building deteriorated, we decided to rebuild the building.
- The headquarters and main sales office are to be moved to a temporary location in November 2020, and will be back to the newly constructed building in April 2025.

## Consolidation of headquarters functions

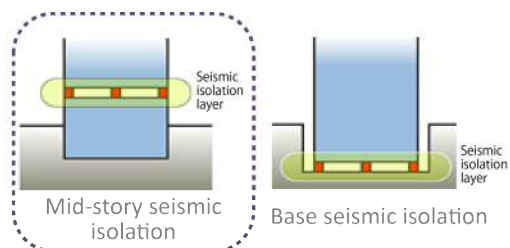
- The new headquarters building has offices of five subsidiaries, strengthening collaboration with each group corporation.



## Enhancement of earthquake protection and fire prevention functions

- Apply a mid-story seismic isolation system to the building for the first time in Okinawa Prefecture to enhance earthquake protection.
- Install an emergency power generator and water receiving tank on the upper floor, strengthening the BCP.

### Different seismic isolation systems



## Reduction in construction costs with rental charges received

- The upper floors of our new headquarters building are to be used as a hotel. The purpose is to make effective use of extra space and create new profitable opportunities as the area is within high-level use districts.
- Enter into a basic agreement with Mitsubishi Estate Co., Ltd. which serves as a hotel operator. The Royal Park Hotels operated by the Mitsubishi Estate Group is opening shops in the new hotel.
- Receive floor rental charges for hotel space with a prospect of reduction in construction costs.

### <Hotel Expenses>

Repair/  
Maintenance Costs

Depreciation and  
Amortization  
Expenses

Gross Profit from  
Floor Rentals

Reduced  
Construction Costs

### <Hotel Revenue>

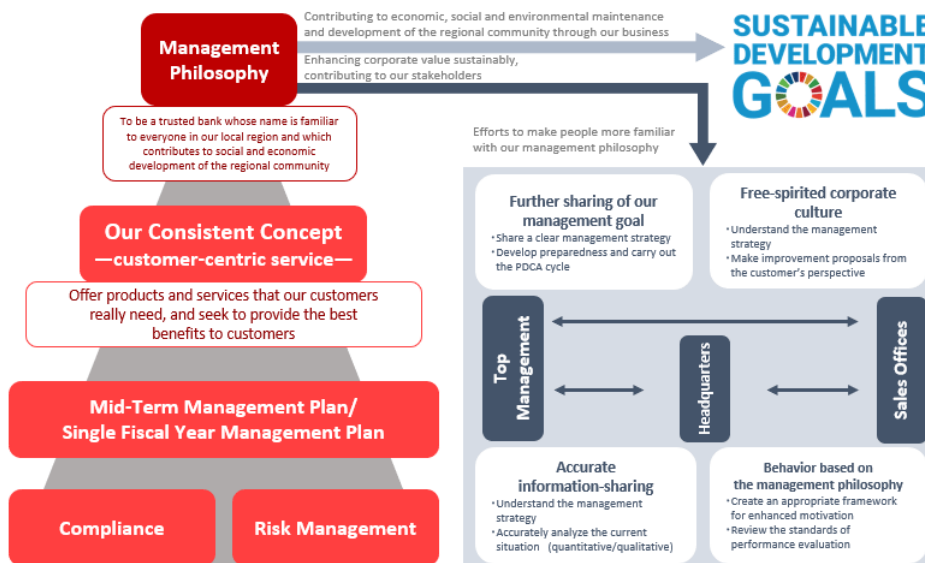
Floor Rental  
Charges

# SINKA2020

## New Medium-Term Management Plan: SINKA2020

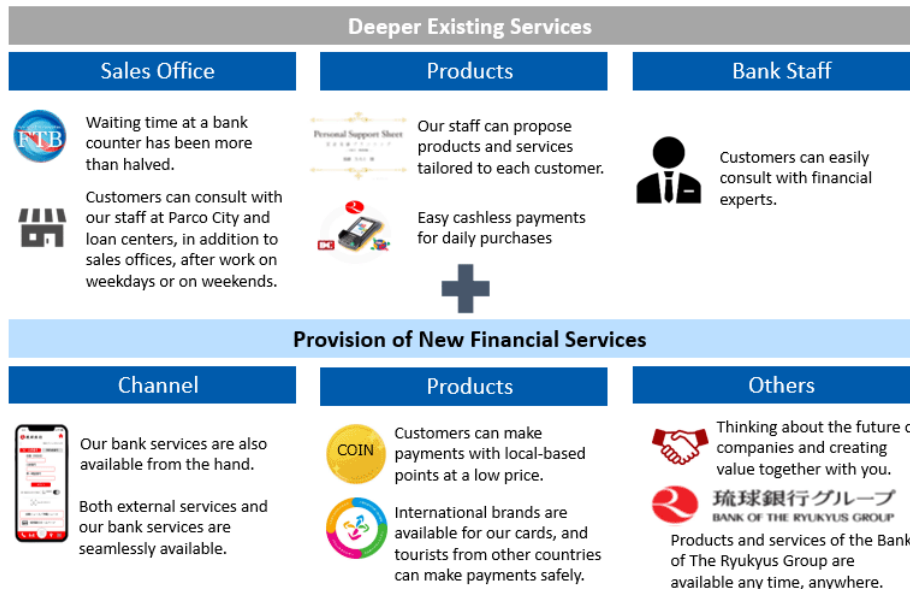
### Achievement of Sustainable Growth with the Regional Community

Become involved in financial intermediation under our management philosophy of achieving sustainable growth of the regional community and enhancing corporate value.



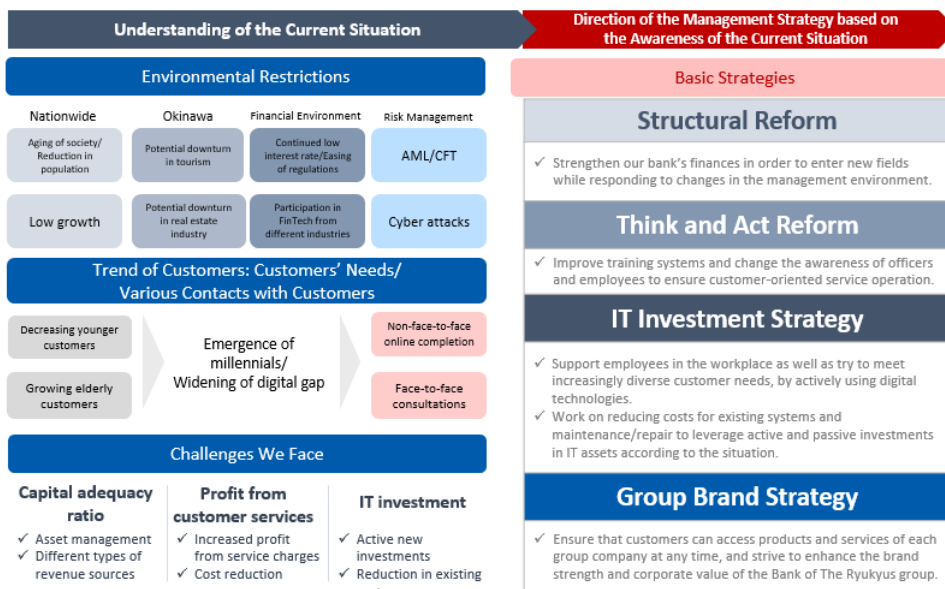
### Our Ideal Vision from a Customer Perspective

Providing products and services tailored to each customer (getting products out to the market)



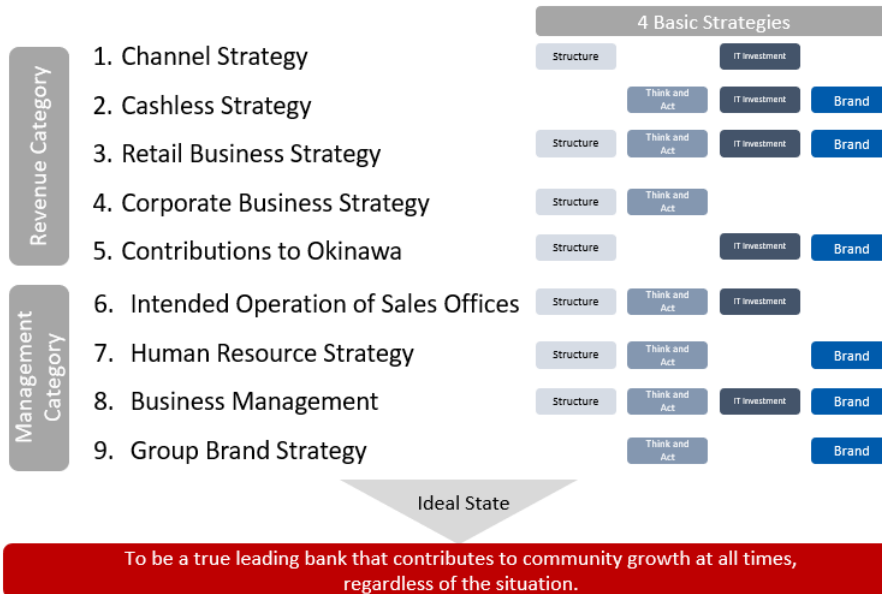
## Management Strategic Directions based on the Current Situation

Work on achieving the next mid-term management plan as a whole group under the four basic strategies, based on the current situation.



## Basic Strategies

Nine individual strategies based on the four basic strategies



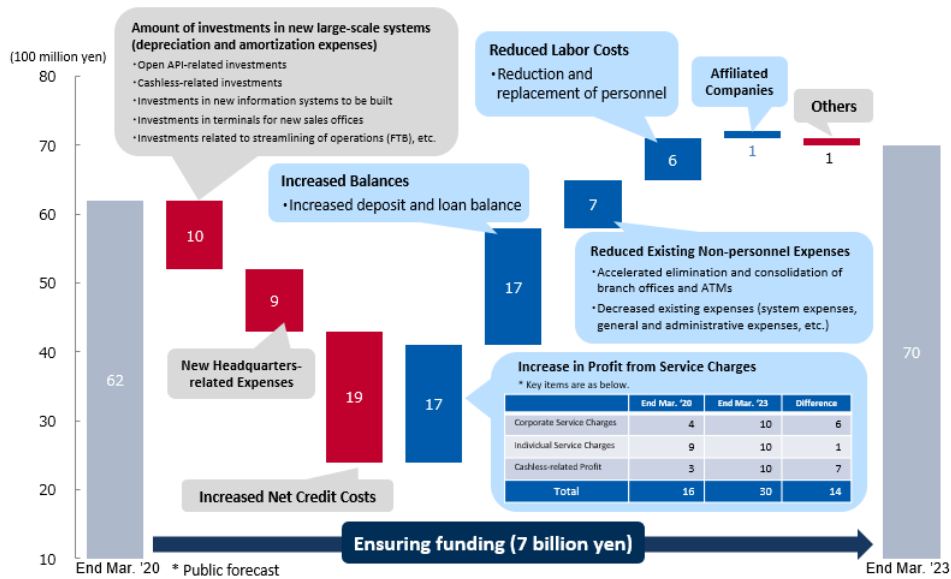
## Overview of the New Mid-Term Management Plan

Name	SINKA 2020 —even further SINKA for the community—	
Period	April 2020 to March 2023 (three years)	
Ideal Vision	To be a true leading bank that contributes to the development of the regional community at all times, regardless of the situation.	
Basic Concept	✓ Structural Reform ✓ IT Investment Strategy	✓ Think and Act Reform ✓ Group Brand Strategy
Item		Targets for FY2022
1. Consolidated net income during the period		7 billion yen
2. Consolidated ROE		5% or more
3. Profit from customer services		7 billion yen
4. Non-consolidated capital adequacy ratio (fully implemented)		8.2% or more
5. Non-consolidated core OHR		75% or below
6. Total revenue of card affiliate groups (total of our bank, OCS, and Ryugin DC)		88 billion yen
7. Number of proposals for solutions using the Business Potential Evaluation Sheet		3,500

\* Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges - Expenses

## Consolidated Net Income during the Period in the Mid-Term Management Plan

Invest funds for the future of our bank as well as work on reducing existing expenses to enhance corporate value.



## Annual Report



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ためる  
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# Management Policy

Forging Stronger Bonds of Trust with the Local Community

## Management Philosophy

Bank of the Ryukyus (“the Bank”) has long followed a management philosophy of fostering a relationship of trust with the local community so as to contribute to the development of regional society. To continue putting this philosophy into practice in the future, the Bank and its group will enhance the range and quality of services offered, while establishing sound management practices that will enable us to cope with any change in the business environment. By so doing, we aim to meet the needs of the local community.

## We see our Bank as:A provider of “solution-type” financial services

As a provider of “solution-type” financial services, the Bank will identify and resolve problems and issues facing the region, its corporations and its individual customers. That is the vision. Therefore, the Bank aims to promoting sustainable growth in partnership with our community, corporate and individual customers, by strengthening its capabilities in “solution-type” banking and providing a wider range of services.

## We see our employees as:

1. People with a strong commitment to professionalism  
Ability to demonstrate strong business knowledge and competence. Determination to achieve goals.
2. People with imagination and initiative  
Constant awareness of potential problems and a will to make changes when necessary. Ability to set an example through own initiative.
3. People with self-development ability and good personality  
Persistence in self-development, to improve competence and ability to adapt to change, and willingness to embrace challenges.
4. Trusted by and popular with the local community  
Ability to gain trust and support of local communities, and contribute to their growth

# The Local Community

People with  
a strong commitment  
to professionalism

People with  
self-development  
ability and good  
personality

People with  
imagination and  
initiative

Trusted by and  
popular with the  
local community

Bank of the Ryukyus

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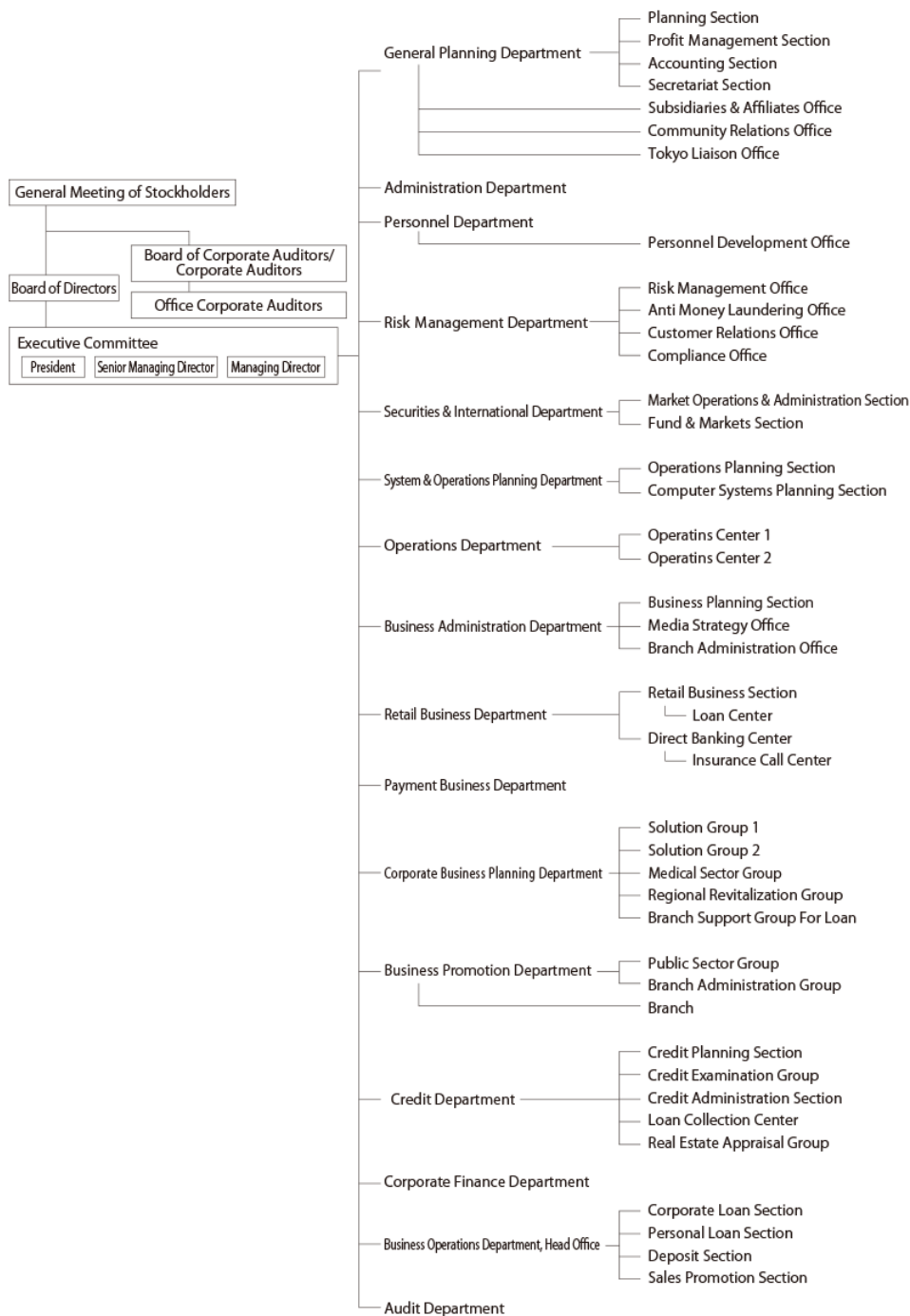
法人・個人事業主のお客さま

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# Organization

## Annual Report

(As of April 1, 2020)



# Profile

## Annual Report

Bank of The Ryukyus, Ltd. was established in 1948 under an ordinance of the U.S. military for the purpose of restoring financial order and stabilizing the currency in order to facilitate the sound development of the Okinawan economy. From its founding up to the reversion of Okinawa to Japan, the Bank dedicated itself to promoting the development of the prefectural economy in its role as the region's de facto central bank.



When Okinawa was restored to Japanese sovereignty in 1972, the Bank reverted to the status of an ordinary bank subject to Japanese banking law, and as the prefecture's leading bank, it facilitated the transition to the Japanese economic and financial systems. In 1983, we became the first bank in Okinawa to be listed on the stock exchange, and in 1986 construction of our Computer Center was completed. In 1988, we established an international foundation. In this way, the Bank has been simultaneously working to strengthen its business structure and actively contribute to the prosperity of the regional community.

In September 1999, for the twin purposes of ensuring the soundness of its assets and strengthening its financial position, the Bank implemented a capital increase through a third-party allocation of new shares in the amount of ¥22.7 billion, while simultaneously receiving an injection of ¥40 billion in public funds.

While strengthening its financial foundations through the issuance of preferred stock, the Bank also repaid ¥34 billion out of the abovementioned ¥40 billion in public funding in October 2006, and the remaining ¥6 billion in public funding was repaid in July 2010.

In April 2020, we launched our new medium-term management plan under the name SINKA2020.

# Corporate Data

## Annual Report

### Non-Consolidated Data

(As of March 31, 2020)

Date of Establishment	May 1, 1948
Paid-in Capital	¥ 56,967million
Total Assets	¥ 2,396,224million
Number of Employees	1,367
Number of Offices (including Head Office and Sub-branches)	76
Number of Shareholders	13,265
Stock Listings	Tokyo Stock Exchange & Fukuoka Stock Exchange

### Service Network

(As of March 31, 2020)

#### Head Office and Securities & International Department

2-1, Higashimachi (P.O. Box 310), Naha, Okinawa 900-0034, Japan  
Telex: J79827  
Phone: 098-866-1212  
Fax: 098-863-8504  
SWIFT: RYUB JPJZ

#### Tokyo Branch

Kanda 21 Building 4F, 2-2-16, Kandata-cho, Chiyoda-ku, Tokyo 101-0046, Japan  
Phone: 03-5296-8611  
Fax: 03-5296-8616

### Board of Directors

(As of June 24, 2020)

Chairman

Outside Directors

Executive Officer

<div> <div> Tokei kinjo </div> <div> President </div> <div> Yasushi Kawakami </div> <div> Senior Managing Director </div> <div> Tomoyuki Matsubara </div> <div> Managing Directors </div> <div> Keishi Fukuhara  Yasushi Tokashiki  Yasushi Shiroma </div> </div>	<div> <div> Masanori Fukuyama  Masaharu Hanazaki  Kanako Tomihara </div> <div> Standing Corporate Auditor </div> <div> Ryoji Toyoda </div> <div> Outside Corporate Auditors </div> <div> Shunsuke Takahashi  Kyoko Nakayama  Hiroshi Kitagawa </div> </div>	<div> <div> Hitoshi Kinjo </div> </div>
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## Bank of The Ryukyus Group Companies

(As of March 31, 2020)

<div> <div>Ryukyu Leasing Co., Ltd.*</div> <div> 7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan  Phone: 098-866-5500  Established: May 1972  Paid-in Capital: ¥ 346 million  Line of Business: General leasing </div> </div>
<div> <div>Ryugin Hosho Co., Ltd.*</div> <div> 1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0015, Japan  Phone: 098-832-1200  Established: July 1979  Paid-in Capital: ¥ 20 million  Line of Business: Housing loans, debt guaranty and insurance agency </div> </div>
<div> <div>Ryugin Business Service Co., Ltd.*</div> <div> 9-17, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan  Phone: 098-863-4572  Established: September 1983  Paid-in Capital: ¥ 10 million  Line of Business: Cash inspection and arrangement, Cash Dispenser/ATM management and maintenance </div> </div>
<div> <div>Ryugin DC Co., Ltd.*</div> <div> 7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan  Phone: 098-862-1525  Established: April 1984  Paid-in Capital: ¥ 195 million  Line of Business: Credit cards, financing </div> </div>
<div> <div>Ryugin Research Institute., Ltd.*</div> <div> 1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0025, Japan  Phone: 098-835-4650  Established: June2006 </div> </div>

Paid-in Capital: ¥23 million

Line of Business:

Industrial, economic and financial surveys and research; planning and organization of conferences and training

Okinawa Credit Service Co., Ltd.\*

3-10, Matsuyama 2-chome, Naha, Okinawa 900-8609, Japan

Phone: 098-901-0094

Established: August 2008

Paid-in Capital : ¥279million

Line of Business: Credit cards, financing

\*Consolidated subsidiaries

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# Message from the President

Annual Report



Yasushi Kawakami  
President

Greetings to all and my sincerest thanks for your continued support.

The following is a report on our operations and accounts for the 104nd Term (April 1, 2019 to March 31, 2020).

## Financial & Economic Environment

The Japanese economy continued its gradual recovery in fiscal 2019 against the background of solid corporate business performance during the first-half six-month period, leading to a steady improvement in the employment situation and a firm undertone in consumption. During the second half of the fiscal year, consumer spending weakened following the raising of the consumption tax rate in October, and towards the end of the fiscal year the economy was heavily impacted by the COVID-19 epidemic.

Turning to the economy of Okinawa Prefecture, the tourism industry posted good figures during the first half of the fiscal year, thanks to an increased number of inbound tourists. The construction industry also enjoyed good business, thanks to high-level demand for private- and public-sector projects. Consumer spending was also firm overall, thanks to the improved employment situation, and the prefectural economy continued to post good figures. After the consumption tax rate hike, however, consumer spending followed a weak trend, and towards the end of the fiscal year, the prefectural economy was hard hit by the coronavirus epidemic. The tourism and hospitality industries performed a turnaround into negative territory, with a sharp decline in the number of inbound tourists leading to a sharp fall in the operation rates of accommodation facilities such as hotels. Consequently, the prefectural economy as a whole entered a recession.

## Business Activities and Performance Results

Amid this operating environment, in fiscal 2019 (the third and final year of our Customer Centric 2017 medium-term management plan), we worked to achieve our target of a customer-centric revenue model. To this end, we took steps to expand our customer base and strengthen the Bank's non-interest income via a solutions-driven business based on consulting services. We also vigorously pursued measures to enhance operational efficiency and reform our personnel training system.

Regarding our corporate business strategy, to ensure that the prefectural economy remains vigorous we maintained our policy of actively meeting customers' funding needs, providing support for business succession, and designing inheritance plans that make use of family trusts. In addition, to further improve our ability to offer solutions to the issues facing our business users, we began acting as a broker for leasing services, enabling us to move further into the leasing business than our existing intermediary services have allowed. Continuing on from fiscal 2018, we launched the Okinawa Startup Program in collaboration with the Okinawa Times and three other companies operating in the prefecture, and actively engaged in the capital subscription business through the BOR (Bank of the Ryukyus) Venture Fund No.1—an investment limited partnership. In these and other ways, we pursued a unique strategy not found in other Japanese prefectures for discovering and fostering start-ups.

In our retail customer business strategy, in June 2019 we opened the Parco City Subbranch (Ryugin Parco City Personal Plaza), where we offer retail customers advice on everything from asset management to all types of loans, including mortgages. We have developed a system to meet individuals' asset-building needs at each stage of their lives. Then, in October, to provide support for customers' inheritance and asset-succession needs, we commenced our Testamentary Trust & Inheritance Disposition business, in which we provide total planning services that go beyond anything we have offered hitherto.

As for our card strategy, the number of Ryugin Visa Debit Card (for individuals) cards issued has topped 130,000, and in our card services for affiliated stores, which we commenced in January 2017, the number of affiliated stores has passed the 6,000 mark. We have formed an affiliated store card service tie-up with Amami Credit Union, which operates in the Amami Islands (administratively part of Kagoshima Prefecture) to the north of Okinawa Island to help meet the rising need for such services amid the same sort of growth in inbound tourism as seen in Okinawa Prefecture.

Additionally, to stimulate the local economies of the Yaeyama Islands and the village of Ie, as well as to improve the daily living environment of the inhabitants, we have concluded regional cashless service promotion agreements with the local governments of these two regions.

In fiscal 2020, EasyCard Corporation of Taiwan (which operates the EasyCard, Taiwan's most popular contactless smartcard) opened its first affiliated store in Japan, and the Bank will be assisting in the spread of this card service throughout Japan. Going forward, the Bank will continue contributing to the development of local communities—not only on Okinawa Island but also on remote islands, where it has been difficult to offer financial services hitherto—through its financial intermediary functions.

## Issues Facing the Bank

Hitherto, the economy of Okinawa Prefecture has performed well, but from the end of fiscal 2019 it was seriously impacted by the double blow of a deterioration in the relationship between Japan and South Korea, and the sudden emergence of the COVID-19 pandemic. The negative impact was felt across a wide range of industrial sectors, not limited to the tourism industry. As a result, employment has worsened, and it is generally agreed that the prefecture's economy as a whole is in a worse state than at the time of the financial crisis of 2007-2008.

At the Bank of the Ryukyus, as soon as we realized that having our marketing staff visit customers' premises could spread infection by coronavirus, we proposed the deferment of repayment of the principal on debts,

and we have also been actively engaged in consulting on new borrowings as one means of supporting our corporate customers' cash flow.

We have reinforced our customer support system in various ways. For example, in cooperation with the Okinawa Development Finance Corporation, we have started a consultation service via the telephone, and have set up an inquiries desk to give advice on application for employment subsidies. To reduce the risk of bank employees being infected with the coronavirus, we have instituted a two-shift system, and have been putting our full efforts into ensuring the continuation of our financial services.

Amid these difficult circumstances, in April of this year we launched our latest medium-term management plan, under the name "Shinka 2020." This plan is scheduled to run for three years from April 2020 to March 2023.

Under our latest medium-term management plan—Shinka 2020—we have committed ourselves to becoming the region's "leading bank" in the true sense of the term: a bank whose performance does not depend on macro-economic ups and downs, and is able to support the region and assist its further development no matter what the external operating environment may be. Maintaining the strategy we followed under our previous medium-term management plan, we will work to realize "evolution" (shinka in Japanese) in the core businesses of a bank—deposits, loans, and foreign exchange—and will simultaneously seek to "deepen" (also pronounced shinka in Japanese) our involvement in the additional banking services that we have recently entered, such as cashless settlement. The management and employees of the Ryukyu Bank Group will work together to meet these challenges.

Specifically, in addition to increasing the number of our staff capable of offering our customers high value-added services—thanks to the training they will have received as part of our human resources nurturing reforms—we will also be rigorously implementing greater operational efficiency through reforms to working methods at our branches. By spending more time listening to our customers describe their circumstances and their needs, we will firmly establish a customer-centric management style, and will rapidly move our business focus to our corporate business strategy, retail customer business strategy, cashless services strategy, channel strategy, and others. As stated in our latest medium-term management plan, we are committed to becoming the region's "leading bank" in the true sense of the term: a bank whose performance is independent of macro-economic ups and downs, and which is able to support the region and assist in further development irrespective of the external operating environment.

June 2020  
Yasushi Kawakami,  
President

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# Financial Section

## Annual Report

### Financial Data [PDF files]

-  [Entire File \(782KB\)](#)
-  [Consolidated Balance Sheets \(149KB\)](#)
-  [Consolidated Statements of Income \(144KB\)](#)
-  [Consolidated Statements of Comprehensive Income \(132KB\)](#)
-  [Consolidated Statements of Changes in Net Assets \(192KB\)](#)
-  [Consolidated Statements of Cash Flows \(190KB\)](#)
-  [Notes to Consolidated Financial Statements \(341KB\)](#)
-  [Non-Consolidated Balance Sheets \(150KB\)](#)
-  [Non-Consolidated Statements of Income \(95KB\)](#)
-  [Non-Consolidated Statements of Changes in Net Assets \(181KB\)](#)

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Bank of The Ryukyus, Limited and consolidated subsidiaries

# Consolidated Balance Sheets

As of March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Assets</b>			
Cash and due from banks (Notes 5 and 8) .....	¥ 305,962	¥ 254,210	\$ 2,811,383
Call loans and bills bought (Note 5) .....	—	707	—
Monetary claims bought .....	34	74	315
Money held in trust (Note 5) .....	4,103	15,148	37,705
Securities (Notes 5, 6 and 8) .....	258,436	279,114	2,374,682
Loans and bills discounted (Notes 5, 7 and 8) .....	1,723,532	1,698,859	15,836,928
Foreign exchanges .....	7,955	8,992	73,096
Lease receivables and lease investment assets (Note 8) .....	24,914	22,183	228,930
Other assets (Note 8) .....	76,425	78,328	702,245
Property, plant and equipment (Note 9) .....	22,766	23,985	209,190
Intangible fixed assets .....	4,930	4,266	45,307
Net defined benefit asset .....	412	479	3,791
Deferred tax assets .....	5,307	4,181	48,769
Customers' liabilities for acceptances and guarantees (Note 10) .....	10,156	7,788	93,327
Allowance for loan losses .....	(9,248)	(8,708)	(84,984)
Total assets .....	2,435,689	2,389,613	22,380,684
<b>Liabilities</b>			
Deposits (Notes 5 and 8) .....	2,213,744	2,154,239	20,341,303
Negotiable certificate of deposits (Note 5) .....	30,631	31,428	281,460
Payables under repurchase agreements (Note 8) .....	4,001	21,734	36,765
Borrowed money (Notes 5 and 8) .....	20,123	19,120	184,905
Foreign exchanges .....	225	108	2,073
Other liabilities .....	22,308	22,557	204,987
Reserve for bonuses .....	674	696	6,200
Net defined benefit liability .....	1,123	810	10,323
Reserve for retirement benefits for directors and corporate auditors .....	35	25	323
Reserve for reimbursement of dormant deposits .....	70	109	648
Reserve for contingent losses .....	99	95	916
Reserve for point service program .....	183	158	1,683
Reserve for losses on interest payment .....	366	438	3,364
Deferred tax liabilities for land revaluation (Note 11) .....	1,985	2,188	18,243
Acceptances and guarantees (Note 10) .....	10,156	7,788	93,327
Total liabilities .....	2,305,729	2,261,498	21,186,520
<b>Net assets (Note 12)</b>			
Capital stock .....	56,967	56,967	523,453
Capital surplus .....	14,264	14,275	131,070
Retained earnings .....	58,625	54,701	538,688
Treasury stock .....	(250)	(347)	(2,303)
Total shareholders' equity .....	129,606	125,596	1,190,908
Valuation difference on available-for-sale securities .....	163	1,639	1,499
Deferred gains on hedges .....	1	(0)	13
Revaluation reserve for land (Note 11) .....	838	1,312	7,707
Remeasurements of defined benefit plans .....	(899)	(719)	(8,266)
Total accumulated other comprehensive income .....	103	2,232	952
Stock acquisition rights .....	250	286	2,303
Total net assets .....	129,960	128,115	1,194,164
Total liabilities and net assets .....	¥2,435,689	¥2,389,613	\$22,380,684

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

For the years ended March 31, 2020 and 2019

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Comprehensive Income

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Profit	<b>¥4,951</b>	¥6,105	<b>\$45,501</b>
Other comprehensive income:			
Net unrealized gains on available-for-sale securities .....	<b>(1,476)</b>	142	<b>(13,566)</b>
Deferred loss on derivatives under hedge accounting .....	<b>2</b>	(0)	<b>20</b>
Remeasurements of defined benefit plans .....	<b>(180)</b>	(138)	<b>(1,659)</b>
Total other comprehensive income .....	<b>(1,654)</b>	3	<b>(15,205)</b>
Comprehensive income .....	<b>3,297</b>	6,108	<b>30,296</b>
Attributable to			
Owners of the parent .....	<b>3,297</b>	6,108	<b>30,296</b>
Non-controlling interests .....	<b>—</b>	—	<b>—</b>

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Shareholders' equity</b>			
<b>Capital stock:</b>			
Balance at end of the previous year .....	¥ 56,967	¥ 54,127	\$ 523,453
Changes during the year:			
Issuance of new shares .....	—	2,840	—
Total changes during the year .....	—	2,840	—
Balance at end of the year .....	¥ 56,967	¥ 56,967	\$ 523,453
<b>Capital surplus:</b>			
Balance at end of the previous year .....	¥ 14,275	¥ 11,437	\$ 131,173
Changes during the year:			
Issuance of new shares .....	—	2,840	—
Sale of treasury stock .....	(11)	(2)	(103)
Total changes during the year .....	(11)	2,838	(103)
Balance at end of the year .....	¥ 14,264	¥ 14,275	\$ 131,070
<b>Retained earnings:</b>			
Balance at end of the previous year .....	¥ 54,701	¥ 50,271	\$ 502,628
Changes during the year:			
Cash dividends .....	(1,501)	(1,686)	(13,795)
Profit attributable to owners of the parent .....	4,951	6,105	45,501
Reversal of revaluation reserve for land .....	473	10	4,354
Total changes during the year .....	3,924	4,429	36,060
Balance at end of the year .....	¥ 58,625	¥ 54,701	\$ 538,688
<b>Treasury stock:</b>			
Balance at end of the previous year .....	¥ (347)	¥ (375)	\$ (3,192)
Changes during the year:			
Purchase of treasury stock .....	(1)	(2)	(14)
Sales of treasury stock .....	98	30	904
Total changes during the year .....	96	28	890
Balance at end of the year .....	¥ (250)	¥ (347)	\$ (2,302)
<b>Total shareholders' equity:</b>			
Balance at end of the previous year .....	¥125,596	¥115,460	\$1,154,061
Changes during the year:			
Issuance of new shares .....	—	5,680	—
Cash dividends .....	(1,501)	(1,686)	(13,795)
Profit attributable to owners of the parent .....	4,951	6,105	45,501
Reversal of revaluation reserve for land .....	473	10	4,354
Purchase of treasury stock .....	(1)	(2)	(14)
Sales of treasury stock .....	87	28	801
Total changes during the year .....	4,010	10,135	36,847
Balance at end of the year .....	¥129,606	¥125,596	\$1,190,908

Bank of The Ryukyus, Limited and consolidated subsidiaries

**Consolidated Statements of Changes in Net Assets**

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Accumulated other comprehensive income</b>			
<b>Valuation difference on available-for-sale securities:</b>			
Balance at end of the previous year .....	¥ 1,639	¥ 1,497	\$ 15,065
Changes during the year:			
Net changes in items other than shareholders' equity .....	(1,476)	142	(13,566)
Total changes during the year .....	(1,476)	142	(13,566)
Balance at end of the year .....	¥ 163	¥ 1,639	\$ 1,499
<b>Deferred gains on hedges:</b>			
Balance at end of the previous year .....	¥ (0)	¥ (0)	\$ (7)
Changes during the year:			
Net changes in items other than shareholders' equity .....	2	(0)	20
Total changes during the year .....	2	(0)	20
Balance at end of the year .....	¥ 1	¥ (0)	\$ 13
<b>Revaluation reserve for land:</b>			
Balance at end of the previous year .....	¥ 1,312	¥ 1,323	\$ 12,061
Changes during the year:			
Net changes in items other than shareholders' equity .....	(473)	(10)	(4,354)
Total changes during the year .....	(473)	(10)	(4,354)
Balance at end of the year .....	¥ 838	¥ 1,312	\$ 7,707
<b>Remeasurements of defined benefit plans:</b>			
Balance at end of the previous year .....	¥ (719)	¥ (580)	\$ (6,607)
Changes during the year:			
Net changes in items other than shareholders' equity .....	(180)	(138)	(1,659)
Total changes during the year .....	(180)	(138)	(1,659)
Balance at end of the year .....	¥ (899)	¥ (719)	\$ (8,266)
<b>Total accumulated other comprehensive income:</b>			
Balance at end of the previous year .....	¥ 2,232	¥ 2,239	\$ 20,511
Changes during the year:			
Net changes in items other than shareholders' equity .....	(2,128)	(7)	(19,559)
Total changes during the year .....	(2,128)	(7)	(19,559)
Balance at end of the year .....	¥ 103	¥ 2,232	\$ 952

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Stock acquisition rights</b>			
Balance at end of the previous year .....	¥ 286	¥ 236	\$ 2,633
Changes during the year:			
Net changes in items other than shareholders' equity .....	(35)	49	(330)
Total changes during the year .....	(35)	49	(330)
Balance at end of the year .....	¥ 250	¥ 286	\$ 2,303
<b>Total net assets</b>			
Balance at end of the previous year .....	¥128,115	¥117,937	\$1,177,205
Changes during the year:			
Issuance of new shares .....	—	5,680	—
Cash dividends .....	(1,501)	(1,686)	(13,795)
Profit attributable to owners of the parent .....	4,951	6,105	45,501
Reversal of revaluation reserve for land .....	473	10	4,354
Purchase of treasury stock .....	(1)	(2)	(14)
Sales of treasury stock .....	87	28	801
Net changes in items other than shareholders' equity .....	(2,164)	42	(19,888)
Total changes during the year .....	1,845	10,177	16,959
Balance at end of the year .....	¥129,960	¥128,115	\$1,194,164

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Cash Flows

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Cash flows from operating activities</b>			
Income before income taxes .....	¥ 6,826	¥ 8,541	\$ 62,726
Depreciation .....	2,967	2,786	27,266
Impairment loss on fixed assets.....	6	32	59
Increase (decrease) in allowance for loan losses .....	540	39	4,967
Increase (decrease) in reserve for bonuses .....	(21)	0	(199)
(Increase) decrease in net defined benefit asset.....	230	151	2,123
Decrease (increase) in net defined benefit liability.....	(108)	(154)	(994)
Increase (decrease) in reserve for retirement benefits for directors and corporate auditors .....	9	6	85
Increase (decrease) in reserve for reimbursement of dormant deposits .....	(39)	(65)	(362)
Decrease (increase) in reserve for contingent losses .....	4	(23)	39
Increase (decrease) in reserve for point service program .....	25	10	230
Increase (decrease) in reserve for losses on interest payment.....	(71)	(58)	(661)
Interest income .....	(29,393)	(29,469)	(270,087)
Interest expenses .....	1,326	1,535	12,189
Other gains (losses), net .....	(39)	(1,223)	(359)
Increase in loans and bills discounted .....	(24,672)	(98,866)	(226,710)
Increase in deposits .....	59,504	70,470	546,769
Increase in negotiable certificate of deposits.....	(797)	7,385	(7,324)
Increase (decrease) in borrowed money (excepting subordinated borrowings).....	1,003	(22,996)	9,216
Decrease (increase) in due from banks (excluding due from central bank).....	376	(346)	3,458
Decrease (increase) in call loans .....	747	151	6,865
Increase (decrease) in payables under repurchase agreements .....	(17,733)	(22,059)	(162,943)
Net change in foreign exchange accounts (assets).....	1,037	413	9,532
Net change in foreign exchange accounts (liabilities) .....	117	(19)	1,076
Decrease (increase) in lease receivables and lease investment assets.....	(2,731)	(843)	(25,099)
Decrease (increase) in initial clearing margin for CCP .....	—	(2,700)	—
Interest and dividends received .....	31,827	30,590	292,451
Interest paid.....	(1,398)	(1,692)	(12,847)
Other, net.....	3,734	564	34,317
Subtotal .....	33,278	(57,838)	305,783
Income taxes paid.....	(2,157)	(3,447)	(19,826)
Net cash provided by (used in) operating activities .....	31,120	(61,286)	285,957
<b>Cash flows from investment activities</b>			
Purchases of securities .....	(377,557)	(184,870)	(3,469,242)
Proceeds from sales of securities .....	315,074	162,604	2,895,103
Proceeds from redemptions of securities .....	76,921	151,205	706,800
Increase in money held in trust .....	(16,800)	(5,000)	(154,369)
Decrease in money held in trust .....	27,750	—	254,985
Purchases of property, plant and equipment .....	(1,902)	(2,056)	(17,480)
Purchases of intangible fixed assets .....	(1,990)	(1,984)	(18,294)
Proceeds from sales of property, plant and equipment .....	1,535	527	14,107
Payments for disposal of property, plant and equipment .....	(76)	(54)	(707)
Net cash provided by investment activities .....	22,952	120,371	210,903

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Cash Flows

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Cash flows from financing activities</b>			
Repayments of subordinated bonds .....	—	(12,000)	—
Proceeds from issuance of shares .....	—	5,646	—
Cash dividends paid .....	(1,498)	(1,689)	(13,765)
Payments of lease obligations .....	(438)	(417)	(4,027)
Purchases of treasury stock .....	(1)	(2)	(14)
Proceeds from sales of treasury stock .....	0	28	0
Net cash used in financing activities .....	(1,937)	(8,435)	(17,806)
Effect of exchange rate changes on cash and cash equivalents .....	(7)	17	(65)
Increase (decrease) in cash and cash equivalents .....	52,128	50,667	478,989
Cash and cash equivalents at beginning of the year .....	253,626	202,959	2,330,480
Cash and cash equivalents at end of the year (Note 2) .....	¥305,754	¥253,626	\$2,809,469

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Notes to Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

### 1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Bank of The Ryukyus, Limited (the “Bank”) and consolidated subsidiaries have been prepared in accordance with the Japanese Financial Instruments and Exchange Act, the Company Act of Japan, the Japanese Banking Law, and in conformity with accounting principles generally accepted in Japan and, where applicable, with the accounting and reporting guidelines prescribed by banking regulatory authorities, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In the preparation of these financial statements, certain items on the domestically issued financial statements have been reclassified and rearranged considering the convenience of readers outside Japan. Also, some of the notes to the domestically issued financial statements have been omitted in case such omissions do not affect the financial statements materially.

The Japanese yen figures in the financial statements are in millions with fractions omitted.

The U.S. dollar figures are computed solely for convenience, at the exchange rate of ¥108.83 per US\$1.00, the rate prevailing on March 31, 2020.

### 2. Significant Accounting Policies

#### (a) Consolidation

The consolidated financial statements include the accounts of the Bank and its six subsidiaries.

Assets and liabilities of consolidated subsidiaries at the time of initial investment are valued at market. Amortization of consolidation adjustment is charged to income as incurred.

#### (b) Statement of Cash Flows

Cash and cash equivalents in the statement of cash flows represents cash, due from the Bank of Japan, deposits with other banks repayable on demand and time deposits with term of three months or less among “cash and due from banks” in the balance sheets.

#### (c) Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Japanese yen at the rates prevailing at the balance sheet dates.

#### (d) Trading Account Securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value.

#### (e) Securities

Under the Accounting Standards for Financial Instruments, held-to-maturity debt securities are stated at amortized cost and the securities which are defined as available-for-sale securities by the standards, are stated at fair value, whenever such value is available, otherwise are stated at moving average cost or amortized cost.

Valuation difference on available-for-sale securities are reported, net of applicable income taxes as a separate component of net assets.

The assessment of securities operated as trust property in money held in trust for isolated operation, mainly for the purpose of securities operation, are stated at fair value.

#### (f) Derivatives

Derivatives are stated at the fair value.

#### (g) Hedge Accounting

##### i. Hedging against Interest Rate Changes

The hedge accounting method applied to hedging transactions for interest rate risk related to financial assets and liabilities is deferred hedge accounting, as stipulated in the “Treatment for Accounting and Auditing of Application of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedging transactions in offsetting movements of the fair value accompanying changes in interest rates by classifying the hedged items (deposits, loans) and the hedging instruments (interest swaps) by their maturity. For cash flow hedges, the Bank assesses the effectiveness of such hedging transactions in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

The Bank applies a special treatment which is stated by the “Financial Instruments Standards” of interest rate swaps to a portion of assets and liabilities, which is placed outside the scope of the assessment of hedging effectiveness.

Consolidated subsidiaries apply an exceptional treatment of interest rate swaps to a portion of liabilities.

## **ii. Hedging against Currency Fluctuations**

The Bank applies the deferred hedge accounting stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No. 25) to hedging transactions against foreign exchange risk arising from assets and liabilities in foreign currencies. Pursuant to the above mentioned report, the Bank assesses the effectiveness of foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by confirming the existence of foreign currency positions, which correspond to the foreign currency monetary claims and debts.

Consolidated subsidiaries do not apply deferred hedge accounting to hedging transactions.

## **(h) Depreciation and Amortization**

### **i. Depreciation of Property, Plant and Equipment (excluding lease assets)**

Depreciation of property, plant and equipment is computed on the straight-line method by the applying service life of each and every asset ranging as follows:

Buildings 5 to 50 years

Equipment 3 to 20 years

Depreciation of property, plant and equipment of consolidated subsidiaries is computed mainly on the fixed percentage on declining balance method applying the estimated service life of each and every asset.

### **ii. Amortization of Intangible Fixed Assets (excluding lease assets)**

Intangible fixed assets are amortized on a straight-line basis. The costs of development of computer software for internal use are amortized over a useful life of five years.

### **iii. Amortization of Lease Assets**

Lease assets in “Property, plant and equipment” of the finance leases other than those that transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

## **(i) Deferred Assets**

Bond issue expenses have been posted under assets. Bond issue expenses are amortized on a straight-line basis over the redemption period of the bonds.

## **(j) Allowance for Loan Losses**

The allowance for loan losses for the Bank is provided as follows:

For loans to borrowers in bankruptcy or to borrowers substantially in bankruptcy the reserve was provided for the remaining portion of the amount after direct partial write-offs, which are explained below, after deducting the amount collectable by disposal of collateral or from guarantors.

For loans to borrowers prone to bankruptcy, the reserve was provided at the necessary amount, after deducting the amount collectable by disposal of collateral or from guarantors, considering the overall ability of the borrowers to repay.

For loans other than stated above, the reserve was provided at experiential rates of the past according to the category of loans as classified from the standpoint of collectability.

For claims to legally or virtually bankrupt borrowers backed by collateral or guarantees, the Bank carried out direct partial write-offs, deducting from such claims amounts deemed uncollectable through the disposal of collateral or implementation of guarantees. Partial write-offs amounted to ¥2,725 million (US\$25,039 thousand) as of March 31, 2020.

Allowance for loan losses incurred by consolidated subsidiaries are provided as required based on actual default rates.

## **(k) Reserve for Bonuses**

Reserve for bonuses are provided for the payment of employees’ bonuses in the amount deemed necessary for the estimated bonus payment in the future attributable to the reporting period.

## **(l) Reserve for Retirement Benefits for directors and corporate auditors**

Reserve for retirement benefits for directors and corporate auditors are provided at the amount that would be paid in accordance with the internally established rule at the fiscal year end if they were retired on that date.

## **(m) Reserve for Retirement Benefits**

In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to each service period.

Actuarial differences of the plans are amortized from the following fiscal year over the set period (12 years) within the average remaining service period of the employees at the time of occurrence.

Prior service costs are amortized over the set period (12 years) within the average remaining service period of the employees at the time of occurrence.

Consolidated subsidiaries adopt simplified method for the calculation of liability for retirement benefits and pension expenses using necessary payment of voluntary retirement as the projected benefit obligation.

**(n) Reserve for Reimbursement of Dormant Deposits**

Provision is made for possible losses on future claims on withdrawal of deposits which were derecognized as liabilities and recognized as gains under certain conditions in an amount deemed necessary based on the historical reimbursement experience. Provision is made for the payment on burden-sharing of loan losses between financial institution and credit guarantee associations in an amount estimated to be paid in the future.

**(o) Reserve for Contingent Losses**

Reserve for contingent losses is provided at the amount deemed necessary to cover possible future losses from default of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee.

**(p) Reserve for Point Service Program**

Reserve for point service program is provided to cover the costs of credit card point at the amount deemed necessary based on an estimate of the future use of points.

**(q) Reserve for Losses on Interest Payment**

Reserve for losses on interest payment is provided to cover possible losses on the repayment of interest to be received from customers that exceeds the upper limit of interest rates prescribed under the Interest Rate Restriction Act.

**(r) Lease Transactions**

Finance lease transactions in which there is no transfer of ownership were formerly accounted for by a method corresponding to that used for ordinary operating lease contracts. However, for financial statements relating to periods commencing on or after April 1, 2008, it is permitted to apply the “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan Statement No. 13, issued on March 30, 2007) and the “Implementation Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, issued on March 30, 2007). Accordingly, they are being duly applied as of the year ended March 31, 2009 in accordance with accounting relating to ordinary buying and selling transactions.

### **3. Issued but not yet Adopted Accounting Standards**

**(1) Accounting standards for the recognition of revenues**

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018)
- “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)

**(a) Overview**

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the value of the transaction.

Step 4: Allocate the transaction value to the performance obligations in the contract.

Step 5: Recognize the revenue when the corresponding performance obligation has been satisfied or is going to be satisfied.

**(b) Scheduled date of application**

The Bank and its consolidated subsidiaries are scheduled to apply the accounting standards from the beginning of the consolidated fiscal year starting April 1, 2021.

**(c) Impacts of the application of the relevant accounting standards**

The impacts of adopting the relevant accounting standards are being evaluated.

**(2) Accounting standards for the calculation of the fair value**

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019)

- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

**(a) Overview**

The “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter, the “Accounting Standards for Fair Value Measurement, etc.”) were established in order to improve comparability with International Financial Reporting Standards (IFRS). The “Accounting Standards for Fair Value Measurement, etc.” shall apply to the following items:

The fair value of financial instruments under the “Accounting Standard for Financial Instruments.”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised. As part of this revision, notes on the components, etc. of each level of the fair value of financial instruments were established.

**(b) Scheduled date of application**

The Bank and its consolidated subsidiaries are scheduled to apply the accounting standards from the beginning of the consolidated fiscal year starting April 1, 2021.

**(c) Impacts of the application of the relevant accounting standards**

The impacts of adopting the relevant accounting standards are being evaluated.

#### **4. Additional Information**

**Certain assumptions regarding the impact of the spread of coronavirus disease 2019 (COVID-19)**

The Bank and some consolidated subsidiaries expect that the impact of the spread of COVID-19 will peak out in the first half of fiscal year 2020 and subside toward the end of fiscal year 2020. The allowance for doubtful accounts as of March 31, 2020 is recorded based on factors such as the reclassification of debtors, assuming a certain level of uncertainty regarding the future business activities of customers for whom modifications such as revisions to repayment conditions were made for the purpose of offering COVID-19 relief.

Although the amount of allowance for doubtful accounts reflects best estimates at present, the assumptions behind those estimates contain uncertainties. If there are any changes in COVID-19 conditions and their impact on the economic environment, the amount of the impact on the consolidated financial statements for the following fiscal year could change.

## 5. Financial Instruments

### Fair Values of Financial Instruments

A table below shows book values, fair values and difference of financial instruments as of March 31, 2020. A part of financial instruments, for which no fair values are obtainable such as unlisted stocks, are excluded from the table. (Please see (Note 1).)

The financial instruments immaterial in terms of consolidated balance sheet amounts are omitted.

	Millions of Yen			Thousands of U.S. Dollars		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks .....	¥ 305,962	¥ 305,962	¥ —	\$ 2,811,376	\$ 2,811,376	\$ —
(2) Call loans and bills bought .....	—	—	—	—	—	—
(3) Money held in trust.....	3,603	3,603	—	33,107	33,107	—
(4) Securities						
Held-to-maturities debt securities .....	30,263	31,027	763	278,076	285,096	7,011
Available-for-sale securities .....	225,548	225,548	—	2,072,480	2,072,480	—
(5) Loans and bills discounted .....	1,723,532			15,836,920		
Allowance for loan losses (*1).....	(6,393)			(58,743)		
Total assets .....	2,282,518	2,295,474	12,956	20,973,243	21,092,291	119,048
(1) Deposits .....	2,213,744	2,213,932	(188)	20,341,303	20,343,030	(1,727)
(2) Negotiable certificate of deposit .....	30,631	30,631	—	281,457	281,457	—
(3) Payables under repurchase agreements .....	4,001	4,001	—	36,764	36,764	—
(4) Borrowed money .....	20,123	20,115	7	184,903	184,830	64
Total liabilities .....	2,268,499	2,268,680	(180)	20,844,427	20,846,090	(1,654)
Derivative transactions (*2)						
Transactions not accounted for as hedge transactions .....	(63)	(63)	—	(579)	(579)	—
Transactions accounted for as hedge transactions .....	(105)	(105)	—	(965)	(965)	—
Total derivative transactions .....	(169)	(169)	—	(1,553)	(1,553)	—

(\*1) General allowance for loan losses and specific allowance for loan losses provided to “Loans and bills discounted” are separately presented in the above table.

(\*2) Derivative transactions recorded in other assets and other liabilities are presented as a lump sum. Net receivables and payables arising from derivative transactions are presented on a net basis. A net payable is presented in parentheses.

(Note 1) The following table lists financial instruments, the fair value of which is extremely difficult to determine:

Fair Values of Financial Instruments exclude these instruments.

	Consolidated balance sheet amount	
	Millions of Yen	Thousands of U.S. Dollars
Securities		
(1) Unlisted stocks (*1) .....	¥2,012	\$18,488
(2) Investments in associations (*2) .....	611	5,614
Money held in trust.....	500	4,594
Total .....	¥3,124	\$28,705

(\*1) Unlisted stocks and real estate investment fund through private placement are excluded from the fair value disclosure since it has no quoted market price and no fair value is obtainable. For the fiscal year ended March 31, 2020, unlisted stocks amounted of ¥1 million (US\$9 thousand) are written off.

(\*2) A part of the investment in associations of which partnership assets constitutes instruments for which no fair values are obtainable in the same manner as stocks are excluded from the fair value disclosure.

(Note 2) Maturity analysis for money claims and securities with contractual maturities

	Millions of Yen					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks (*1) .....	<b>¥266,465</b>	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought .....	—	<b>31</b>	<b>2</b>	—	—	—
Money held in trust .....	<b>3,603</b>	—	—	—	—	—
Securities:						
Held-to-maturities: .....	—	<b>20,624</b>	<b>2,440</b>	<b>245</b>	—	<b>6,953</b>
Japanese government bond .....	—	<b>20,076</b>	—	—	—	<b>6,953</b>
Corporate bonds .....	—	<b>548</b>	<b>2,440</b>	<b>245</b>	—	—
Available-for-sale securities that have maturities ...	<b>38,186</b>	<b>47,593</b>	<b>15,429</b>	<b>29,614</b>	<b>92,235</b>	<b>1,182</b>
Japanese government bond .....	<b>25,180</b>	<b>20,217</b>	—	—	—	<b>1,182</b>
Local government bonds .....	—	<b>6,702</b>	<b>12,931</b>	<b>27,616</b>	<b>72,639</b>	—
Corporate bonds .....	<b>2,002</b>	<b>1,704</b>	<b>297</b>	—	<b>499</b>	—
Other .....	<b>11,003</b>	<b>18,969</b>	<b>2,200</b>	<b>1,997</b>	<b>19,096</b>	—
Loans and bills discounted (*2) .....	<b>267,787</b>	<b>207,894</b>	<b>179,064</b>	<b>136,794</b>	<b>159,143</b>	<b>622,079</b>
Total .....	<b>¥576,043</b>	<b>¥276,144</b>	<b>¥196,936</b>	<b>¥166,654</b>	<b>¥251,379</b>	<b>¥630,215</b>

	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks (*1) .....	<b>\$2,448,452</b>	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought .....	—	<b>285</b>	<b>18</b>	—	—	—
Money held in trust .....	<b>33,107</b>	—	—	—	—	—
Securities:						
Held-to-maturities: .....	—	<b>189,507</b>	<b>22,420</b>	<b>2,251</b>	—	<b>63,889</b>
Japanese government bond .....	—	—	—	—	—	<b>63,889</b>
Corporate bonds .....	—	—	<b>22,420</b>	<b>2,251</b>	—	—
Available-for-sale securities that have maturities ...	<b>350,878</b>	<b>437,315</b>	<b>141,772</b>	<b>272,112</b>	<b>847,514</b>	<b>10,861</b>
Japanese government bond .....	<b>231,370</b>	<b>185,767</b>	—	—	—	<b>10,861</b>
Local government bonds .....	—	<b>61,582</b>	<b>118,818</b>	<b>253,754</b>	<b>667,454</b>	—
Corporate bonds .....	<b>18,396</b>	<b>15,657</b>	<b>2,729</b>	—	<b>4,585</b>	—
Other .....	<b>101,103</b>	<b>174,299</b>	<b>20,215</b>	<b>18,350</b>	<b>175,466</b>	—
Loans and bills discounted (*2) .....	<b>2,460,599</b>	<b>1,910,264</b>	<b>1,645,355</b>	<b>1,256,951</b>	<b>1,462,308</b>	<b>5,716,062</b>
Total .....	<b>\$5,293,053</b>	<b>\$2,537,389</b>	<b>\$1,809,575</b>	<b>\$1,531,324</b>	<b>\$2,309,832</b>	<b>\$5,790,821</b>

(\*1) The amounts of due from banks that have no maturity, were ¥266,434 million (US\$2,448,167 thousand) were included in “Within 1 year.”

(\*2) The amount of loans and bills discounted for “possible bankruptcy” and “legal bankruptcy,” excluding those without due dates, were ¥23,878 million (US\$219,406 thousand) and ¥126,888 million (US\$1,165,929 thousand), respectively.

(Note 3) Maturity analysis for corporate bonds, borrowed money and other interest-bearing debt

	Millions of Yen					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*).....	<b>¥2,099,340</b>	<b>¥106,147</b>	<b>¥ 8,256</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>
Negotiable certificate of deposits.....	<b>30,631</b>	—	—	—	—	—
Payables under securities lending transactions.....	<b>4,001</b>	—	—	—	—	—
Borrowed money .....	<b>7,436</b>	<b>9,766</b>	<b>2,911</b>	<b>4</b>	<b>2</b>	<b>2</b>
Total.....	<b>¥2,141,408</b>	<b>¥115,914</b>	<b>¥11,167</b>	<b>¥ 4</b>	<b>¥ 2</b>	<b>¥ 2</b>

	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*).....	<b>\$19,290,085</b>	<b>\$ 975,347</b>	<b>\$ 75,861</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>
Negotiable certificate of deposits.....	<b>281,457</b>	—	—	—	—	—
Payables under securities lending transactions.....	<b>36,764</b>	—	—	—	—	—
Borrowed money .....	<b>68,327</b>	<b>89,736</b>	<b>26,748</b>	<b>37</b>	<b>18</b>	<b>18</b>
Total.....	<b>\$19,676,633</b>	<b>\$1,065,092</b>	<b>\$102,610</b>	<b>\$37</b>	<b>\$18</b>	<b>\$18</b>

(\*) The amount of demand deposits, were ¥1,426,217 million (US\$13,104,999 thousand) were included in “Within 1 year.”

## 6. Market Value Information for Available-for-Sale Securities

Market values and valuation difference on available-for-sale securities with fair value as of March 31, 2020 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Consolidated balance sheet amount	Acquisition costs	Difference	Consolidated balance sheet amount	Acquisition costs	Difference
Fair value exceeded consolidated balance sheet amount:						
Equity stocks .....	<b>¥ 585</b>	<b>¥ 214</b>	<b>¥ 371</b>	<b>\$ 5,375</b>	<b>\$ 1,966</b>	<b>\$ 3,409</b>
Bonds: .....	<b>53,375</b>	<b>52,979</b>	<b>396</b>	<b>490,444</b>	<b>486,805</b>	<b>3,639</b>
Japanese government bond.....	<b>46,907</b>	<b>46,580</b>	<b>326</b>	<b>431,012</b>	<b>428,007</b>	<b>2,995</b>
Municipal bonds.....	<b>4,992</b>	<b>4,935</b>	<b>56</b>	<b>45,870</b>	<b>45,346</b>	<b>515</b>
Corporate bonds .....	<b>1,476</b>	<b>1,463</b>	<b>12</b>	<b>13,562</b>	<b>13,443</b>	<b>110</b>
Other .....	<b>23,194</b>	<b>22,745</b>	<b>448</b>	<b>213,121</b>	<b>208,996</b>	<b>4,117</b>
Sub-total.....	<b>77,155</b>	<b>75,939</b>	<b>1,216</b>	<b>708,950</b>	<b>697,776</b>	<b>11,173</b>
Fair value not exceeded consolidated balance sheet amount:						
Equity stocks .....	<b>627</b>	<b>651</b>	<b>23</b>	<b>5,761</b>	<b>5,982</b>	<b>211</b>
Bonds: .....	<b>117,594</b>	<b>117,994</b>	<b>(400)</b>	<b>1,080,529</b>	<b>1,084,205</b>	<b>(3,675)</b>
Municipal bonds.....	<b>114,555</b>	<b>114,954</b>	<b>(398)</b>	<b>1,052,605</b>	<b>1,056,271</b>	<b>(3,657)</b>
Corporate bonds .....	<b>3,038</b>	<b>3,040</b>	<b>(1)</b>	<b>27,915</b>	<b>27,933</b>	<b>(9)</b>
Other .....	<b>30,205</b>	<b>30,752</b>	<b>(546)</b>	<b>277,543</b>	<b>282,569</b>	<b>(5,017)</b>
Sub-total.....	<b>148,427</b>	<b>149,398</b>	<b>(971)</b>	<b>1,363,843</b>	<b>1,372,765</b>	<b>(8,922)</b>
Total .....	<b>¥225,583</b>	<b>¥225,338</b>	<b>¥ 245</b>	<b>\$2,072,802</b>	<b>\$2,070,550</b>	<b>\$ 2,251</b>

## 7. Loans and Bills Discounted

Of loans on which accrual of interest is suspended due to delayed or unpaid state of repayment of principal and interest or to other reasons, loans to borrowers regarded as being bankrupt by the Bank amount to ¥398 million (US\$3,657 thousand) and to ¥425 million as of March 31, 2020 and 2019, respectively. Loans on which accrual of interest is suspended but the borrowers of which are not regarded as being bankrupt or the bank intends to assist for restructuring or to support amount to ¥23,399 million (US\$215,005 thousand) and ¥24,323 million as of March 31, 2020 and 2019, respectively. Loans, repayment of which is delinquent for three months or more but which do not come under the aforementioned categories, amount to ¥840 million (US\$7,718 thousand) and ¥990 million as of March 31, 2020 and 2019, respectively. Besides these loans, there are loans, conditions of which have been moderated like exemption of interest, lowering of interest rate, deferment of repayment of principal etc., in order to assist the borrowers in restructuring or for other purposes, totaling ¥18,140 million (US\$166,682 thousand) and ¥2,387 million as of March 31, 2020 and 2019, respectively.

## 8. Pledged Assets

Assets pledged as collateral as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Securities .....	¥19,466	¥68,404	\$178,866
Lease receivables and lease investment assets .....	15,233	13,739	139,971
Due from banks .....	8,503	8,883	78,131
Loans and bills discounted .....	79	99	726
Other assets .....	15	23	138

Liabilities secured by assets pledged as collateral were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deposits .....	¥20,087	¥19,073	\$184,572
Borrowed money .....	16,530	7,885	151,888
Payables under repurchase agreements .....	4,001	21,734	36,764

In addition, marketable securities, other assets and due from banks amounting to ¥3,685 million (US\$33,860 thousand), ¥27 million (US\$248 thousand) and ¥15 million (US\$138 thousand), respectively, were pledged as collateral relating to exchange settlements, guarantee deposits for future transactions, etc. as of March 31, 2020. No securities are pledged as collateral for loans payable by affiliates. Other assets included initial clearing margin for CCP of ¥32,000 million (US\$294,037 thousand), initial margins of futures markets of ¥1,248 million (US\$11,467 thousand) and guarantee money of ¥928 million (US\$8,527 thousand) as of March 31, 2020.

## 9. Property, Plant and Equipment

The accumulated depreciation amounted to ¥21,187 million (US\$194,680 thousand) and ¥20,903 million as of March 31, 2020 and 2019, respectively.

Write-off permitted by the Japanese Tax Law on the property, plant and equipment amounted to ¥253 million (US\$2,325 thousand) and ¥253 million as of March 31, 2020 and 2019, respectively.

## 10. Customers' Liabilities for Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions and for letters of credit. As a contra account, "customers' liabilities for acceptances and guarantees" is shown on the assets side, indicating the Bank's right of indemnity from the applicants.

## 11. Revaluation Reserve for Land

In accordance with the Law concerning the Revaluation of Land, which took effect March 31, 1998, the Bank revalued land held for its operations on that date.

Unrealized gain is shown in shareholders' equity net of applicable income taxes as "revaluation reserve for land."

Unrealized loss incurred after revaluation amounted to ¥3,181 million (US\$29,229 thousand) as of March 31, 2020.

## 12. Net Assets

### (a) Common Stock

The Bank has 65,000 thousand authorized shares of common stock, of which 43,108 thousand shares were issued and outstanding as of March 31, 2020.

### (b) Legal Reserve

The Japanese Banking Law provides that an amount equivalent to at least 20 percent of cash payments, which are made as an appropriation of retained earnings, be appropriated as a legal reserve until a total of such reserve and capital surplus equals 100 percent of stated capital. The reserve is, in principle, not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The reserve is included in retained earnings on the balance sheets.

### (c) Cash Dividends

Year-end dividends are authorized after the close of each period to which they relate and are reflected in the statements of income when declared and paid.

## 13. Other Expenses

¥1,195 million (US\$10,980 thousand) of loss on sales of securities, ¥904 million (US\$8,307 thousand) of direct charge-off of loans, ¥260 million (US\$2,389 thousand) of direct charge-off of securities, and ¥4 million (US\$37 thousand) of loss on sales of loans are included in "Other expenses."

## 14. Subsequent Events

### Appropriation of Retained Earnings

The general shareholders' meeting of the Bank, held on June 24, 2020, duly approved the following appropriation of the retained earnings existing as of March 31, 2020.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends:		
Common stock (¥17.5 per share) .....	¥751	\$6,901

Bank of The Ryukyus, Limited

# Non-Consolidated Balance Sheets

As of March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2020	2019	2020
<b>Assets</b>			
Cash and due from banks .....	¥ 305,664	¥ 253,544	\$ 2,808,642
Call loans and bills bought .....	—	707	—
Monetary claims bought .....	34	74	315
Money held in trust .....	4,103	15,148	37,705
Securities .....	261,394	282,070	2,401,862
Loans and bills discounted .....	1,745,613	1,720,644	16,039,815
Foreign exchanges .....	7,955	8,992	73,096
Other assets .....	38,507	39,628	353,828
Property, plant and equipment .....	20,140	21,527	185,066
Intangible fixed assets .....	4,549	3,782	41,805
Prepaid pension cost .....	1,025	1,256	9,424
Deferred tax assets .....	3,898	2,867	35,820
Customers' liabilities for acceptances and guarantees .....	9,568	7,163	87,924
Allowance for loan losses .....	(6,230)	(5,733)	(57,249)
Total assets .....	2,396,224	2,351,674	22,018,053
<b>Liabilities</b>			
Deposits .....	2,218,250	2,159,185	20,382,716
Negotiable certificate of deposits .....	38,631	39,428	354,969
Payables under repurchase agreements .....	4,001	21,734	36,765
Borrowed money .....	36	47	332
Foreign exchanges .....	225	108	2,073
Other liabilities .....	6,609	5,810	60,729
Reserve for bonuses .....	613	636	5,635
Reserve for retirement benefits .....	224	344	2,064
Reserve for reimbursement of dormant deposits .....	70	109	648
Reserve for contingent losses .....	99	95	916
Deferred tax liabilities for land revaluation .....	1,985	2,188	18,243
Acceptances and guarantees .....	9,568	7,163	87,924
Total liabilities .....	2,280,316	2,236,851	20,953,014
<b>Net assets</b>			
Capital stock .....	56,967	56,967	523,453
Capital surplus .....	12,840	12,840	117,984
Other capital surplus .....	86	97	795
Retained earnings:			
Legal retained earnings .....	2,949	2,648	27,100
Other retained earnings .....	42,061	39,379	386,486
Treasury stock .....	(250)	(347)	(2,302)
Total shareholders' equity .....	114,654	111,586	1,053,516
Valuation difference on available-for-sale securities .....	163	1,638	1,500
Deferred gains on hedges .....	1	(0)	13
Revaluation reserve for land .....	838	1,312	7,707
Total valuation and translation adjustments .....	1,003	2,949	9,220
Stock acquisition rights .....	250	286	2,303
Total net assets .....	115,908	114,823	1,065,039
Total liabilities and net assets .....	¥2,396,224	¥2,351,674	\$22,018,053

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥108.83 per US\$1.00, the rate prevailing on March 31, 2020.

Bank of The Ryukyus, Limited

## Non-Consolidated Statements of Income

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2020	2019	2020
<b>Income</b>			
Interest income:			
Interest on loans and discounts .....	<b>¥26,529</b>	¥26,132	<b>\$243,768</b>
Interest and dividends on securities .....	<b>2,126</b>	2,796	<b>19,538</b>
Other interest income .....	<b>887</b>	685	<b>8,159</b>
Fees and commissions .....	<b>7,233</b>	6,786	<b>66,466</b>
Other operating income .....	<b>5,723</b>	5,655	<b>52,592</b>
Total income .....	<b>42,500</b>	42,054	<b>390,523</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits .....	<b>1,274</b>	1,195	<b>11,712</b>
Other interest expenses .....	<b>(17)</b>	265	<b>(163)</b>
Fees and commissions .....	<b>5,067</b>	4,694	<b>46,565</b>
General and administrative expenses .....	<b>24,618</b>	24,153	<b>226,208</b>
Other expenses .....	<b>6,276</b>	4,469	<b>57,671</b>
Total expenses .....	<b>37,219</b>	34,776	<b>341,993</b>
Income before income taxes .....	<b>5,281</b>	7,277	<b>48,530</b>
Income taxes:			
Current .....	<b>1,908</b>	1,952	<b>17,536</b>
Deferred .....	<b>(636)</b>	(49)	<b>(5,844)</b>
Total income taxes .....	<b>1,272</b>	1,903	<b>11,692</b>
Net income .....	<b>¥ 4,009</b>	¥ 5,374	<b>\$ 36,838</b>
	Yen		U.S. Dollars
Per share of common stock:			
Net income — basic .....	<b>¥ 93.43</b>	¥ 131.29	<b>\$ 0.88</b>
Net income — diluted .....	<b>93.00</b>	130.64	<b>0.88</b>
Cash dividends applicable to the year .....	<b>35.00</b>	35.00	<b>0.33</b>

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.  
2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥108.83 per US\$1.00, the rate prevailing on March 31, 2020.

Bank of The Ryukyus, Limited

# Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2020	2019	2020
<b>Shareholders' equity</b>			
<b>Capital stock:</b>			
Balance at end of the previous year .....	¥ 56,967	¥ 54,127	\$ 523,453
Changes during the year:			
Issuance of new shares .....	—	2,840	—
Total changes during the year .....	—	2,840	—
Balance at end of the year .....	¥ 56,967	¥ 56,967	\$ 523,453
<b>Capital surplus:</b>			
Balance at end of the previous year .....	¥ 12,840	¥ 10,000	\$ 117,984
Changes during the year:			
Issuance of new shares .....	—	2,840	—
Total changes during the year .....	—	2,840	—
Balance at end of the year .....	¥ 12,840	¥ 12,840	\$ 117,984
<b>Other capital surplus:</b>			
Balance at end of the previous year .....	¥ 97	¥ 99	\$ 898
Changes during the year:			
Sales of treasury stock .....	(11)	(2)	(103)
Total changes during the year .....	(11)	(2)	(103)
Balance at end of the year .....	¥ 86	¥ 97	\$ 795
<b>Retained earnings:</b>			
<b>Legal retained earnings:</b>			
Balance at end of the previous year .....	¥ 2,648	¥ 2,311	\$ 24,341
Changes during the year:			
Cash dividends .....	300	337	2,759
Total changes during the year .....	300	337	2,759
Balance at end of the year .....	¥ 2,949	¥ 2,648	\$ 27,100
<b>Retained earnings brought forward:</b>			
Balance at end of the previous year .....	¥ 39,379	¥ 36,018	\$ 361,847
Changes during the year:			
Cash dividends .....	(1,801)	(2,024)	(16,553)
Net income .....	4,009	5,374	36,838
Reversal of revaluation reserve for land .....	473	10	4,354
Total changes during the year .....	2,681	3,361	24,638
Balance at end of the year .....	¥ 42,061	¥ 39,379	\$ 386,486
<b>Total retained earnings:</b>			
Balance at end of the previous year .....	¥ 42,028	¥ 38,330	\$ 386,189
Changes during the year:			
Cash dividends .....	(1,501)	(1,686)	(13,795)
Net income .....	4,009	5,374	36,838
Reversal of revaluation reserve for land .....	473	10	4,354
Total changes during the year .....	2,981	3,698	27,397
Balance at end of the year .....	¥ 45,010	¥ 42,028	\$ 413,586

Bank of The Ryukyus, Limited

**Non-Consolidated Statements of Changes in Net Assets**

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2020	2019	2020
<b>Treasury stock:</b>			
Balance at end of the previous year .....	¥ (347)	¥ (375)	\$ (3,192)
Changes during the year:			
Purchase of treasury stock .....	(1)	(2)	(14)
Sales of treasury stock .....	98	30	904
Total changes during the year .....	96	28	890
Balance at end of the year .....	¥ (250)	¥ (347)	\$ (2,302)
<b>Total shareholders' equity:</b>			
Balance at end of the previous year .....	¥111,586	¥102,181	\$1,025,332
Changes during the year:			
Issuance of new shares .....	—	5,680	—
Cash dividends .....	(1,501)	(1,686)	(13,795)
Net income .....	4,009	5,374	36,838
Purchase of treasury stock .....	(1)	(2)	(14)
Sales of treasury stock .....	87	28	801
Reversal of revaluation reserve for land .....	473	10	4,354
Total changes during the year .....	3,067	9,405	28,184
Balance at end of the year .....	¥114,654	¥111,586	\$1,053,516
<b>Valuation and translation adjustments</b>			
<b>Valuation difference on available-for-sale securities:</b>			
Balance at end of the previous year .....	¥ 1,638	¥ 1,483	\$ 15,051
Changes during the year:			
Net changes in items other than shareholders' equity .....	(1,474)	154	(13,551)
Total changes during the year .....	(1,474)	154	(13,551)
Balance at end of the year .....	¥ 163	¥ 1,638	\$ 1,500
<b>Deferred gains on hedges:</b>			
Balance at end of the previous year .....	¥ (0)	¥ (0)	\$ (0)
Changes during the year:			
Net changes in items other than shareholders' equity .....	2	(0)	20
Total changes during the year .....	2	(0)	20
Balance at end of the year .....	¥ 1	¥ (0)	\$ 13
<b>Revaluation reserve for land:</b>			
Balance at end of the previous year .....	¥ 1,312	¥ 1,323	\$ 12,061
Changes during the year:			
Net changes in items other than shareholders' equity .....	(473)	(10)	(4,354)
Total changes during the year .....	(473)	(10)	(4,354)
Balance at end of the year .....	¥ 838	¥ 1,312	\$ 7,707
<b>Total valuation and translation adjustments:</b>			
Balance at end of the previous year .....	¥ 2,949	¥ 2,806	\$ 27,104
Changes during the year:			
Net changes in items other than shareholders' equity .....	(1,946)	142	(17,884)
Total changes during the year .....	(1,946)	142	(17,884)
Balance at end of the year .....	¥ 1,003	¥ 2,949	\$ 9,220
<b>Stock acquisition rights:</b>			
Balance at end of the previous year .....	¥ 286	¥ 236	\$ 2,632
Changes during the year:			
Net changes in items other than shareholders' equity .....	(35)	49	(329)
Total changes during the year .....	(35)	49	(329)
Balance at end of the year .....	¥ 250	¥ 286	\$ 2,303

Bank of The Ryukyus, Limited

# Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2020 and 2019

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2020	2019	2020
<b>Total net assets</b>			
Balance at end of the previous year .....	<b>¥114,823</b>	¥105,225	<b>\$1,055,068</b>
Changes during the year:			
Issuance of new shares .....	—	5,680	—
Cash dividends .....	<b>(1,501)</b>	(1,686)	<b>(13,795)</b>
Net income .....	<b>4,009</b>	5,374	<b>36,838</b>
Purchase of treasury stock .....	<b>(1)</b>	(2)	<b>(14)</b>
Sales of treasury stock .....	<b>87</b>	28	<b>801</b>
Reversal of revaluation reserve for land .....	<b>473</b>	10	<b>4,354</b>
Net changes in items other than shareholders' equity .....	<b>(1,982)</b>	192	<b>(18,213)</b>
Total changes during the year .....	<b>1,085</b>	9,597	<b>9,971</b>
Balance at end of the year .....	<b>¥115,908</b>	¥114,823	<b>\$1,065,039</b>

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.  
2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥108.83 per US\$1.00, the rate prevailing on March 31, 2020.

# Corporate Governance

## Basic Concept and Basic Policies

Toward the realization of its corporate philosophy, the Bank of the Ryukyus fully recognizes its responsibilities to a range of stakeholders—its customers, including shareholders, employees and local communities—while building the mechanisms to carry out transparent, fair, quick and confident decision making. The Bank also regards the basic concept of corporate governance as working toward its sustainable growth and improvements in its corporate value. In fulfilling its responsibilities with regard to corporate governance, the Bank regards the following as its basic policies.

1. Respecting the rights of its shareholders, the Bank develops an environment in which its shareholders can exercise their rights appropriately and effectively and works to ensure the substantive equality of its shareholders.
2. By cooperating with its wide-ranging stakeholders, who include its shareholders, customers, employees and local communities, the Bank works to foster a corporate culture and climate that respects sound business ethics.
3. In addition to the appropriate disclosure of company information, including that of a non-financial nature, and working to ensure the transparency and fairness of management, the Bank works on constructive dialogue with shareholders so that its sustainable growth and corporate value increase over the medium to long term.
4. Given the fiduciary responsibilities and accountability that its Board of Directors and Board of Corporate Auditors have toward shareholders, the Bank devises plans for its sustainable growth and increase in its corporate value, while endeavoring to supervise business execution and ensure audit effectiveness.

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