

Financial Summary for the Fiscal Year 2019 Ended March 31, 2020

May 15, 2020
Lawson Bank, Inc. (<https://www.lawsonbank.jp/>)

I. Financial Results Highlights

(Financial figures are truncated to the unit stated)

1. Results of Operation (Non-consolidated)

(Millions of Yen)

| | FY2018 (12 months) | FY2019 (12 months) |
|--|--------------------|--------------------|
| Total revenue | 19,638 | 25,717 |
| Net interest income | -661 | -1,066 |
| Net fees and commissions | 20,300 | 26,783 |
| Net trading income | - | - |
| Net other business income | -0 | - |
| Net provision of general reserve for loan losses | 3 | -1 |
| General and administrative expenses | 19,383 | 23,735 |
| Ordinary business profits | 250 | 1,982 |
| Ordinary profits | 188 | 1,820 |
| Net income | 5 | 1,834 |

2. Balance Sheets (Non-consolidated)

(Millions of Yen)

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|-------------------------|----------------------------------|----------------------------------|
| Cash and due from banks | 319,744 | 327,361 |
| Loans | 0 | 37 |
| Other assets | 65,919 | 54,764 |
| Total assets | 385,664 | 382,163 |
| Deposits | 14,840 | 17,712 |
| Call money | - | 22,000 |
| Borrowed money | 280,000 | 290,000 |
| Other liabilities | 69,671 | 29,465 |
| Total liabilities | 364,512 | 359,177 |
| Total equity | 21,151 | 22,985 |

3. Financial Ratios (Non-consolidated)

| | FY2018 (12 months) | FY2019 (12 months) |
|--------------------------|--------------------|--------------------|
| Expense-to-revenue ratio | 98.7% | 92.3% |

(Millions of Yen)

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|------------------------|----------------------------------|----------------------------------|
| Risk-weighted assets | 72,684 | 79,633 |
| Core capital | 7,362 | 9,363 |
| Capital adequacy ratio | 10.13% | 11.76% |

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|----------------------------------|----------------------------------|----------------------------------|
| Number of ATM units installed | 13,476 | 13,367 |
| Total number of banking accounts | 28,177 | 48,860 |
| Number of credit card customers | 1,548 | 47,679 |

| | FY2018 (12 months) | FY2019 (12 months) |
|---|--------------------|--------------------|
| Total number of ATM usage (1,000s) | 197,276 | 233,203 |
| Average daily ATM usage (no. of times per day per unit) | 48.9 | 47.2 |

Note:

1. In FY2018, figures are from operations after June 1, 2018 when the absorption-type split of Lawson ATM Networks, Inc. was implemented.
2. Figures of total number of ATM usage are rounded off a number less than 1,000.
3. Figures of average daily ATM usage are rounded off to one decimal places.

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|--|----------------------------------|----------------------------------|
| Number of affiliated financial institutions (banks, companies, depositories) | 113 | 124 |

Note: The JA Bank and JF Marine Bank are considered each as an institution depending on business categories.

II. Financial Statements

1. Balance Sheets (Non-consolidated)

(Financial figures are truncated to the unit stated)
(Millions of Yen)

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|----------------------------|----------------------------------|----------------------------------|
| [Assets] | | |
| Cash and due from banks | 319,744 | 327,361 |
| Cash | 281,405 | 319,492 |
| Due from banks | 38,338 | 7,868 |
| Loans | 0 | 37 |
| Overdraft | 0 | 37 |
| Suspense payments in ATMs | 25,519 | 12,736 |
| Other assets | 9,731 | 10,148 |
| Prepaid expenses | 900 | 422 |
| Accrued income | 250 | 2 |
| Other assets | 8,579 | 9,722 |
| Guarantee deposits for CCP | 5,000 | 5,000 |
| Tangible fixed assets | 16,879 | 18,159 |
| Buildings | 170 | 135 |
| Leased assets | 16,548 | 17,903 |
| Other tangible assets | 160 | 119 |
| Intangible fixed assets | 13,793 | 13,481 |
| Software | 13,626 | 11,909 |
| Software in progress | 166 | 1,571 |
| Differed tax assets | - | 241 |
| Reserve for loan losses | -3 | -2 |
| Total assets | 385,664 | 382,163 |
| [Liabilities] | | |
| Deposits | 14,840 | 17,712 |
| Ordinary deposits | 14,600 | 13,985 |
| Time deposits | 238 | 3,724 |
| Other deposits | 2 | 2 |
| Call money | - | 22,000 |
| Borrowed money | 280,000 | 290,000 |
| Suspense receipts of ATM | 55,818 | 14,437 |
| Other liabilities | 13,681 | 14,851 |
| Income taxes payable | 328 | 79 |
| Accrued expenses | 1,752 | 1,803 |
| Lease obligations | 11,186 | 11,402 |
| Other liabilities | 413 | 1,566 |
| Accrued employees' bonuses | 172 | 176 |
| Total liabilities | 364,512 | 359,177 |

(Millions of Yen)

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|----------------------------------|----------------------------------|----------------------------------|
| [Equity] | | |
| Common stock | 11,600 | 11,600 |
| Capital surplus | 11,600 | 11,600 |
| Capital reserve | 11,600 | 11,600 |
| Retained earnings | -2,048 | -214 |
| Legal reserve | - | - |
| Other retained earnings | -2,048 | -214 |
| Unappropriated retained earnings | -2,048 | -214 |
| Total shareholders' equity | 21,151 | 22,985 |
| Total equity | 21,151 | 22,985 |
| Total liabilities and equity | 385,664 | 382,163 |

2. Statement of Income (Non-consolidated)

(Financial figures are truncated to the unit stated)
(Millions of Yen)

| | FY2018 (From April 1, 2018 to March 31, 2019) | FY2019 (From April 1, 2019 to March 31, 2020) |
|---------------------------------------|---|---|
| Ordinary income | 26,173 | 34,299 |
| Interest income | -20 | -24 |
| Interest on loans and discounts | 0 | 2 |
| Interest and dividends on securities | -0 | - |
| Interest on call loans | -1 | -6 |
| Interest income on due from banks | -20 | -24 |
| Other interest received | 1 | 4 |
| Fees and commissions income | 26,175 | 34,046 |
| Exchange fees received | 1 | 14 |
| ATM commissions received | 25,990 | 33,930 |
| Other fees and commissions income | 183 | 101 |
| Other business income | 0 | - |
| Gains on sales of bonds | 0 | - |
| Other ordinary income | 18 | 277 |
| Reversal of reserve for loan losses | - | 1 |
| Other ordinary income | 18 | 275 |
| Ordinary Expenses | 25,985 | 32,479 |
| Interest expenses | 641 | 1,042 |
| Interest on deposits | 0 | 3 |
| Interest on call money | 0 | 7 |
| Interest on borrowed money | 330 | 634 |
| Other interest paid | 310 | 396 |
| Fees and commissions expenses | 5,875 | 7,262 |
| Exchange fees paid | 1 | 2 |
| ATM installation commissions expenses | 2,635 | 3,139 |
| ATM commissions expenses | 3,196 | 3,890 |
| Other fees and commissions expenses | 41 | 231 |
| Other business expenses | 0 | - |
| Losses on sales of bonds | 0 | - |
| General and administrative expenses | 19,383 | 23,735 |
| Other ordinary expenses | 84 | 438 |
| Provision of reserve for loan losses | 3 | - |
| Losses on write-off loans | - | 0 |
| Other ordinary expenses | 80 | 438 |
| Ordinary profit | 188 | 1,820 |

(Millions of Yen)

| | FY2018 (From April 1, 2018 to March 31, 2019) | FY2019 (From April 1, 2019 to March 31, 2020) |
|---|---|---|
| Extraordinary profits | 10 | 2 |
| Extraordinary losses | 16 | 101 |
| Tangible fixed asset disposal expenses | 16 | 93 |
| Other extraordinary losses | - | 8 |
| Net income before income taxes | 182 | 1,721 |
| Income taxes | 176 | -112 |
| Income taxes | 172 | 128 |
| Deferred income taxes | 4 | -241 |
| Net income | 5 | 1,834 |

3. Statement of Changes in Equity (Non-consolidated)

FY2018 (From April 1, 2018 to March 31, 2019)

(Financial figures are truncated to the unit stated)
(Millions of Yen)

| | Shareholders' equity | | | | Total equity | |
|--|----------------------|------------------|-------------------------|---------------------------|--------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | | | Total shareholders' equity |
| | | Capital reserves | Other retained earnings | Defered retained earnings | | |
| Balance of beginning of period | 500 | 500 | -2,054 | -1,054 | -1,054 | |
| Change during period | | | | | | |
| Increase in capital and capital reserves | 11,100 | 11,100 | - | 22,200 | 22,200 | |
| Net income | - | - | 5 | 5 | 5 | |
| Net change during period for items other than shareholders' equity | - | - | - | - | - | |
| Total change in period | 11,100 | 11,100 | 5 | 22,205 | 22,205 | |
| Balance, March 31, 2019 | 11,600 | 11,600 | -2,048 | 21,151 | 21,151 | |

FY2019 (From April 1, 2019 to March 31, 2020)

(Financial figures are truncated to the unit stated)
(Millions of Yen)

| | Shareholders' equity | | | | Total equity | |
|--|----------------------|------------------|-------------------------|---------------------------|--------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | | | Total shareholders' equity |
| | | Capital reserves | Other retained earnings | Defered retained earnings | | |
| Balance of beginning of period | 11,600 | 11,600 | -2,048 | 21,151 | 21,151 | |
| Change during period | | | | | | |
| Net income | - | - | 1,834 | 1,834 | 1,834 | |
| Net change during period for items other than shareholders' equity | - | - | - | - | - | |
| Total change in period | - | - | 1,834 | 1,834 | 1,834 | |
| Balance, March 31, 2020 | 11,600 | 11,600 | -214 | 22,985 | 22,985 | |

4. Cash Flow Statement (Non-consolidated)

(Financial figures are truncated to the unit stated)
(Millions of Yen)

| | FY2018 (From April 1, 2018 to March 31, 2019) | FY2019 (From April 1, 2019 to March 31, 2020) |
|--|---|---|
| I Cash flows from operating activities | | |
| Income before income taxes | 182 | 1,721 |
| Depreciation | 4,271 | 6,450 |
| Net change in provision of reserve for loan losses (-) | 3 | -1 |
| Net change in accrued employees' bonuses (-) | 72 | 4 |
| Interest income | 20 | 24 |
| Interest expenses | 641 | 1,042 |
| Losses (gains) on sales of fixed assets (-) | 16 | 93 |
| Net change in stored items (-) | -105 | 16 |
| Net change in unsettled money for ATMs (-) | 30,298 | -28,597 |
| Net change in deposits (-) | 15,181 | 2,287 |
| Interest received | -20 | -24 |
| Interest paid | -641 | -1,042 |
| Net change in borrowed money (-) | 283,200 | 32,000 |
| Repayment of lease obligations | -4,031 | -5,687 |
| Other | -5,850 | 1,005 |
| Sub total | 323,239 | 9,287 |
| Payment of corporate taxes, etc. | -5 | -538 |
| Refund of sales tax, etc. | 538 | 504 |
| Net cash generated by operating activities | 323,772 | 9,252 |
| II Cash flow from investing activities | | |
| Purchase of securities | -5,504 | - |
| Sales and redemption of securities | 5,504 | - |
| Purchase of tangible fixed assets | -109 | -9 |
| Purchase of intangible fixed assets | -6,763 | -1,625 |
| Net cash provided by (used in) investing activities | -6,872 | -1,635 |
| III Cash flow from financing activities | | |
| Cash flow from financing activities | - | - |
| IV Adjustments on cash and cash equivalents | | |
| | - | - |

| | (Millions of Yen) | |
|---|---|---|
| | FY2018 (From April 1, 2018 to March 31, 2019) | FY2019 (From April 1, 2019 to March 31, 2020) |
| V Net change in cash and cash equivalents | 316,900 | 7,617 |
| VI Cash and cash equivalents at beginning of period | 2,120 | 319,744 |
| VII Net change in cash and cash equivalents relating to absorption-type company split | 723 | - |
| VIII Cash and cash equivalents at end of period | 319,744 | 327,361 |

III. Reference Information

(Financial figures are truncated to the unit stated)

1. Capital Adequacy Ratio Information

(Millions of Yen)

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|------------------------|----------------------------------|----------------------------------|
| Risk-weighted assets | 72,684 | 79,633 |
| Core capital | 7,362 | 9,363 |
| Capital adequacy ratio | 10.13% | 11.76% |

2. Claims Classified under the Financial Revitalization Law (Non-consolidated)

(Millions of Yen)

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|---|----------------------------------|----------------------------------|
| Claims against bankrupt and quasi-bankrupt obligors | - | 0 |
| Doubtful claims | - | 0 |
| Substandard claims | - | 0 |
| Normal claims | 25,520 | 13,018 |

3. Derivative Transaction

None.

4. ATM Transactions

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|-------------------------------|----------------------------------|----------------------------------|
| Number of ATM units installed | 13,476 | 13,367 |

| | FY2018 (12 months) | FY2019 (12 months) |
|---|--------------------|--------------------|
| Total number of ATM usage (1,000s) | 197,276 | 233,203 |
| Average daily ATM usage (no. of times per day per unit) | 48.9 | 47.2 |

Note:

1. In FY2018, figures are from operations after June 1, 2018 when the absorption-type split of Lawson ATM Networks, Inc. was implemented.
2. Figures of total number of ATM usage are rounded off a number less than 1,000.
3. Figures of average daily ATM usage are rounded off to one decimal places.

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|--|----------------------------------|----------------------------------|
| Number of affiliated financial institutions (banks, companies, depositories) | 113 | 124 |

Note: The JA Bank and JF Marine Bank are considered each as an institution depending on business categories.

5. Other

| | FY2018 (12 months) | FY2019 (12 months) |
|--------------------------------|--------------------|--------------------|
| Interest margin for total fund | -11.16% | -6.54% |

6. General and Administrative Expenses

(Millions of Yen)

| | FY2018 (12 months) | FY2019 (12 months) |
|-------------------------------------|--------------------|--------------------|
| Personnel expenses | 1,448 | 1,611 |
| Non-personnel expenses | 17,475 | 21,899 |
| Depreciation | 4,271 | 6,450 |
| Taxes | 459 | 225 |
| General and administrative expenses | 19,383 | 23,735 |

7. Number of Directors, Auditors, and Employees

| | FY2018 (As of March 31, 2019) | FY2019 (As of March 31, 2020) |
|------------------------|----------------------------------|----------------------------------|
| Directors and auditors | 11 | 9 |
| Directors | 7 | 5 |
| Auditors | 4 | 4 |
| Employees | 139 | 145 |
| Total | 150 | 154 |

Notes:

1. The number of directors and auditors includes external directors and auditors.

2. The number of employees includes executive officers and seconded employees from other companies, but not temporary employees.