

# Financial Section and Corporate Profile

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## I Financial Section

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## II Corporate Profile

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# Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Assets:</b>			
Cash and due from banks (Notes 3 and 25)	¥ 931,179	¥ 854,822	\$ 8,389,757
Call loans and bills bought	96,078	47,348	865,647
Monetary claims bought	14,045	12,847	126,543
Trading securities	145	125	1,311
Money held in trust (Note 5)	30,074	48,033	270,969
Securities (Notes 4, 10, 15 and 25)	2,917,433	3,077,351	26,285,554
Loans and bills discounted (Notes 7, 11 and 25)	5,479,390	5,266,282	49,368,322
Foreign exchanges (Note 8)	42,530	20,606	383,192
Lease receivables and investment assets (Note 22)	10,978	10,417	98,915
Other assets (Notes 10 and 25)	64,031	55,674	576,909
Tangible fixed assets (Note 9):	76,980	78,670	693,576
Buildings	28,526	29,009	257,018
Land (Note 12)	43,741	43,944	394,103
Construction in progress	157	172	1,421
Other tangible fixed assets	4,554	5,543	41,032
Intangible fixed assets:	3,172	2,996	28,586
Software	2,866	2,688	25,826
Other intangible fixed assets	306	308	2,759
Deferred tax assets (Note 24)	1,271	1,471	11,459
Deferred tax assets for land revaluation (Note 12)	46	5	419
Customers' liabilities for acceptances and guarantees (Note 15)	20,786	23,961	187,278
Allowance for possible loan losses	(23,017)	(22,021)	(207,380)
<b>Total Assets</b>	<b>¥9,665,127</b>	<b>¥9,478,592</b>	<b>\$87,081,065</b>
<b>Liabilities and Equity</b>			
<b>Liabilities:</b>			
Deposits (Notes 10, 13 and 25)	¥8,030,490	¥7,799,129	\$72,353,277
Call money and bills sold (Note 10)	9,989	26,560	90,000
Payables under securities lending transactions (Notes 10 and 25)	442,341	303,360	3,985,418
Borrowed money (Notes 10 and 14)	57,943	110,141	522,060
Foreign exchanges (Note 8)	214	210	1,928
Borrowed money from trust account	517		4,664
Other liabilities (Note 25)	58,731	41,284	529,161
Liability for employees' retirement benefits (Note 23)	30,329	30,267	273,260
Liability for reimbursement of deposit losses	753	336	6,784
Liability for contingent losses	872	916	7,856
Reserves under special laws	0		0
Deferred tax liabilities (Note 24)	161,224	210,059	1,452,603
Acceptances and guarantees (Note 15)	20,786	23,961	187,278
Total liabilities	<b>8,814,192</b>	<b>8,546,227</b>	<b>79,414,296</b>
<b>Equity (Notes 16, 17 and 29):</b>			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2019 and 2018	42,103	42,103	379,347
Capital surplus	34,331	34,332	309,323
Stock acquisition rights	598	511	5,392
Retained earnings	363,391	336,148	3,274,095
Treasury stock — at cost, 332 thousand shares in 2019 and 331 thousand shares in 2018	(1,815)	(1,813)	(16,358)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	418,582	523,550	3,771,357
Deferred gains or losses on derivatives under hedge accounting	(5,026)	(1,382)	(45,288)
Land revaluation surplus (Note 12)	(105)	(13)	(950)
Defined retirement benefit plans	(3,341)	(3,318)	(30,106)
Total	<b>848,719</b>	<b>930,118</b>	<b>7,646,811</b>
Noncontrolling interests	2,215	2,246	19,957
Total equity	<b>850,934</b>	<b>932,365</b>	<b>7,666,769</b>
<b>Total Liabilities and Equity</b>	<b>¥9,665,127</b>	<b>¥9,478,592</b>	<b>\$87,081,065</b>

See notes to consolidated financial statements.

# Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥ 45,955	¥ 45,353	\$ 414,046
Interest and dividends on securities	29,027	29,803	261,534
Other interest income	2,057	1,005	18,535
Trust fees	3		33
Fees and commissions	19,257	19,145	173,509
Other operating income (Note 18)	9,086	9,805	81,863
Other income (Note 19)	28,249	7,407	254,522
<b>Total income</b>	<b>133,637</b>	<b>112,520</b>	<b>1,204,045</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	4,651	2,798	41,909
Interest on borrowed money	479	528	4,321
Other interest expenses	4,237	2,241	38,176
Fees and commissions	7,177	7,021	64,667
Other operating expenses (Note 20)	6,024	8,329	54,275
General and administrative expenses	60,629	60,514	546,264
Other expenses (Note 21)	5,496	2,761	49,526
<b>Total expenses</b>	<b>88,696</b>	<b>84,196</b>	<b>799,140</b>
<b>Income Before Income Taxes</b>	<b>44,940</b>	<b>28,323</b>	<b>404,905</b>
<b>Income Taxes (Note 24):</b>			
Current	14,111	6,017	127,142
Deferred	(938)	2,684	(8,459)
<b>Net Income</b>	<b>31,767</b>	<b>19,621</b>	<b>286,221</b>
<b>Net Income Attributable to Noncontrolling Interests</b>	<b>86</b>	<b>298</b>	<b>777</b>
<b>Net Income Attributable to Owners of the Parent</b>	<b>¥ 31,681</b>	<b>¥ 19,323</b>	<b>\$ 285,444</b>

	Yen		U.S. dollars
	2019	2018	2019
<b>Per Share Information (Notes 2. r and 29):</b>			
Basic net income	¥419.57	¥255.89	\$3.78
Diluted net income	418.78	255.46	3.77
Cash dividends applicable to the year	100.00	60.00	0.90

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net Income</b>	<b>¥ 31,767</b>	<b>¥ 19,621</b>	<b>\$ 286,221</b>
<b>Other Comprehensive (Losses) Income (Note 27):</b>	<b>(108,749)</b>	<b>154,678</b>	<b>(979,810)</b>
Unrealized (losses) gains on available-for-sale securities	(105,082)	152,700	(946,776)
Deferred (losses) gains on derivatives under hedge accounting	(3,643)	390	(32,830)
Defined retirement benefit plans	(22)	1,587	(203)
<b>Comprehensive (Losses) Income</b>	<b>¥ (76,981)</b>	<b>¥174,300</b>	<b>\$(693,589)</b>
<b>Total Comprehensive (Losses) Income Attributable to:</b>			
Owners of the parent	¥ (76,952)	¥173,843	\$(693,332)
Noncontrolling interests	(28)	456	(256)

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2019

	Thousands		Millions of yen										
	Outstanding number of shares of common stock*	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income					Non-controlling interests	Total equity
							Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total		
<b>Balance at April 1, 2017 (as restated)</b>	75,608	¥42,103	¥30,301	¥569	¥321,389	¥(1,072)	¥ 371,008	¥(1,772)	¥ (13)	¥(4,906)	¥757,607	¥ 8,687	¥ 766,294
Net income attributable to owners of the parent					19,323						19,323		19,323
Cash dividends, ¥60.00 per share*					(4,537)						(4,537)		(4,537)
Purchase of shares of consolidated subsidiaries			622								622		622
Sales of shares of consolidated subsidiaries			(154)								(154)		(154)
Increase by share exchanges	660		3,562			3,611					7,173		7,173
Purchases of treasury stock	(798)					(4,525)					(4,525)		(4,525)
Disposals of treasury stock	37				(26)	173					146		146
Net change in the year				(58)			152,542	390		1,587	154,462	(6,440)	148,022
<b>Balance at March 31, 2018</b>	75,508	42,103	34,332	511	336,148	(1,813)	523,550	(1,382)	(13)	(3,318)	930,118	2,246	932,365
Net income attributable to owners of the parent					31,681						31,681		31,681
Cash dividends, ¥60.00 per share*					(4,530)						(4,530)		(4,530)
Purchases of treasury stock	(1)					(7)					(7)		(7)
Disposals of treasury stock	1		(0)			5					5		5
Disposal of land revaluation surplus					92						92		92
Net change in the year				87			(104,967)	(3,643)	(92)	(22)	(108,639)	(31)	(108,671)
<b>Balance at March 31, 2019</b>	<b>75,508</b>	<b>¥42,103</b>	<b>¥34,331</b>	<b>¥598</b>	<b>¥363,391</b>	<b>¥(1,815)</b>	<b>¥ 418,582</b>	<b>¥(5,026)</b>	<b>¥(105)</b>	<b>¥(3,341)</b>	<b>¥848,719</b>	<b>¥ 2,215</b>	<b>¥ 850,934</b>

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income					Non-controlling interests	Total equity
						Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total		
<b>Balance at March 31, 2018</b>	\$379,347	\$309,330	\$4,606	\$3,028,638	\$(16,342)	\$4,717,099	\$(12,457)	\$(118)	\$(29,902)	\$8,380,200	\$20,243	\$8,400,444
Net income attributable to owners of the parent				285,444						285,444		285,444
Cash dividends, \$0.54 per share*				(40,819)						(40,819)		(40,819)
Purchases of treasury stock					(69)					(69)		(69)
Disposals of treasury stock			(7)		53					46		46
Disposal of land revaluation surplus				832						832		832
Net change in the year			786			(945,742)	(32,830)	(832)	(203)	(978,823)	(286)	(979,109)
<b>Balance at March 31, 2019</b>	<b>\$379,347</b>	<b>\$309,323</b>	<b>\$5,392</b>	<b>\$3,274,095</b>	<b>\$(16,358)</b>	<b>\$3,771,357</b>	<b>\$(45,288)</b>	<b>\$(950)</b>	<b>\$(30,106)</b>	<b>\$7,646,811</b>	<b>\$19,957</b>	<b>\$7,666,769</b>

\* Share and per share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Operating Activities:</b>			
Income before income taxes	¥ 44,940	¥ 28,323	\$ 404,905
Depreciation	4,204	4,510	37,879
Losses on impairment of long-lived assets		717	
Gains on revision of retirement benefit plan		(2,285)	
Equity in loss of an affiliated company	5	14	49
Increase (decrease) in allowance for possible loan losses	995	(1,904)	8,966
Increase (decrease) in liability for employees' retirement benefits	29	(3,840)	261
Increase in liability for reimbursement of deposit losses	417	42	3,757
Decrease in liability for contingent losses	(44)	(196)	(396)
Interest income	(77,039)	(76,161)	(694,116)
Interest expense	9,368	5,568	84,406
Gains on securities	(25,239)	(1,435)	(227,403)
(Gains) losses on money held in trust	(77)	67	(699)
Foreign exchange (gains) losses	(3,218)	3,359	(28,996)
Losses on sales of fixed assets	243	175	2,197
Net increase in trading securities	(20)	(69)	(183)
Net increase in loans	(213,107)	(287,537)	(1,920,060)
Net increase in deposits	207,455	236,692	1,869,132
Net increase (decrease) in negotiable certificates of deposit	23,905	(4,953)	215,388
Net (decrease) increase in borrowed money (excluding subordinated loans)	(36,198)	1,540	(326,140)
Net increase in due from banks (excluding due from Bank of Japan)	(22,673)	(4,780)	(204,282)
Net (increase) decrease in call loans and bills bought	(49,927)	3,363	(449,836)
Net (decrease) increase in call money	(16,570)	6,365	(149,300)
Net increase in payables under securities lending transactions	138,981	139,678	1,252,194
Net increase in foreign exchanges (assets)	(21,923)	(12,195)	(197,528)
Net increase in foreign exchanges (liabilities)	3	97	30
Net increase in lease receivables and investment assets	(561)	(246)	(5,057)
Net increase in borrowed money from trust account	517		4,664
Interest and dividends received (cash basis)	79,181	78,507	713,407
Interest paid (cash basis)	(8,457)	(5,654)	(76,197)
Other, net	(5,408)	(53,180)	(48,729)
Subtotal	29,780	54,584	268,312
Income taxes — paid	(5,063)	(7,586)	(45,621)
Net cash provided by operating activities	24,716	46,997	222,690
<b>Investing Activities:</b>			
Purchases of securities	(754,449)	(1,185,208)	(6,797,453)
Proceeds from sales of securities	411,494	798,208	3,707,487
Proceeds from redemption of securities	377,320	388,246	3,399,591
Decrease in money held in trust	18,033	47	162,475
Purchases of tangible fixed assets	(2,489)	(2,100)	(22,430)
Proceeds from sales of tangible fixed assets	907	2	8,180
Purchases of intangible fixed assets	(1,285)	(1,315)	(11,581)
Other, net	(32)	(44)	(288)
Net cash provided by (used in) investing activities	49,499	(2,165)	445,981
<b>Financing Activities:</b>			
Repayments of subordinated loans	(16,000)	(13,000)	(144,157)
Expenses for the purchase of treasury stock		(4,499)	
Dividends paid by the Bank	(4,530)	(4,537)	(40,819)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(3)	(29)
Payments of changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(206)	
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		831	
Net cash used in financing activities	(20,533)	(21,415)	(185,006)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>1</b>	<b>(5)</b>	<b>9</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>53,683</b>	<b>23,410</b>	<b>483,675</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>844,950</b>	<b>821,539</b>	<b>7,612,849</b>
<b>Cash and Cash Equivalents at End of Year (Note 3)</b>	<b>¥ 898,633</b>	<b>¥ 844,950</b>	<b>\$ 8,096,524</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2019

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and the Enforcement Regulation for the Banking Law and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2019 and 2018 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

**a. Consolidation** — The consolidated financial statements as of March 31, 2019 include the accounts of the Bank and its 8 (8 in 2018) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2018) affiliated company is accounted for by the equity method.

Of the consolidated subsidiaries, 8 in 2019 and 2018, respectively, have fiscal years ending on March 31, which is the same as the fiscal year end date of the Bank.

Investments in the remaining unconsolidated subsidiary and an affiliated company are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

**b. Cash Equivalents** — For purposes of the consolidated statements of cash flows, the Group considers deposits with Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

**c. Trading Securities** — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

**d. Securities** — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

**e. Derivatives and Hedging Activities** — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

**f. Tangible Fixed Assets** — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

**g. Intangible Fixed Assets** — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

- h. Long-Lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- Accumulated impairment losses are directly deducted from the respective tangible fixed assets.
- i. Allowance for Possible Loan Losses** — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.
- The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.
- The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.
- The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."
- For claims to debtors classified as legal bankruptcy or virtual bankruptcy, a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.
- For claims to debtors classified as possible bankruptcy, which are currently neither legally nor virtually bankrupt but are likely to become bankrupt, and for claims to debtors which had restructured loans, allowances are provided at the amounts deemed necessary based on an overall solvency assessment performed after deducting amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceed a pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.
- For other claims, an allowance is provided based on historical loan loss experience.
- Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.
- j. Reserve under Special Laws** — The Reserve under special laws represents financial instruments transaction liability reserve recorded by a consolidated subsidiary as determined in accordance with the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business to provide for losses arising from security-related accidents.
- k. Liability for Employees' Retirement Benefits** — The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to state the retirement benefit expenses and the liability for retirement benefits for employees.
- The bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.
- l. Liability for Reimbursement of Deposit Losses** — A liability for reimbursement of deposits which was derecognized as a liability is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.
- m. Liability for Contingent Losses** — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.
- n. Foreign Currency Transactions** — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.
- o. Stock Options** — Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

- p. Leases** — In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

#### Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

#### Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if sold” information was disclosed in the notes to the lessor’s financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

With regard to finance lease transactions entered into prior to April 1, 2008, that were not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets at the transaction date.

The Group applied the revised accounting standard effective April 1, 2008.

- q. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

- r. Per Share Information** — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

On October 1, 2017, the Bank effected a one-for-five reverse stock split. The impact of this reverse stock split has been reflected in the presentation of share and per share information for the year ended March 31, 2018, such as weighted-average number of common shares, basic net income per share, diluted net income per share, and cash dividends per share.

### 3. Cash and Cash Equivalents

The reconciliation of “Cash and cash equivalents” in the consolidated statement of cash flows and “Cash and due from banks” in the consolidated balance sheet as of March 31, 2019 and 2018, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and due from banks	¥931,179	¥854,822	\$8,389,757
Due from banks, excluding due from Bank of Japan	(32,545)	(9,872)	(293,233)
Cash and cash equivalents	¥898,633	¥844,950	\$8,096,524

### 4. Securities

Securities at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japanese government bonds	¥ 509,855	¥ 566,556	\$ 4,593,703
Japanese local government bonds	638,549	567,246	5,753,217
Japanese corporate bonds	684,308	658,219	6,165,493
Japanese corporate stocks	746,695	922,738	6,727,594
Other securities	338,025	362,590	3,045,546
Total	¥2,917,433	¥3,077,351	\$26,285,554

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥1,531 million (\$13,796 thousand) and ¥562 million as of March 31, 2019 and 2018, respectively.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥10,327 million (\$93,044 thousand) for the year ended March 31, 2019.



Held-to-maturity debt securities at March 31, 2019 and 2018 were as follows:

	Millions of yen									
	2019					2018				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	¥2,501	¥2,515	¥13	¥13		¥2,502	¥2,500	¥(1)	¥0	¥(1)
Japanese corporate bonds	2,507	2,513	6	6		2,009	2,007	(2)	0	(2)
Japanese bonds — total	¥5,009	¥5,029	¥20	¥20		¥4,511	¥4,507	¥(3)	¥0	¥(4)

	Thousands of U.S. dollars				
	2019				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	\$22,539	\$22,665	\$126	\$126	
Japanese corporate bonds	22,593	22,650	57	57	
Japanese bonds — total	\$45,132	\$45,315	\$183	\$183	

The cost and aggregate fair value of available-for-sale securities at March 31, 2019 and 2018 were as follows:

	Millions of yen									
	2019					2018				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 168,471	¥ 743,375	¥574,903	¥577,468	¥2,565	¥ 181,970	¥ 919,404	¥737,434	¥738,326	¥ 891
Japanese government bonds	499,931	509,855	9,923	9,932	9	554,683	566,556	11,872	12,352	480
Japanese local government bonds	628,470	636,047	7,577	7,598	21	559,237	564,744	5,507	6,283	776
Japanese corporate bonds	677,108	681,800	4,691	4,880	188	652,532	656,210	3,677	4,090	412
Japanese bonds — total	1,805,510	1,827,703	22,192	22,412	219	1,766,453	1,787,510	21,057	22,727	1,669
Foreign bonds	170,943	174,410	3,466	4,124	657	179,117	176,407	(2,710)	352	3,062
Other	157,390	157,823	433	4,907	4,474	186,772	183,188	(3,583)	2,134	5,718
Other — total	328,333	332,233	3,900	9,032	5,131	365,890	359,596	(6,293)	2,487	8,780
Total	¥2,302,315	¥2,903,312	¥600,996	¥608,913	¥7,916	¥2,314,313	¥3,066,512	¥752,198	¥763,540	¥11,342

	Thousands of U.S. dollars				
	2019				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	\$ 1,517,895	\$ 6,697,675	\$5,179,779	\$5,202,891	\$23,111
Japanese government bonds	4,504,292	4,593,703	89,411	89,493	82
Japanese local government bonds	5,662,409	5,730,678	68,268	68,464	196
Japanese corporate bonds	6,100,627	6,142,899	42,271	43,971	1,699
Japanese bonds — total	16,267,330	16,467,282	199,951	201,929	1,978
Foreign bonds	1,540,170	1,571,403	31,233	37,158	5,925
Other	1,418,056	1,421,962	3,906	44,218	40,312
Other — total	2,958,227	2,993,366	35,139	81,376	46,237
Total	\$20,743,453	\$26,158,324	\$5,414,870	\$5,486,197	\$71,327

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2019 and 2018.

Available-for-sale securities sold during the fiscal year:

	Millions of yen					
	2019			2018		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:						
Equity securities	¥ 46,779	¥25,091	¥1,377	¥ 14,414	¥2,226	¥ 204
Debt securities	247,652	594	42	607,998	2,228	479
Other securities	118,285	2,217	1,242	175,800	1,075	3,398
Total	¥412,717	¥27,903	¥2,663	¥798,213	¥5,530	¥4,083

	Thousands of U.S. dollars		
	2019		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	\$ 421,477	\$226,066	\$12,410
Debt securities	2,231,300	5,355	387
Other securities	1,065,732	19,979	11,198
<b>Total</b>	<b>\$3,718,509</b>	<b>\$251,401</b>	<b>\$23,995</b>

The classification of securities was not changed in the years ended March 31, 2019 and 2018.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is “deemed to be other than temporary.” The amount written down is accounted for as losses on devaluation. The devaluation of available-for-sale securities did not occur for the years ended March 31, 2019 and 2018.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank’s self-assessment guidelines.

- For securities issued by obligors classified as “legal bankruptcy,” “virtual bankruptcy” and “possible bankruptcy”: the fair value is lower than the amortized/acquisition cost.
- For securities issued by obligors classified as “caution”: the fair value is 30% or more lower than the amortized/acquisition cost.
- For securities issued by obligors classified as “normal”: the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

“Legal bankruptcy” refers to issuers who have already gone bankrupt from a legal and/or formal perspective. “Virtual bankruptcy” refers to issuers who have not yet gone legally or formerly bankrupt but who are substantially bankrupt because they are in serious financial difficulties and the possibility of restructuring is remote. “Possible bankruptcy” refers to issuers who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future. “Caution” refers to debtors who require close attention because there are problems with their borrowings. “Normal” refers to issuers other than those classified as “legal bankruptcy,” “virtual bankruptcy,” “possible bankruptcy” and “caution” mentioned above.

## 5. Money Held in Trust

- Money held in trust classified as trading:

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		2019	
	Carrying amount	Unrealized gains (losses) included in earnings	Carrying amount	Unrealized gains (losses) included in earnings	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥30,074		¥48,033		\$270,969	

- No money held in trust was classified as held-to-maturity at March 31, 2019 and 2018.

- No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2019 and 2018.

## 6. Net Unrealized Gains/Losses on Available-for-Sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Net unrealized gains on available-for-sale securities	¥ 600,996	¥ 752,198
Deferred tax liabilities	(182,138)	(228,257)	(1,641,033)
Other	(54)	(54)	(494)
Net unrealized gains on valuation (before adjustment)	418,803	523,886	3,773,342
Noncontrolling interests	(220)	(335)	(1,985)
<b>Net unrealized gains on valuation</b>	<b>¥ 418,582</b>	<b>¥ 523,550</b>	<b>\$ 3,771,357</b>

## 7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Bills discounted	¥ 24,338	¥ 26,605
Loans on bills	92,579	99,231	834,126
Loans on deeds	4,876,397	4,694,510	43,935,463
Overdrafts	486,074	445,936	4,379,447
<b>Total</b>	<b>¥5,479,390</b>	<b>¥5,266,282</b>	<b>\$49,368,322</b>

Bills discounted are accounted for as financial transactions in accordance with “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (the JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills

discounted was ¥24,988 million (\$225,141 thousand) and ¥27,497 million at March 31, 2019 and 2018, respectively.

Loans and bills discounted at March 31, 2019 and 2018, included the following loans:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loans in legal bankruptcy	¥ 4,112	¥ 3,963	\$ 37,053
Nonaccrual loans	65,228	65,792	587,694
Past due loans (three months or more)		6	
Restructured loans	6,434	387	57,974
Total	¥75,775	¥70,150	\$682,721

Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debt), based on management's judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors.

Nonaccrual loans are loans in which interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payments to debtors in financial difficulty to assist them in their recovery.

Past due loans (three months or more) are excluded loans that are classified as loans in legal bankruptcy and nonaccrual loans.

Restructured loans are loans on which the Bank grants concessions (e.g., reductions of the stated interest rate, deferrals of interest payments, extensions of maturity dates, waivers of the face amount, or other measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans, and accruing loans contractually past due by three months or more are excluded.

## 8. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Assets:</b>			
Due from foreign correspondents	¥41,303	¥19,402	\$372,139
Foreign bills of exchange purchased	650	892	5,856
Foreign bills of exchange receivable	576	312	5,196
Total	¥42,530	¥20,606	\$383,192
<b>Liabilities:</b>			
Foreign bills of exchange sold	¥ 171	¥ 205	\$ 1,545
Accrued foreign bills of exchange	42	5	383
Total	¥ 214	¥ 210	\$ 1,928

## 9. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2019 and 2018, amounted to ¥81,887 million (\$737,787 thousand) and ¥80,953 million, respectively.

## 10. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Securities	¥526,691	¥422,297	\$4,745,391

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deposits	¥ 14,590	¥ 16,113	\$ 131,460
Call money	5,549	10,624	50,000
Payables under securities lending transactions	442,341	303,360	3,985,418
Borrowed money	57,503	93,586	518,096

In addition, securities totaling ¥371,031 million (\$3,342,923 thousand) and ¥340,667 million at March 31, 2019 and 2018, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash collateral paid for financial instruments	¥46,381	¥36,752	\$417,884
Surety deposits	1,740	1,722	15,679

## 11. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2019 and 2018, such commitments amounted to ¥1,547,702 million (\$13,944,518 thousand) and ¥1,481,447 million, respectively, of which ¥1,460,630 million (\$13,160,017 thousand) and ¥1,418,255 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, there is a deterioration in the customer's creditworthiness, or other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, at the execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

## 12. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2019 and 2018, the carrying amount of the land after the above one-time revaluation exceeded its fair value.

### Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

### 13. Deposits

Deposits at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current deposits	¥ 341,485	¥ 334,706	\$ 3,076,725
Ordinary deposits	3,967,482	3,726,133	35,746,308
Savings deposits	84,467	83,907	761,033
Deposits at notice	23,884	14,827	215,196
Time deposits	2,365,198	2,498,342	21,310,010
Other deposits	303,912	221,058	2,738,198
Subtotal	7,086,430	6,878,975	63,847,472
Negotiable certificates of deposit	944,059	920,153	8,505,804
Total	¥8,030,490	¥7,799,129	\$72,353,277

### 14. Borrowed Money

Borrowed money at March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Subordinated loans		¥ 16,000	
Borrowing from banks and other	¥57,943	94,141	\$522,060
Total	¥57,943	¥110,141	\$522,060

At March 31, 2019 and 2018, the weighted average interest rates applicable to borrowed money were 1.33% and 0.45%, respectively.

Annual maturities of borrowed money at March 31, 2019, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
	2019	2019
2020	¥57,800	\$520,770
2021	40	360
2022	73	659
2023	20	180
2024	10	90
2025 and thereafter		
Total	¥57,943	\$522,060

### 15. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥30,574 million (\$275,468 thousand) as of March 31, 2019.

### 16. Equity

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

#### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

#### b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

#### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On October 1, 2017, the Bank made the one-for-five reverse stock split for each outstanding share.

## 17. Stock Options

Stock-based compensation expenses were ¥92 million (\$832 thousand) and ¥88 million for the years ended March 31, 2019 and 2018, respectively.

The stock options outstanding as of March 31, 2019, were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock Option	12 directors and 6 executive officers of the Bank	17,420 shares	July 29, 2008	¥1 (\$0.01)	From July 30, 2008, to July 29, 2038
2009 Stock Option	12 directors and 5 executive officers of the Bank	22,380 shares	July 29, 2009	¥1 (\$0.01)	From July 30, 2009, to July 29, 2039
2010 Stock Option	12 directors and 7 executive officers of the Bank	28,740 shares	July 29, 2010	¥1 (\$0.01)	From July 30, 2010, to July 29, 2040
2011 Stock Option	12 directors and 8 executive officers of the Bank	29,960 shares	August 1, 2011	¥1 (\$0.01)	From August 2, 2011, to August 1, 2041
2012 Stock Option	13 directors and 10 executive officers of the Bank	32,960 shares	July 30, 2012	¥1 (\$0.01)	From July 31, 2012, to July 30, 2042
2013 Stock Option	13 directors and 8 executive officers of the Bank	28,880 shares	July 30, 2013	¥1 (\$0.01)	From July 31, 2013, to July 30, 2043
2014 Stock Option	13 directors and 10 executive officers of the Bank	24,880 shares	July 30, 2014	¥1 (\$0.01)	From July 31, 2014, to July 30, 2044
2015 Stock Option	10 directors and 14 executive officers of the Bank	15,020 shares	July 30, 2015	¥1 (\$0.01)	From July 31, 2015, to July 30, 2045
2016 Stock Option	9 directors and 14 executive officers of the Bank	31,680 shares	July 28, 2016	¥1 (\$0.01)	From July 29, 2016, to July 28, 2046
2017 Stock Option	8 directors and 11 executive officers of the Bank	15,900 shares	July 30, 2017	¥1 (\$0.01)	From July 31, 2017, to July 30, 2047
2018 Stock Option	9 directors and 10 executive officers of the Bank	17,520 shares	July 30, 2018	¥1 (\$0.01)	From July 31, 2018, to July 30, 2048

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

The stock option activity was as follows:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option
Year Ended March 31, 2018										
<b>Non-vested</b>										
March 31, 2017 — Outstanding									31,680	
Granted										15,900
Canceled										
Vested									31,680	
March 31, 2018 — Outstanding										15,900
<b>Vested</b>										
March 31, 2017 — Outstanding	8,760	11,520	15,200	15,580	20,260	18,960	16,860	13,260		
Vested									31,680	
Exercised	(2,340)	(3,180)	(3,760)	(3,860)	(4,620)	(4,180)	(3,760)	(3,180)	(8,620)	
Canceled										
March 31, 2018 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	10,080	23,060	

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option	Stock option
Year Ended March 31, 2019											
<b>Non-vested</b>											
March 31, 2018 — Outstanding											15,900
Granted											17,520
Canceled											
Vested										15,900	
March 31, 2019 — Outstanding											17,520
<b>Vested</b>											
March 31, 2018 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	10,080	23,060		
Vested										15,900	
Exercised								240	520	320	
Canceled											
March 31, 2019 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	9,840	22,540	15,580	
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise								¥5,000 (\$45.05)	¥5,000 (\$45.05)	¥5,000 (\$45.05)	
Fair value price at grant date	¥4,890 (\$44.06)	¥4,025 (\$36.26)	¥3,430 (\$30.90)	¥3,390 (\$30.54)	¥2,630 (\$23.70)	¥3,810 (\$34.33)	¥4,510 (\$40.63)	¥7,195 (\$64.83)	¥3,295 (\$29.69)	¥5,225 (\$47.08)	¥5,450 (\$49.10)

"Average stock price at exercise" and "Fair value price at grant date" has been converted to the price after the one-for-five reverse stock split implemented on October 1, 2017.

The fair value of stock options granted in 2019 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	28.5%
Estimated remaining outstanding period:	Two years
Estimated dividend:	¥60 per share
Risk free interest rate:	(0.11)%

## 18. Other Operating Income

Other operating income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains on foreign exchange transactions — net	¥ 640	¥ 390	\$ 5,772
Gains on trading securities	1,108	1,324	9,983
Gains on sales of bonds	2,285	3,303	20,593
Lease receipts	4,454	4,294	40,135
Other	596	492	5,378
<b>Total</b>	<b>¥9,086</b>	<b>¥9,805</b>	<b>\$81,863</b>

## 19. Other Income

Other income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Recovery of loans previously charged off	¥ 6	¥ 9	\$ 57
Gains on sales of stocks and other securities	25,617	2,226	230,808
Gains on invests in money held in trust	147	51	1,333
Reversal of allowance for possible loan losses		447	
Gains on sales of tangible fixed assets	97	2	878
Gains on revision of retirement benefit plan		2,285	
Other	2,380	2,384	21,444
<b>Total</b>	<b>¥28,249</b>	<b>¥7,407</b>	<b>\$254,522</b>

## 20. Other Operating Expense

Other operating expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Losses on sales of bonds	¥1,285	¥3,878	\$11,585
Lease costs	3,904	3,709	35,177
Other	833	742	7,511
<b>Total</b>	<b>¥6,024</b>	<b>¥8,329</b>	<b>\$54,275</b>

## 21. Other Expenses

Other expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Provision for allowance for possible loan losses	¥1,815		\$16,354
Charge-off claims	52	¥ 163	475
Losses on sales of stocks and other securities	1,377	217	12,410
Losses on devaluation of stocks and other securities	0		2
Losses on invests in money held in trust	70	119	633
Losses on sales of tangible fixed assets	341	177	3,076
Losses on impairment of long-lived assets		717	
Equity in loss of an affiliated company	5	14	49
Other	1,834	1,352	16,524
<b>Total</b>	<b>¥5,496</b>	<b>¥2,761</b>	<b>\$49,526</b>

## 22. Leases

### Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 245	¥ 233	\$ 2,214
Due after one year	1,750	1,615	15,772
<b>Total</b>	<b>¥1,996</b>	<b>¥1,848</b>	<b>\$17,986</b>

### Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gross leased investment assets	¥11,710	¥11,004	\$105,511
Estimated residual values	6	10	54
Unearned interest income	(1,110)	(1,046)	(10,008)
<b>Leased investment assets</b>	<b>¥10,605</b>	<b>¥ 9,968</b>	<b>\$ 95,557</b>

Maturities of lease receivables and investment assets for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2019	2019	2019	2019
Year Ending March 31				
2020	¥132	\$1,193	¥ 3,631	\$ 32,720
2021	103	932	2,936	26,459
2022	78	707	2,223	20,029
2023	38	346	1,583	14,267
2024	25	231	893	8,048
2025 and thereafter	13	122	442	3,985
<b>Total</b>	<b>¥392</b>	<b>\$3,533</b>	<b>¥11,710</b>	<b>\$105,511</b>

The minimum future rentals to be received under noncancelable operating leases at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥14	¥ 8	\$134
Due after one year	3	5	28
Total	¥18	¥13	\$163

### 23. Employees' Retirement Benefits

The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to state the retirement benefit expenses and the liability for retirement benefits for employees.

- (1) The changes in defined benefit obligation for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year (as restated)	¥55,307	¥61,161	\$498,306
Current service cost	2,124	2,095	19,145
Interest cost	276	273	2,488
Actuarial gains	286	260	2,583
Benefits paid	(1,933)	(2,115)	(17,420)
Decrease due to the transfer to the defined contribution pension plan		(6,370)	
Others	1	1	14
Balance at end of year	¥56,062	¥55,307	\$505,116

- (2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥25,039	¥22,480	\$225,600
Expected return on plan assets	500	473	4,512
Actuarial (losses) gains	(313)	794	(2,828)
Contributions from the employer	2,023	6,174	18,230
Benefits paid	(1,517)	(1,559)	(13,672)
Decrease due to the transfer to the defined contribution pension plan		(3,325)	
Others	1	1	14
Balance at end of year	¥25,733	¥25,039	\$231,855

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 45,289	¥ 44,930	\$ 408,050
Plan assets	(25,733)	(25,039)	(231,855)
	19,555	19,891	176,194
Unfunded defined benefit obligation	10,773	10,376	97,065
Net liability arising from defined benefit obligation	¥ 30,329	¥ 30,267	\$ 273,260

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liability for retirement benefits	¥30,329	¥30,267	\$273,260
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥30,329	¥30,267	\$273,260

- (4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥2,124	¥2,095	\$19,145
Interest cost	276	273	2,488
Expected return on plan assets	(500)	(473)	(4,512)
Recognized actuarial gains	568	994	5,118
Net periodic benefit costs	¥2,468	¥2,890	\$22,240

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial losses	¥(32)	¥(2,288)	\$(293)

Actuarial losses for the previous fiscal year include reclassification adjustments of ¥759 million due to the effect resulting from a transfer of a portion of its defined benefit pension plan to defined contribution pension plan.

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost			
Unrecognized actuarial gains	¥4,816	¥4,783	\$43,393

- (7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2019	2018
Debt investments	47%	37%
Equity investments	29	30
Cash and cash equivalents	8	22
Others	16	11
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets was determined considering the long-term rates of return which were expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	2.0	2.0
Expected salary increase rate	3.9	3.9

The amount to be paid to defined contribution pension plan was ¥359 million (\$3,241 thousand) and ¥324 million, respectively, for the years ended March 31, 2019 and 2018.

## 24. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% and 30.8%, respectively, for the years ended March 31, 2019 and 2018.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for possible loan losses	¥ 6,751	¥ 6,309	\$ 60,833
Liability for employees' retirement benefits	9,289	9,270	83,700
Devaluation of stocks and other securities	2,672	2,788	24,075
Depreciation	316	347	2,849
Deferred gains or losses on derivatives under hedge accounting	2,218	610	19,987
Other	3,930	3,424	35,415
Less valuation allowance	(2,932)	(3,021)	(26,421)
Total	¥ 22,246	¥ 19,729	\$ 200,440
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥182,138	¥228,257	\$1,641,033
Other	61	60	550
Total	¥182,199	¥228,317	\$1,641,583
Net deferred tax assets	¥ 1,271	¥ 1,471	\$ 11,459
Net deferred tax liabilities	¥161,224	¥210,059	\$1,452,601

A reconciliation for the years ended March 31, 2019 and 2018, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

## 25. Financial Instruments and Related Disclosures

In March, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

### (1) Basic policy for financial instruments

The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

### (2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, interest rate caps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2019. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

- ① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
- ② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans and currency-denominated available-for-sale securities.
- ③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.



### (3) Risk management for financial instruments

#### ① Credit risk management

Having established a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of nonperforming loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit-risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for possible loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. In managing credit for specific borrowers, the Bank has established a Credit Examination Division independent from business divisions, and the Bank is implementing strict credit screening. Obligor's ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

#### ② Market risk management

The Bank is taking steps to strengthen market risk management, based on the Market Risk Guidelines. The Risk Management Division, which is responsible for conducting market risk management, unifies the management of market risk (including risk for deposits, loans, stocks and other securities), credit risk, and other risks, and adequately controls risks within the scope of the Bank's capital to secure stable earnings.

To this end, the Risk Management Division manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

To effectively control market risk for stocks and other securities of instruments which has market risk, the Bank sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability. Regarding the Bank's investment in securities, the Bank regularly monitors the market value of securities and reports these to management.

For stocks, the Bank sets the limits on acceptable risk quantities based on the economic capital and the profit, and a semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities, the results of which are subject to audit by the Internal Audit Division.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management based on risk appetite at monthly ALM meetings by reporting on market risk quantities of each instrument, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes  
The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks," "Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2019 and 2018 was ¥48.8 billion (\$439 million) and ¥31.4 billion.

VaR by risk type at March 31, 2019 and 2018, was as follows:

	Billions of yen		Millions of U.S. dollars
	2019	2018	2019
Interest rate fluctuation risk	¥31.2	¥15.7	\$281
Market price fluctuation risk (*)	17.5	15.6	157
Foreign currency fluctuation risk	0.1	0.1	0
<b>Total</b>	<b>¥48.8</b>	<b>¥31.4</b>	<b>\$439</b>

(\*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the

market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

### ③ Liquidity risk management

The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

### (4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes market prices, as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

### (5) Fair value of financial instruments

Accounts that had immaterial amounts on the consolidated balance sheet were not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined were not included in the following table (see (b)).

March 31, 2019	Millions of yen		
	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 931,179	¥ 931,179	
Securities:			
Held-to-maturity bonds	5,009	5,029	¥ 20
Available-for-sale securities	2,903,312	2,903,312	
Loans and bills discounted	5,479,390		
Allowance for possible loan losses (*1)	(22,068)		
	5,457,321	5,472,450	15,128
<b>Total</b>	<b>¥9,296,822</b>	<b>¥9,311,971</b>	<b>¥15,148</b>
Deposits (other than negotiable certificates of deposit)	¥7,086,430	¥7,086,673	¥ 242
Negotiable certificates of deposit	944,059	944,050	(8)
Payables under securities lending transactions	442,341	442,341	
<b>Total</b>	<b>¥8,472,831</b>	<b>¥8,473,065</b>	<b>¥ 233</b>
Derivatives (*2):			
Hedge accounting not applied	¥ 469	¥ 469	
Hedge accounting applied	(7,607)	(7,607)	
<b>Total</b>	<b>¥ (7,138)</b>	<b>¥ (7,138)</b>	

March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	¥ 854,822	¥ 854,822	
Securities:			
Held-to-maturity bonds	4,511	4,507	¥ (3)
Available-for-sale securities	3,066,512	3,066,512	
Loans and bills discounted	5,266,282		
Allowance for possible loan losses (*1)	(20,900)		
	5,245,381	5,256,522	11,140
<b>Total</b>	<b>¥9,171,228</b>	<b>¥9,182,365</b>	<b>¥11,136</b>
Deposits (other than negotiable certificates of deposit)	¥6,878,975	¥6,879,040	¥ 64
Negotiable certificates of deposit	920,153	920,154	0
Payables under securities lending transactions	303,360	303,360	
Borrowed money	110,141	110,159	17
<b>Total</b>	<b>¥8,212,631</b>	<b>¥8,212,714</b>	<b>¥ 82</b>
Derivatives (*2):			
Hedge accounting not applied	¥ 1,631	¥ 1,631	
Hedge accounting applied	(1,534)	(1,534)	
<b>Total</b>	<b>¥ 96</b>	<b>¥ 96</b>	

March 31, 2019	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from banks	\$ 8,389,757	\$ 8,389,757	
Securities:			
Held-to-maturity bonds	45,132	45,315	\$ 183
Available-for-sale securities	26,158,324	26,158,324	
Loans and bills discounted	49,368,322		
Allowance for possible loan losses (*1)	(198,833)		
	49,169,489	49,305,795	136,306
<b>Total</b>	<b>\$83,762,703</b>	<b>\$83,899,192</b>	<b>\$136,489</b>
Deposits (other than negotiable certificates of deposit)	\$63,847,472	\$63,849,654	\$ 2,182
Negotiable certificates of deposit	8,505,804	8,505,725	(79)
Payables under securities lending transactions	3,985,418	3,985,418	
<b>Total</b>	<b>\$76,338,695</b>	<b>\$76,340,798</b>	<b>\$ 2,102</b>
Derivatives (*2):			
Hedge accounting not applied	\$ 4,226	\$ 4,226	
Hedge accounting applied	(68,541)	(68,541)	
<b>Total</b>	<b>\$ (64,315)</b>	<b>\$ (64,315)</b>	

(\*1) General and specific allowances for possible loan losses corresponding to "Loans and bills discounted" were deducted.

(\*2) Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.

#### (a) Valuation method of financial instruments

##### Assets

###### Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

###### Call loans and bills bought

The carrying amount is presented as the fair value since fair value approximates such carrying amount because of their short maturities (within one year).

##### Securities

The fair value of stocks is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings, and terms of the bonds. Information on securities by classification is included in Note 4.

###### Loans and bills discounted

For floating rate loans, the carrying amount is presented as a fair value as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed-rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings, and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value since the fair value is expected to approximate the carrying amount based on the estimated loan periods, interest rates, and other conditions.

##### Liabilities

###### Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flows discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

###### Payables under securities lending transactions

The terms of all liabilities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

###### Borrowed money

Floating rate-borrowed money reflect market interest rates in short periods, and the credit standing of the Bank and its consolidated subsidiaries has not significantly changed from when the money was borrowed. The fair value of floating rate borrowed money is, therefore consolidated to approximate the carrying value and is deemed equal to the carrying value. The present value of fixed-rate borrowed money which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

##### Derivatives

Fair value information for derivatives is included in Note 26.

#### (b) Carrying amount of financial instruments whose fair value cannot be reliably determined

The following instruments were not included in "Securities: Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Non-listed stocks (*1) (*2)	¥3,320	¥3,257	\$29,918
Investments in venture funds (*3)	5,791	2,993	52,180
Total	¥9,112	¥6,251	\$82,098

(\*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

(\*2) With respect to non-listed stocks, losses on devaluation of ¥0 million (\$2 thousand) were recorded for the year ended March 31, 2019. No devaluation occurred for the year ended March 31, 2018.

(\*3) The fair values of investments in venture funds cannot be reliably determined, so they are not subject to fair value disclosure.

**(c) Maturity analysis for financial assets and securities with contractual maturities**

March 31, 2019	Millions of yen					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 843,192					
Securities:						
Held-to-maturity bonds		¥ 1,500	¥ 1,500	¥ 1,000	¥ 1,000	
Available-for-sale	363,507	452,126	413,156	186,598	314,209	¥ 241,416
Loans and bills discounted (*)	1,121,018	989,915	731,809	582,033	752,380	1,219,290
<b>Total</b>	<b>¥2,327,718</b>	<b>¥1,443,541</b>	<b>¥1,146,465</b>	<b>¥769,632</b>	<b>¥1,067,589</b>	<b>¥1,460,706</b>

March 31, 2018	Millions of yen					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 776,856					
Securities:						
Held-to-maturity bonds		¥ 500	¥ 2,000	¥ 500	¥ 1,500	
Available-for-sale	193,571	600,671	386,646	153,009	448,712	¥ 156,187
Loans and bills discounted (*)	1,062,663	931,712	742,722	516,176	768,633	1,159,462
<b>Total</b>	<b>¥2,033,091</b>	<b>¥1,532,883</b>	<b>¥1,131,369</b>	<b>¥669,686</b>	<b>¥1,218,845</b>	<b>¥1,315,649</b>

March 31, 2019	Thousands of U.S. dollars					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	\$ 7,597,013					
Securities:						
Held-to-maturity bonds		\$ 13,514	\$ 13,514	\$ 9,009	\$ 9,009	
Available-for-sale	3,275,140	4,073,575	3,722,463	1,681,222	2,830,970	\$ 2,175,118
Loans and bills discounted (*)	10,100,172	8,918,956	6,593,472	5,244,016	6,778,812	10,985,586
<b>Total</b>	<b>\$20,972,326</b>	<b>\$13,006,047</b>	<b>\$10,329,450</b>	<b>\$6,934,248</b>	<b>\$9,618,792</b>	<b>\$13,160,705</b>

(\*) At March 31, 2019 and 2018, loans and bills discounted of ¥69,340 million (\$624,747 thousand) and ¥69,756 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, were not included in the table. At March 31, 2019 and 2018, loans and bills discounted of ¥13,602 million (\$122,558 thousand) and ¥15,155 million, respectively, that did not have fixed maturities were not included as well.

**(d) Maturity analysis for interest bearing liabilities**

March 31, 2019	Millions of yen					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥6,652,012	¥408,350	¥26,067			
Negotiable certificates of deposit	913,559	30,500				
Payables under securities lending transactions	442,341					
<b>Total</b>	<b>¥8,007,913</b>	<b>¥438,850</b>	<b>¥26,067</b>			

March 31, 2018	Millions of yen					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥6,461,990	¥392,491	¥24,494			
Negotiable certificates of deposit	920,153					
Payables under securities lending transactions	303,360					
Borrowed money	94,016	59	66	¥16,000		
<b>Total</b>	<b>¥7,779,520</b>	<b>¥392,550</b>	<b>¥24,560</b>	<b>¥16,000</b>		

March 31, 2019	Thousands of U.S. dollars					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	\$59,933,444	\$3,679,168	\$234,859			
Negotiable certificates of deposit	8,231,005	274,799				
Payables under securities lending transactions	3,985,418					
<b>Total</b>	<b>\$72,149,867</b>	<b>\$3,953,968</b>	<b>\$234,859</b>			

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

## 26. Derivatives

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements, and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

### Derivative transactions to which hedge accounting is not applied

#### (1) Interest-rate-related Transactions

	Millions of yen			
	2019			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥34,446	¥28,068	¥ 773	¥ 773
Receive floating and pay fixed	34,446	28,068	(459)	(459)
Other:				
Sold				
Bought				
<b>Total</b>			<b>¥ 314</b>	<b>¥ 314</b>

	Millions of yen			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥52,883	¥44,846	¥ 967	¥ 967
Receive floating and pay fixed	52,883	44,846	(482)	(482)
Other:				
Sold	¥ 17			¥ 11
Bought	17			(7)
<b>Total</b>			<b>¥ 484</b>	<b>¥ 488</b>

	Thousands of U.S. dollars			
	2019			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	\$310,354	\$252,896	\$ 6,965	\$6,965
Receive floating and pay fixed	310,354	252,896	(4,135)	(4,135)
Other:				
Sold				
Bought				
<b>Total</b>			<b>\$ 2,829</b>	<b>\$2,829</b>

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.

2. The fair values of the above derivatives were principally based on discounted values of future cash flows or option-pricing models.

#### (2) Currency-related Transactions

	Millions of yen			
	2019			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥36,066	¥ 2,000	¥(257)	¥(257)
Bought	24,389	1,770	412	412
Currency options:				
Sold	¥36,008	¥12,227	¥(665)	¥ 304
Bought	36,008	12,227	665	(3)
<b>Total</b>			<b>¥ 154</b>	<b>¥ 455</b>

	Millions of yen			
	2018			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥89,526	¥ 1,451	¥1,141	¥1,141
Bought	61,051	1,323	5	5
Currency options:				
Sold	¥30,330	¥14,396	¥ (896)	¥ 76
Bought	30,330	14,396	896	241
<b>Total</b>			<b>¥1,147</b>	<b>¥1,465</b>

	Thousands of U.S. dollars			
	2019			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	\$324,954	\$ 18,028	\$(2,323)	\$(2,323)
Bought	219,748	15,953	3,720	3,720
Currency options:				
Sold	\$324,425	\$110,166	\$(5,994)	\$ 2,745
Bought	324,425	110,166	5,994	(33)
<b>Total</b>			<b>\$ 1,396</b>	<b>\$ 4,107</b>

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.

2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

### Derivative transactions to which hedge accounting is applied

#### (1) Interest-rate-related Transactions

	Millions of yen		
	2019		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥130,955	¥130,786	¥(7,206)

	Millions of yen		
	2018		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥73,464	¥73,057	¥(1,916)

	Thousands of U.S. dollars		
	2019		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	\$1,179,884	\$1,178,363	\$(64,927)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.

2. The fair values of the above derivatives were principally based on quoted market prices, such as those from Tokyo Financial Exchange Inc., or discounted values of future cash flows.

3. The hedged items for interest rate swaps were fixed-rate loans and time deposits.

## (2) Currency-related Transactions

	Millions of yen		
	2019		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥33,155	¥16,371	¥(401)

	Millions of yen		
	2018		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥14,011	¥2,082	¥381

	Thousands of U.S. dollars		
	2019		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	\$298,724	\$147,501	\$(3,614)

- Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Audit Committee Report No. 25.  
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.  
3. The hedged items for currency swaps were currency-denominated available-for-sale securities.

## 27. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized (losses) gains on available-for-sale securities:			
(Losses) gains arising during the year	¥(125,961)	¥221,625	\$(1,134,894)
Reclassification adjustments to profit or loss	(25,239)	(1,447)	(227,405)
Amount before income tax effect	(151,201)	220,178	(1,362,300)
Income tax effect	(46,118)	67,477	(415,523)
Total	(105,082)	152,700	(946,776)
Deferred (losses) gains on derivatives under hedge accounting:			
Losses arising during the year	(7,242)	(589)	(65,253)
Reclassification adjustments to profit or loss	1,990	1,151	17,933
Amount before income tax effect	(5,252)	562	(47,320)
Income tax effect	(1,608)	172	(14,489)
Total	(3,643)	390	(32,830)
Defined retirement benefit plans:			
(Losses) gains arising during the year	(600)	534	(5,412)
Reclassification adjustments to profit or loss	568	1,754	5,118
Amount before income tax effect	(32)	2,288	(293)
Income tax effect	(9)	700	(89)
Total	(22)	1,587	\$(203)
Total other comprehensive (losses) income	¥(108,749)	¥154,678	\$ (979,810)

## 28. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

## 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.

The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment of the Group.

The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, trust services, etc.

## 2. Methods of measurement of Operating Income, Profit (Loss), Assets, Liabilities, and Other Items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit of the reportable segment is based on "net operating income." "Net operating income" does not include certain other income and expenses, income taxes, and noncontrolling interests.

3. Information about Operating Income, Profit (Loss), Assets, Liabilities, and Other Items was as follows.

	Millions of yen				
	2019				
	Reportable segment		Total	Reconciliations	Consolidated
Banking	Other (Note 2)				
Operating income (Note 1):					
Outside customers	¥ 123,025	¥10,513	¥ 133,539		¥ 133,539
Intersegment	997	1,940	2,937	¥ (2,937)	
Total	¥ 124,023	¥12,453	¥ 136,477	¥ (2,937)	¥ 133,539
Segment profit (Note 3)	¥ 42,454	¥ 2,743	¥ 45,197	¥ (13)	¥ 45,184
Segment assets (Note 4)	9,653,833	57,306	9,711,139	(46,011)	9,665,127
Segment liabilities (Note 5)	8,816,744	29,977	8,846,721	(32,529)	8,814,192
Other:					
Depreciation	4,104	99	4,204		4,204
Interest income (Note 3)	76,967	127	77,095	(55)	77,039
Interest expense (Note 3)	9,361	48	9,410	(41)	9,368
Equity in losses of an affiliated company		5	5		5
Investments in an affiliated company accounted by equity method		70	70		70
Increase in tangible and intangible fixed assets	3,615	159	3,774		3,774

	Millions of yen				
	2018				
	Reportable segment		Total	Reconciliations	Consolidated
Banking	Other (Note 2)				
Operating income (Note 1):					
Outside customers	¥ 99,985	¥10,323	¥ 110,309	¥ (77)	¥ 110,232
Intersegment	1,068	1,957	3,025	(3,025)	
Total	¥ 101,053	¥12,281	¥ 113,334	¥ (3,102)	¥ 110,232
Segment profit (Note 3)	¥ 24,338	¥ 2,613	¥ 26,951	¥ (20)	¥ 26,931
Segment assets (Note 4)	9,467,206	56,691	9,523,897	(45,304)	9,478,592
Segment liabilities (Note 5)	8,547,204	30,873	8,578,077	(31,850)	8,546,227
Other:					
Depreciation	4,430	80	4,510		4,510
Interest income (Note 3)	76,088	139	76,228	(66)	76,161
Interest expense (Note 3)	5,560	60	5,621	(52)	5,568
Equity in losses of an affiliated company		14	14		14
Investments in an affiliated company accounted by equity method		75	75		75
Increase in tangible and intangible fixed assets	3,223	192	3,415		3,415

	Thousands of U.S. dollars				
	2019				
	Reportable segment		Total	Reconciliations	Consolidated
Banking	Other (Note 2)				
Operating income (Note 1):					
Outside customers	\$ 1,108,438	\$ 94,728	\$ 1,203,167		\$ 1,203,167
Intersegment	8,987	17,479	26,467	\$ (26,467)	
Total	\$ 1,117,426	\$112,208	\$ 1,229,635	\$ (26,467)	\$ 1,203,167
Segment profit (Note 3)	\$ 382,507	\$ 24,717	\$ 407,225	\$ (121)	\$ 407,103
Segment assets (Note 4)	86,979,306	516,317	87,495,624	(414,558)	87,081,065
Segment liabilities (Note 5)	79,437,290	270,088	79,707,378	(293,082)	79,414,296
Other:					
Depreciation	36,982	897	37,879		37,879
Interest income (Note 3)	693,464	1,148	694,612	(496)	694,116
Interest expense (Note 3)	84,346	436	84,783	(376)	84,406
Equity in losses of an affiliated company		49	49		49
Investments in affiliated company accounted by equity method		634	634		634
Increase in tangible and intangible fixed assets	32,572	1,439	34,012		34,012

Notes: 1. "Operating income" was presented as a substitute for sales in industries. "Operating income" did not include certain other income.

2. "Other" included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, security business, and several other businesses.

3. "Reconciliations" were eliminations of intersegment transactions.

4. "Reconciliations" were eliminations of intersegment assets.

5. "Reconciliations" were eliminations of intersegment liabilities (decrease by ¥35,870 million (\$323,188 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥3,341 million (\$30,106 thousand)).

**Related Information**

## 1. Information about services

	Millions of yen			
	2019			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥47,039	¥56,930	¥29,568	¥133,539

  

	Millions of yen			
	2018			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥46,057	¥35,333	¥28,841	¥110,232

  

	Thousands of U.S. dollars			
	2019			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	\$423,820	\$512,935	\$266,410	\$1,203,167

## 2. Information about geographical areas

## (1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statement of income for the fiscal years ended March 31, 2019 and 2018; therefore, geographical operating income information was not presented.

## (2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2019 and 2018; therefore, geographical tangible fixed assets information was not presented.

## 3. Information about major customers

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal years ended March 31, 2019 and 2018; therefore, major customer information was not presented.

**29. Net Income per Share**

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2019 and 2018, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
<b>For the year ended March 31, 2019</b>				
Basic EPS — Net income available to common shareholders	¥31,681	75,508	¥419.57	\$3.78
Effect of dilutive securities — Convertible bonds and stock acquisition rights		142		
Diluted EPS — Net income for computation	¥31,681	75,651	¥418.78	\$3.77
<b>For the year ended March 31, 2018</b>				
Basic EPS — Net income available to common shareholders	¥19,323	75,511	¥255.89	
Effect of dilutive securities — Convertible bonds and stock acquisition rights		126		
Diluted EPS — Net income for computation	¥19,323	75,638	¥255.46	

**30. Subsequent Events***Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2019, was approved at the Bank's general meeting of shareholders held on June 27, 2019:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥70.00 (\$0.63) per share	¥5,285	\$47,622