Bank of Kyoto

Annual Report 2020

For the year ended March 31, 2020

The Bank of Kyoto, Ltd.

Profile

Since its founding on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have consistently strived to live up to their management principle of "Serving the Prosperity of the Community." Under this management principle, the Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank provides customers in the local community with high-quality financial services, thereby striving to further deepen its relationships of trust. With the environment surrounding financial institutions growing increasingly harsh, the Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Head Office
(Kyoto Prefecture)

Non-Consolidated Basis

Total Assets:
¥10,065.8 billion
(8th among regional banks)

Total Deposits:
¥8,026.7 billion
(7th among regional banks)

Loans and Bills Discounted:
¥5,828.4 billion
(9th among regional banks)

Unrealized Gains on Securities:
¥584.5 billion
(1st among regional banks)

Capital Ratio:
11.02%
(domestic standards)

Credit Rating:
A (R&I)
A- (S&P)

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Disclaimer regarding forward-looking statements

Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing this report. Actual results may therefore differ substantially from such statements.

Cover: "I Love Kyoto Campaign" and "I Love Shiga Campaign" posters

Because we want to cultivate a sense of loving Kyoto in a wide range of people, we have been developing the "I Love Kyoto Campaign" since 1982. In addition, in Shiga Prefecture, we have been developing the "I Love Shiga Campaign" since 2013, introducing people to Shiga's rich natural landscape, historical heritage, traditional culture and suchlike.

Cover Photographs

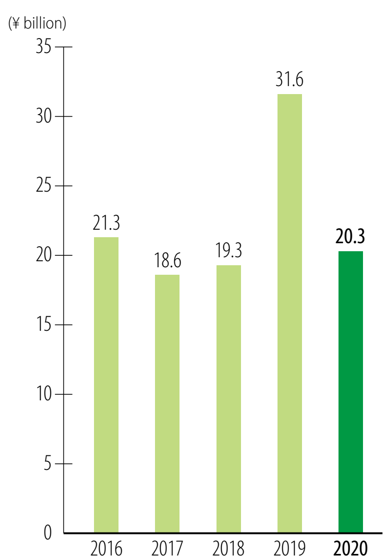
1. Nagahama Castle Historical Museum among cherry blossoms (Nagahama City, Shiga Prefecture)
2. Five-story Pagoda at Kaijyusenji Temple (Kizugawa City, Kyoto Prefecture)
3. Seiryu-ji Tokugen-in in autumn (Maibara City, Shiga Prefecture)
4. Morning in Funaya (Ine Town, Kyoto Prefecture)

Consolidated Financial Highlights

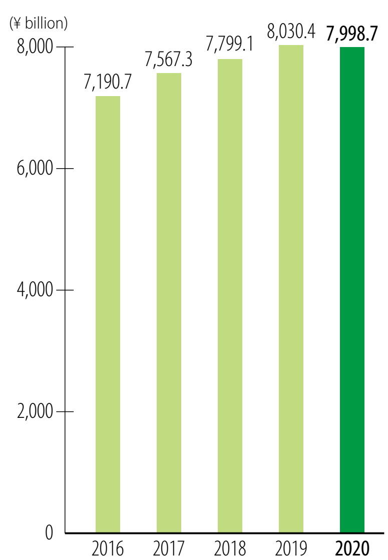
	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
For the Year				
Total Income	¥ 113,823	¥ 133,637	¥ 112,520	$ 1,045,883
Total Expenses	85,137	88,696	84,196	782,293
Income before Income Taxes	28,686	44,940	28,323	263,589
Net Income Attributable to Owners of the Parent	20,383	31,681	19,323	187,297
At Year-End				
Total Assets	10,078,463	¥9,665,127	¥9,478,592	92,607,397
Deposits (including NCDs)	7,998,796	8,030,490	7,799,129	73,498,085
Loans and Bills Discounted	5,818,355	5,479,390	5,266,282	53,462,790
Securities	2,867,102	2,917,433	3,077,351	26,344,782
Noncontrolling Interests	2,249	2,215	2,246	20,667
Common Stock	42,103	42,103	42,103	386,876
Total Equity	834,987	850,934	932,365	7,672,397
Capital Ratio (Domestic Standards)	11.43%	11.58%	11.39%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥108.83 to US$1.00, the approximate rate of exchange at March 31, 2020.
3. Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ).

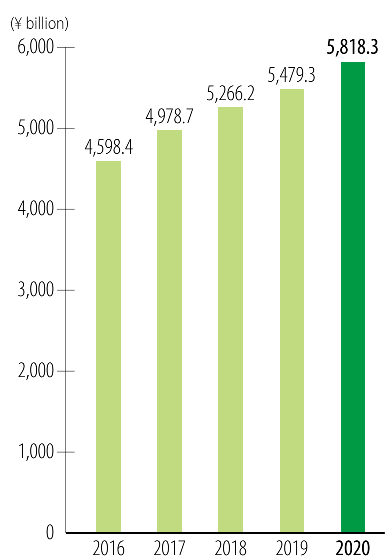
Net Income Attributable to Owners of the Parent



Deposits (including NCDs)



Loans and Bills Discounted



History of The Bank of Kyoto (Showa to Heisei Eras)

The Bank of Kyoto was established in 1941 as Tanwa Bank (Head Office: Fukuchiyama City) through the merger of four banks in northern Kyoto: Ryotan Bank, Miyazu Bank, Tango Commercial Bank, and Tango Industrial Bank. In 1951 the Bank changed its name to the Bank of

Emergence of venture companies and subsequent rapid growth

Collapse of Japan's bubble economy

Post-war recovery High and stable growth

Japanese financial Big Bang

Kyoto's leading bank

Kinki's leading bank

1941
Established Tanwa Bank

Tanwa Bank Head Office

1951
Changed name to the Bank of Kyoto

1966
Completed construction of current Head Office
Established current emblem

1984
Listed on the second sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

1989
Opened representative office in Hong Kong

1999
Opened the Direct Banking Center
The Bank recorded its sole loss

1950
Commissioned to provide main depository service for Kyoto Prefecture

1953
Relocated Head Office to Kyoto City

Former Head Office

1973
Listed on the Kyoto Stock Exchange

1985
Established symbol mark

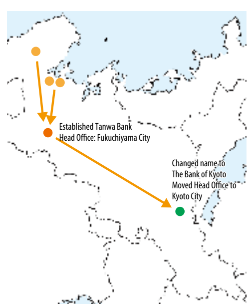
1986
Changed designation to the first sections of both exchanges

1998
Started over-the-counter sales of investment trusts

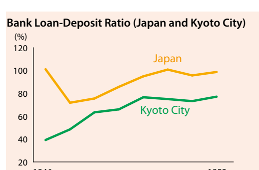
1. Growth as a Locally Headquartered Bank

● Birth of the Bank of Kyoto

The Bank of Kyoto was established in October 1941 as Tanwa Bank in Fukuchiyama City, Kyoto Prefecture through the merger of four banks in northern Kyoto: Ryotan Bank, Miyazu Bank, Tango Commercial Bank and Tango Industrial Bank. In 1951, the Bank changed its name to the Bank of Kyoto, moving its Head Office to Kyoto City in 1953, a considerable time after it had appeared. Unlike many regional banks that had been founded and developed in prefectural capitals, the Bank was unusual in the history of regional banks in that, at the time of its establishment, it had neither a head office nor even branches in Kyoto's capital.

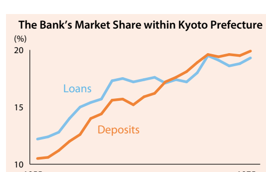


At the time, city banks, regional banks and credit unions had already formed bases of operation centered around the region of Kyoto City, the prefecture's largest city and its capital. Thus, for the Bank of Kyoto, which was based in northern Kyoto Prefecture, doing business in Kyoto City meant starting out as a latecomer.



● Role as a Regional Provider of Funds

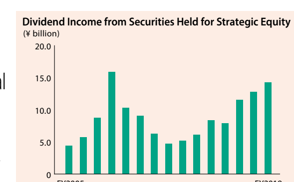
Under a priority production system, the post-war recovery period saw an emphasis on coal, steel, shipping and other core industries. This put Kyoto's economy—with its focus on traditional and textile industries such as Nishijin-ori and Tango Chirimen weaving—at a disadvantage. Financial conditions in Kyoto City were thus extremely tight, with a bank loan-deposit ratio significantly lower than the national average, and small and medium-sized businesses were experiencing particularly severe financial difficulties. Amid increasing calls from Kyoto Prefecture, Kyoto City and Kyoto Chamber of Commerce and Industry for a locally headquartered bank to take on the role of facilitating finance for small and medium-sized companies, the Bank responded by relocating its Head Office to Kyoto City in 1953.



Against this background and to fulfill its public and social mission, the Bank revitalized facilitation of financing for business customers and consolidated its position as a locally headquartered bank. By taking on a role in industrial recovery in Japan, especially Kyoto, following the devastation of World War II, the Bank built a foundation that would lead to high economic growth.

● Accompanying the Creation of New Industries

As Japan's ancient capital, Kyoto has long nurtured culture and industry with a climate rich in entrepreneurial spirit responsible for creating many new things. The period between post-war recovery and the era of high economic growth saw, for example, the development of ceramics using firing techniques from traditional Kyo-yaki and Kiyomizu-yaki pottery, while printing technology from the Yuzen dying craft was utilized in semiconductor printed circuit boards. A large number of venture businesses with proprietary markets appeared, using their advanced technology development capabilities to produce creative, unique products. These centered primarily around the electronics and precision machinery fields, including ceramics for the electronics industry, electric control equipment, electric measuring instruments, and precision measurement and analysis equipment.



The Bank actively provided these promising venture companies with financial support through loans and investments. The companies later achieved rapid growth, becoming well known nationwide and eventually entering markets around the world.

● Sound, Steady Management

As the Bank actively provided loans and investments to promising firms, it was also careful in managing its customers' deposits. Even during the so-called bubble economy of the late 1980s, we continued to return to our core management principle of "Serving the Prosperity of the Community" as we maintained a steady approach to management. As a result, following the collapse of the bubble economy when many financial institutions were forced to spend time disposing of non-performing loans, the Bank was able to quickly complete that process and move to an aggressively offensive management stance.

Since then, this sound, steady approach to management has been handed down as a tradition, and financial soundness has become one of the Bank's strengths.

● Toward the Next Generation of Growth

Since its founding, the Bank of Kyoto has contributed to regional economic development by proactively offering loans, investments and other support for regional company growth and the emergence of new industries. This has allowed the Bank itself to expand its business, while steady dividends from regional firms that have grown to become listed companies representing all of Japan have helped form a robust revenue and financial base for the Bank. Over time, this process has ensured that the Bank's soundness—a critical element for a financial institution—remains rock solid, forming a reliable, reassuring base and providing a source for future loans and investments that will contribute to regional economic development.

Kyoto, moving its Head Office to Kyoto City in 1953. Since its foundation, the Bank has stayed close to its regional customers, following the management principle of "Serving the Prosperity of the Community."

Globalization and reorganization of financial industry

Global financial crisis of 2008

Digital society

Population decline and low growth

Top 10 regional bank

2000
Established Kusatsu Branch (Shiga Prefecture)

2001
Started agency sales of non-life insurance

2002
Started agency sales of life insurance

2004
Opened Takanohara Branch (Nara Prefecture) and Amagasaki Branch (Hyogo Prefecture)

Opened representative office in Shanghai

2007
The Bank started credit card issuing services

2010
Established Kyoto Banking College

2011
Opened Nagoya Branch (Aichi Prefecture)

2012
Opened representative office in Dalian

2013
Opened representative office in Bangkok

Made Higashinagaoka Branch into a zero-CO_2-emission environmentally friendly branch

Higashinagaoka Branch

2014
Completed construction of Kyoto Banking College Katsuragawa Campus

Kyoto Banking College Katsuragawa Campus

2017
Kyogin Securities Co., Ltd. started operations

2018
The Bank entered the trust services business

2. Growth as a Wide-Area Regional Bank

● Expansion of Operating Area (Market)

Following the collapse of Japan's bubble economy, many financial institutions, including city banks, rushed to stabilize their operations as they were forced to dispose of non-performing loans, and boosting profitability also became an urgent issue. Many of these institutions advanced a strategy of selection and concentration, narrowing their areas of business to better focus the use of management resources.

The Bank of Kyoto, meanwhile, moved quickly to isolate non-performing loans, and as other financial institutions adopted a strategy of balanced contraction, we used a wide-area strategy to expand the reach of our operations.

That expansion began in December 2000, with the opening of the Kusatsu Branch in Shiga Prefecture. We then gradually expanded our branch network with a focus on adjacent prefectures with deep economic ties to Kyoto. As of the end of March 2000—prior to the opening of its Kusatsu Branch—the Bank had 115 branches, but as a result of its expansion efforts, that number has grown to 174 branches as of the end of March 2020 (with 63 of those branches—nearly 40%—located outside of Kyoto Prefecture). As a result, the Bank has succeeded in independently building a wide-area network encompassing five prefectures in the Kinki region (Kyoto, Osaka, Shiga, Nara and Hyogo), as well as Aichi Prefecture and Tokyo, while loan amounts increased by more than three trillion yen over 20 years.

Industries in the prefectures in which the Bank has expanded its operations also have their own regional characteristics. For example, while Kyoto Prefecture, where the Bank is headquartered, features many unique companies in the field of precision machinery, Aichi Prefecture attracts firms in the automotive industry. This strategy of having clients in a diverse range of industries also gives the Bank resistance to the risks of regional industrial structures.

Note that as the Bank has grown its loan amounts in excess of three trillion yen over a period of 20 years, its ratio of non-performing loans has dropped. This is a result of sound lending practices backed by judgement honed since the Bank of Kyoto was founded.

● Expansion of Business Scope (Services)

In addition to the expanded area of operations noted above, the Bank has also worked to expand the scope of its services.

As the Bank moved to grow in scale by expanding its area of operations, since 2000—as shown in the Flow of Funds Accounts Statistics—there has been a surplus of funds, largely among business corporations. On a macro level, this indicates that raising capital is gradually becoming less of a primary concern for customers, and means that, sooner or later, the traditional model centered on deposits and loans will find itself at a crossroads. Based on this understanding, the Bank has been an early proponent for working to build a business model around providing solutions to customers' issues.

For our corporate customers, the Bank offers its own added value through proprietary cross-regional business-matching services that utilize its wide-area network. We also have a first-rate performance and expertise in M&A among regional banks, based on work we have engaged in for nearly 20 years. For individual customers, meanwhile, the Bank not only offers over-the-counter sales of investment trusts and life insurance agency services, but it also commenced operations of Kyogin Securities Co., Ltd. in May 2017 and successfully entered the trust services business in October 2018.

The Bank has increased its value by steadily expanding its solutions business and offering new added value in addition to its deposit and loan business.

By expanding the market for its existing business while also expanding its business scope, the Bank of Kyoto has grown to become one of the top 10 regional banks in terms of total funds. We steadily enhanced our presence in our home market of Kyoto Prefecture, where city banks and credit unions already jostled for position, and have captured more than 30% share of loans in the prefecture as of the end of March 2020. Over the past 20 years, the Bank has also worked to build a wide-area network and a high-value-added business structure. We are now poised to make the most of those strengths. Our strategy, details of which follow, is outlined in "Phase Change 2020," our 7th Medium-Term Management Plan.

Creating the Region's Future Together in a New Era with COVID-19

Sweeping Changes in the Business Climate—Impact from the Spread of COVID-19

The novel coronavirus (COVID-19) pandemic is seriously affecting the global economy. The International Monetary Fund (IMF) has expressed grave alarm, projecting the world economy in 2020 will experience the worst downturn since the Great Depression in 1929. The COVID-19 crisis is affecting an extensive range of domestic industries, and regional economies face extremely harsh conditions. Notably, many of our customers that operate businesses are seeing sharp sales declines like never before, regardless of their business area.

The entire Bank is working to provide flexible assistance, while closely coordinating with governments. To support cash flows for the foreseeable future, we promptly established the COVID-19 Special Financing Program. Other initiatives include enhancing the framework for branches offering weekend and holiday consultation services and setting up a toll-free hotline dedicated to COVID-19-related financial issues. It is expected to take a considerable amount of time for economic activities to recover to levels before the COVID-19 crisis. We seek to fulfill its obligation as a regional financial institution to further buttress the regional economy to facilitate recovery and revitalization.

The COVID-19 crisis has brought to light an array of corporate management issues. Among them, renewed attention has come to the importance of the financial structure supporting corporate business continuity. Since the gravity of business operations' sustainability or so-called sustainability management has been advocated to date, I think financial strength is likely to be emphasized even more going forward.

The Bank has long stressed sound and solid management and its financial health has been a strength. Anchored by this robust financial foundation, our intention is to continue to support our customers by providing flexible funding and financial services matching their needs, especially at a time when our customers operating businesses are facing worsening earnings outlooks due to the COVID-19 pandemic.

Start of 7th Medium-Term Management Plan

In April 2020, we launched our 7th medium-term management plan "Phase Change 2020." Our business environment is changing so quickly and dramatically that we need to rethink everything from scratch to adapt to the new era. To that end, we saw a need to recognize that we have entered a new phase and reset our mindset. To convey our desire for all employees to embark on a fresh start in fiscal 2020, we named our management plan "Phase Change 2020." The plan has four main themes: shift in business domain from banking to comprehensive financial solutions, best mix of face-to-face and digital services, to establish an even more fulfilling environment where employees can grow and play active roles, and to develop and secure specialized and diverse human resources.

The current medium-term management plan incorporates several measures to further raise the enterprise value of the Bank.

Firstly, the plan renews focus on human resources (employees) as a source of enterprise value creation with the two fundamental themes of "increasing the satisfaction of all employees" and "increasing regional and customer satisfaction," and paints a picture wherein both sustain a virtuous cycle so as to fuel major growth and development.

Next, we took the unprecedented step of introducing a process for bringing together the views of all employees on "how they want the Bank to be" at the stage of management plan development. We referred to this as "All 4,000 employees thinking together about 'The Bank of Kyoto's Future Vision.'" Plentiful discussion with all branches and head office divisions enabled the Bank to consolidate and reconfirm the views of all 4,000 employees and reflect them in the plan. Employees became more interested in the medium-term management plan by taking part in this formulation process. In addition, I think that the phrase "together with the community," embodying the shared sentiment of all employees, has become a slogan that each of us at the Bank can sympathize with during the COVID-19 crisis and an underlying motivator for our work.

Moreover, we made conscious efforts to integrate attainment of the Sustainable Development Goals (SDGs) into the management plan. In its role as a regional financial institution, the Bank has operated with a view to the sustainability of society on its own accord. By further developing that perspective in accordance with the SDGs, which are international targets, we aim for employees to experience a greater sense of unity with society through their jobs and feel pride in their work at the Bank playing an important part in the regional economy.

We also look to boost employee engagement including by creating an environment where employees can thrive, and tie that to enhanced enterprise value.

Strengthening Consulting Capabilities to Respond to Customers' Diverse Needs and Issues

Under the previous medium-term management plan, the Bank's efforts revolved around the main theme of "fully leverage consulting capabilities," and under the current medium-term management plan, these consulting capabilities will be further broadened. We have built a branch network over a wide area and developed community-based business activities to date, and will redouble our pursuit of consulting-oriented business activities that fully leverage information that has been accumulated in the process.

For business customers, changes in the business environment are driving growing needs not just for financing but also sales channel expansion, overseas expansion, business succession, executive matching and so forth. In order for comprehensive corporate consulting services to meet such needs, the Bank enhanced its ability to propose solutions in part by establishing the Consulting Business Specialist Team as a one-stop hub linking head office divisions and branches. Based on know-how amassed so far, we will further strengthen solution-oriented business going forward.

For individual customers, there are growing needs for services such as asset succession to the next generation and asset formation in an age where people are expected to live to 100 amid increasing unease about future social security as the ultra-low interest rate environment continues and the aging of society advances. The Bank regards as a great strength its ability to provide banking, securities, and trust services in tune with customers' changing needs according to their life stages, all through familiar staff at local branches. Going forward, we will continue to enhance our products and services and otherwise strengthen and leverage our comprehensive consulting functions for individual customers.

We will cultivate personnel with strengths in the kind of specialist skills and abilities required for consulting to meet the needs of both business and individual customers.

Best Mix of Real and Digital

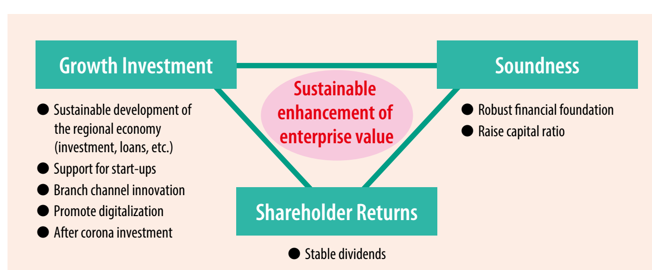
The COVID-19 pandemic has brought about dramatic changes in people's behavior and values. For example, remote work has rapidly increased after many years of waning popularity, and many people have probably now seen some promise for it as a new style of working. The Bank was able to implement remote work on a trial basis relatively smoothly since it has actively been promoting digitalization to date, but issues remain. We reconfirmed that "digital, non-face-to-face, and remote" are key words that will give rise to new value in the coming era.

Numerous people have likely found the experience of working remotely to be convenient on one hand, but to have underlined anew the value of conventional real-world experiences and conversations on the other hand. As communication tools enabling video and voice chat become more prevalent, the boundaries between the face-to-face (real) and non-face-to-face (digital) worlds could become even blurrier, but I think domains that cannot be replaced by digital options will remain. Accordingly, I believe that accurately identifying domains emphasizing the real world and domains where digitalization is advancing powerfully will be vital moving ahead, not just for responding to crises such as the COVID-19 pandemic but also for growth strategies.

"The best mix of face-to-face services and digital services" is one of the main themes in the medium-term management plan underway. By adding a digital dimension to the real-world customer and regional networks we've built up so far that include branches and employees, we aim to forge even stronger relationships with customers while establishing the best mix suited to the coming era to provide services that can satisfy customers.

A Triple Balance: Investing in Growth, Securing Soundness, and Enhancing Shareholder Returns

For a regional financial institution to continuously enhance enterprise value, we regard deftly balancing investments in growth, ensuring soundness, and increasing shareholder returns as key.



In establishing medium- to long-term management strategies, we strive to make appropriate decisions about balancing these three tasks in light of the business environment, including the future economic outlook. I want to optimize that process and consider factors such as notable polarization among the three tasks and whether strategies meet the expectations of various stakeholders.

Regarding shareholder returns, the Bank's fundamental policy is to provide stable dividends. As indicated in the current medium-term management plan, we plan to raise the dividend payout ratio from 25% hitherto by 5% to 30%.

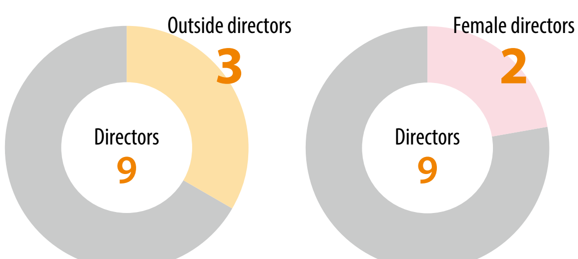
Turning to growth investments, we intend to focus on areas such as corporate financing and support for start-ups (investment, etc.) in particular, as well as further promotion of branch channel innovation and digitalization to meet customers' needs.

And what makes such growth investments possible and supports stable management is a strong financial position. Since the regional economy is rapidly weakening now due to the spread of COVID-19, the Bank regards its top priority as helping pave the way for recovery and revitalization. The current situation reinforces our drive to put robust financial footing to work for the region.

Initiatives to Strengthen Governance

As part of establishing unwavering trust from customers and society as a whole, the Bank is working to strengthen corporate governance based on management transparency and soundness.

From June 26, 2020, we increased the ratio of outside directors on the Board of Directors to one-third and the number of female directors to two.



In addition, we are promoting constructive dialogue with shareholders and institutional investors by disclosing information through investor relations, shareholder relations, and other activities.

Looking to a New Era with COVID-19

The phrases "Before Corona" and "After Corona" have come into use, mirroring BC's use as an abbreviation for "Before Christ." It is being said that this unknown infectious disease has brought such immense changes to society around the world that even if the threat of COVID-19 passes in the future, the world will not be the same. It might be prudent to prepare for the end of one era and the coming of "a new era with COVID-19" premised on co-existing with the threat of other infectious diseases.

The COVID-19 pandemic is dramatically changing people's awareness, and dealing with the infectious disease is proving to be extremely difficult. However, I believe that what companies need

now is the fortitude to turn crisis into opportunity by finding prospects amid the turmoil and following up with actions to take on new challenges, rather than being pessimistically paralyzed by these trying times.

By continuing to stay by the side of our customers affected by the pandemic and provide robust assistance in supporting businesses and returning to a growth trajectory, the Bank of Kyoto Group will fulfill its mission as a regional financial institution and live up to the expectations of its diverse stakeholders.

We hope for recovery of regional economies as soon as the pandemic can be contained, and renew our determination to build a future for the region together with local communities.

I would like to thank you for your continued support and kind consideration.

Nobuhiro Doi

President
The Bank of Kyoto, Ltd.

Our Operating Area

The Industry of Kyoto Prefecture

In Kyoto Prefecture, the economy possesses various strengths that are embedded in Kyoto's unique added-value industrial structure, including high-tech industries developed by adding a new wisdom to the excellent techniques of traditional industries, as well as the tourism industry and the traditional industries built upon the city's 1,200 years of history and culture.

Top Nationally Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	9.6 billion yen (35%)
	Spectral photometers	5.2 billion yen (26%)
	Material testing machines	13.0 billion yen (39%)
	Medical X-ray equipment	20.4 billion yen (14%)
Traditional crafts	Ready-made kimono, obi	6.8 billion yen (38%)
	Chirimen textile	2.8 billion yen (79%)
Food and beverages	Sake	61.2 billion yen (13%)

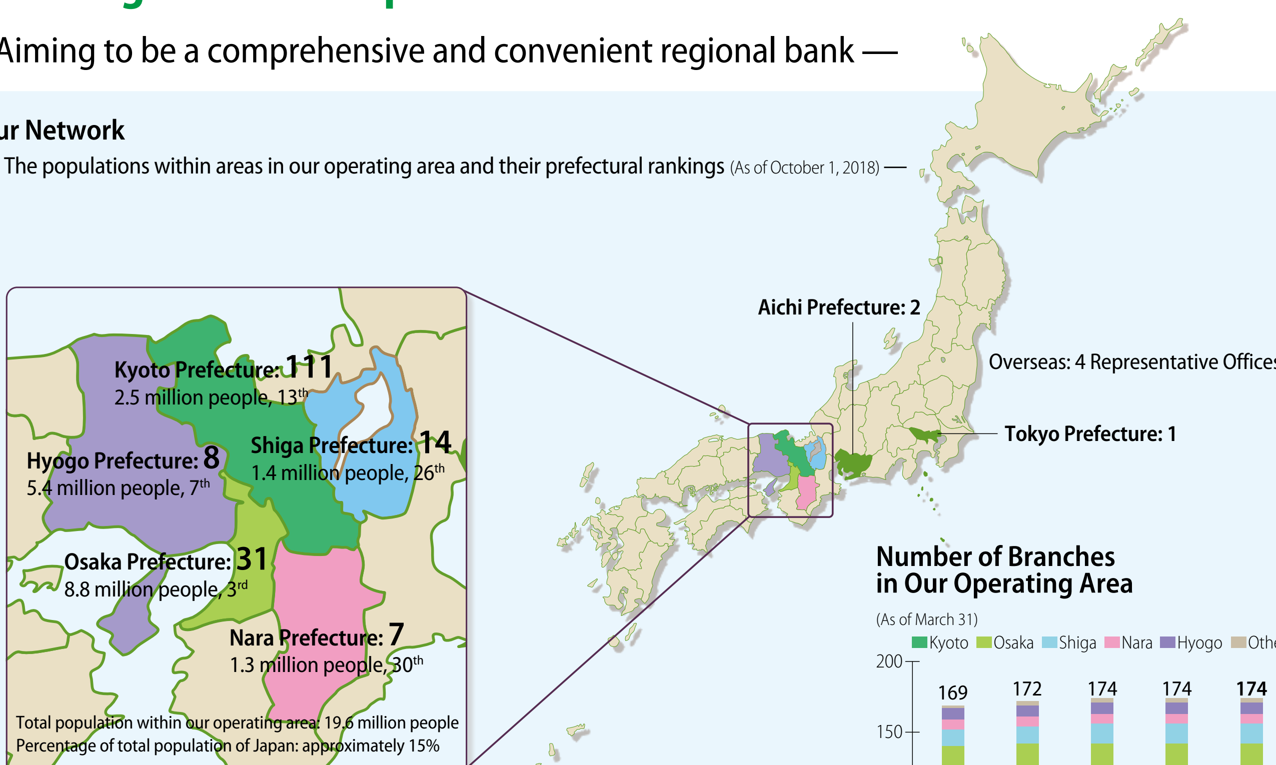
(Source)
METI: FY2018 industry statistics
(domestic market share in %)

Operating Area and Population within the Area

— Aiming to be a comprehensive and convenient regional bank —

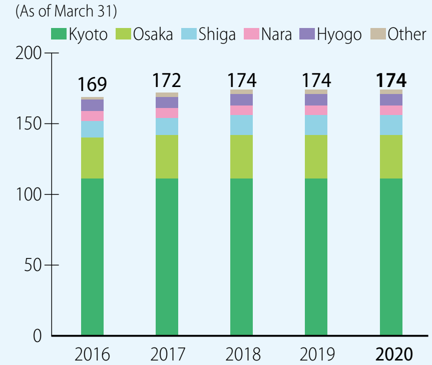
Our Network

— The populations within areas in our operating area and their prefectural rankings (As of October 1, 2018) —



Number of Branches in Our Operating Area

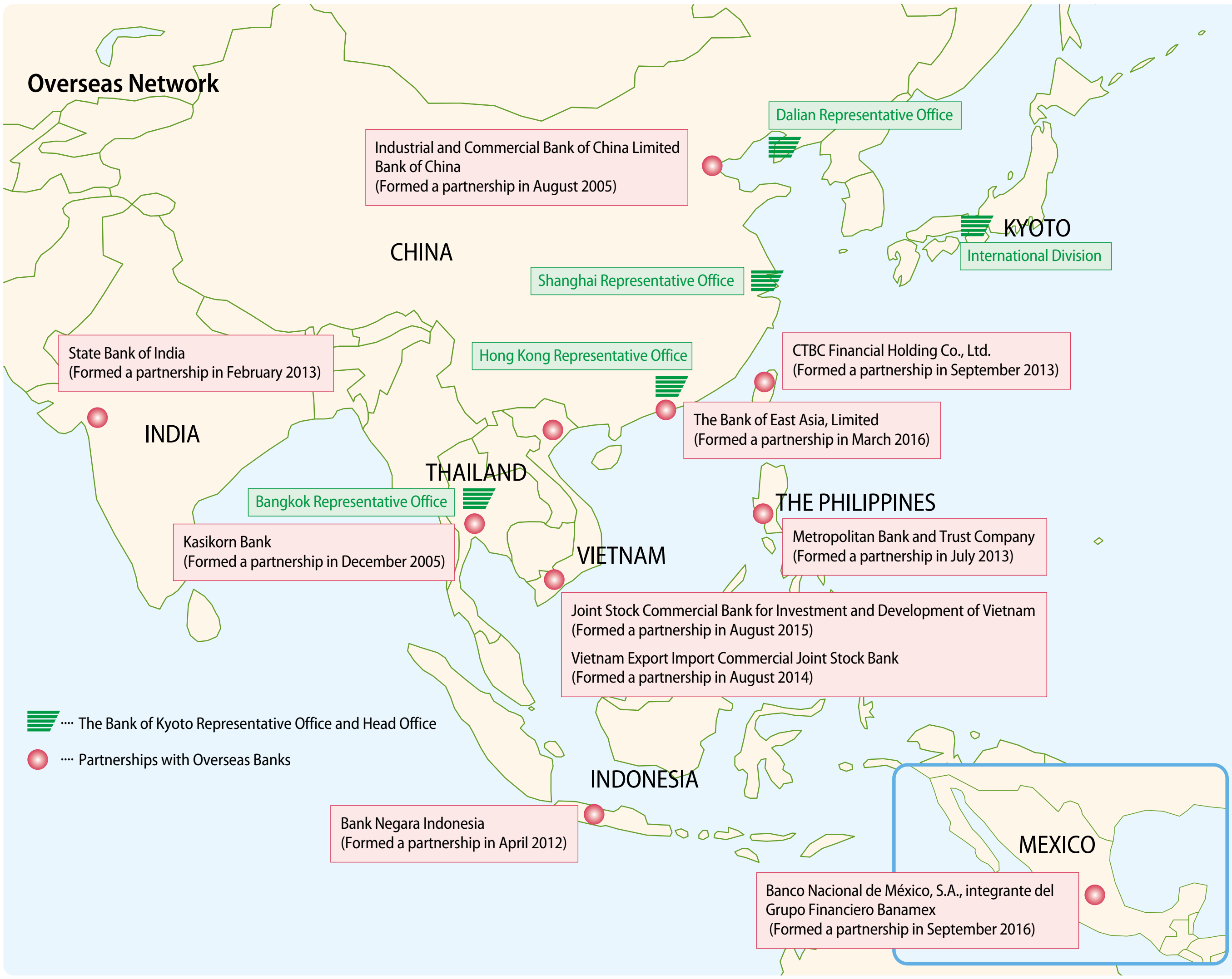
(As of March 31)



Support for Overseas Operations

The Bank makes use of its overseas network to support customers who are engaged in conducting business operations globally.

Creation of an Overseas Network



Fiscal 2019 Loans to Overseas Subsidiaries of Japanese Companies

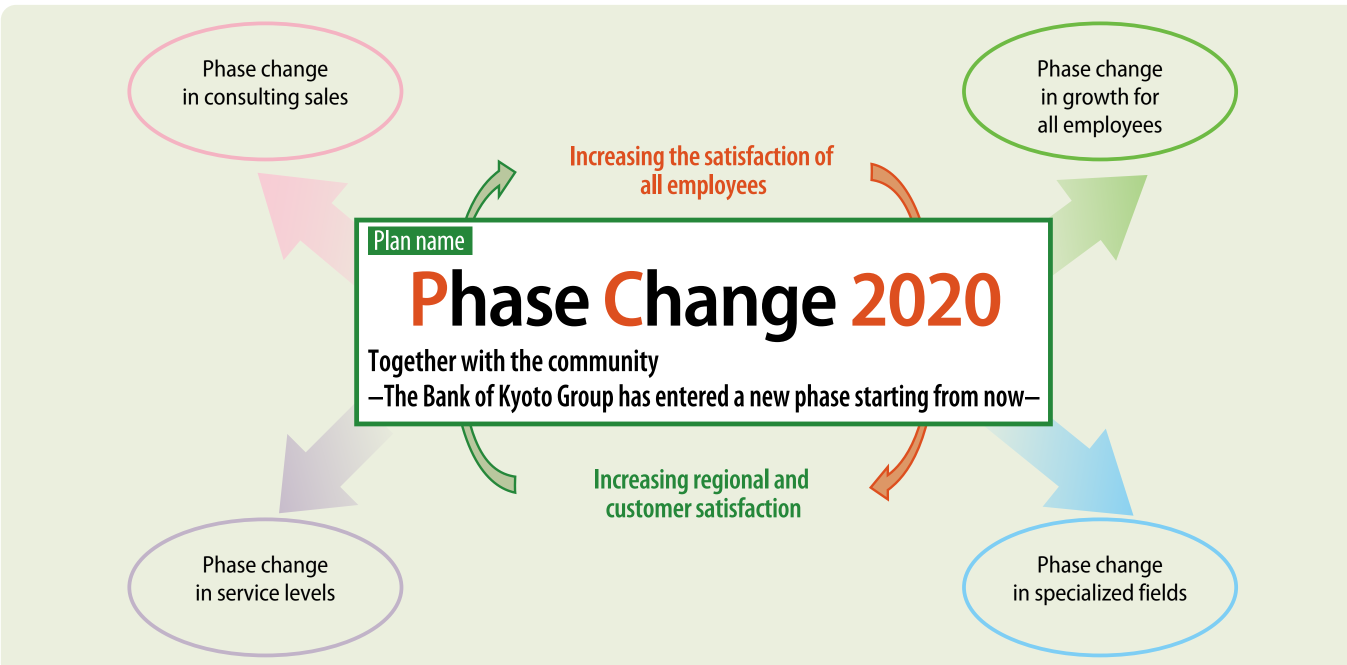
Cross-Border Loans Total of 37 loans executed	
USD denominated	11 loans
THB denominated	18 loans
JPY denominated	8 loans

Stand-by L/Cs Total of 23 L/Cs executed	
RMB denominated	17 L/Cs
USD denominated	3 L/Cs
THB denominated	2 L/Cs
JPY denominated	1 L/C

7th Medium-Term Management Plan

In April 2020, we began "Phase Change 2020," our 7th Medium-Term Management Plan covering initiatives for the next three years.

This plan is driven by a virtuous cycle that balances improving satisfaction of all employees with improving regional and customer satisfaction. Our goal is to continue our powerful growth and development even in this new phase, which is more than just an extension of the past.



Main Themes

- Shift in business domain from banking to comprehensive financial solutions
- Best mix of face-to-face and digital services
- Establish an even more fulfilling environment where employees can grow and play active roles
- Develop and secure specialized and diverse human resources

Performance Targets (Final Year of the Plan)

- Consolidated net income: ¥20.0 billion
- OHR: 60 % range
- Real ROE (on a shareholders' equity basis): 4 % or greater
- Capital ratio: 10 % or greater (during the plan term)

Shareholder Returns

Aim for a payout ratio of 30%

(raised 5% from the previous 25%) based on a stable dividend

Non-Financial Information

■Customer Base

As a regional financial institution, the Bank of Kyoto provides an essential base (financial and living base) for the regional economy and the lives of local residents.

The Bank will take steps to enhance services even further, aiming to start transactions with new customers and continue/expand transactions with existing ones.

Number of Corporate Loan Customers
37 thousand

Number of Active Individual Customers*
1,764 thousand

* Customers with financial assets of more than ¥10,000 or who have automatic debits for public utility charges (March 31, 2020)

Share of Lending in Kyoto Prefecture
30.1 %

(March 31, 2020)

■Non-Face-to-Face Channels

We are strengthening non-face-to-face channels to address the needs of customers who have difficulties meeting in face-to-face sales.

Internet Banking Members
427 thousand

(March 31, 2020)

Kyogin App Registrants
115 thousand

(March 31, 2020)

■Customer Services for Corporate Customers and Individual Business Owners

The Bank of Kyoto offers finely honed support to customers customized to their life stage.

Kyogin Bright Future Support Fund Aid Cases
15 cases

(FY2019)

Number of Business Matching Meetings
2,928 cases

(FY2019)

Overseas Business Cases Supported
2,822 cases

(FY2019)

Business Succession Cases Assisted
305 cases

(FY2019)

■Environmental and Regional Contributions

As an initiative to help solve social issues, the Bank of Kyoto invests in Sustainability Bonds that restrict the use of funds to business activities geared toward a sustainable society. We also promote products that provide grants and donations from a portion of the interest and fees received from customers.

ESG Investment*
¥ 21.1 billion

* Investment in Sustainability Bonds and Social Bonds

(FY2019)

■Governance

The Bank appoints Outside Directors and female Directors from the perspective of enhancing corporate governance.

Outside Director
3

Number of Directors: 9

(June 26, 2020)

Female Director
2

Number of Directors: 9

(June 26, 2020)

■Human Resources Foundation

The Bank of Kyoto trains personnel so they can provide a wide range of highly specialized services in view of diverse customer needs.

Furthermore, we believe that increasing the satisfaction of our employees leads to better services for our customers. We therefore endeavor to improve the work-life balance for employees and create work environments where women can play an active role.

Financial Planner-Related Qualification Holders*
2,516 employees

* CFP, AFP, 1st Grade and 2nd Grade Financial Planners
(March 31, 2020)

Number of Female Chiefs	Number of Female Managers
568	235

(March 31, 2020)

Our Approach to SDGs (Sustainable Development Goals)

The Bank of Kyoto Group has engaged in a variety of corporate activities based on its management principle of "Serving the Prosperity of the Community." Along with our customers, we will continue to contribute to the resolution of regional social issues and environmental problems in order to create a pleasant future for the region, with the aim of achieving the international Sustainable Development Goals (SDGs) for realizing a sustainable society.

The icons shown here are the 17 SDGs that relate to each initiative.

[Key themes]

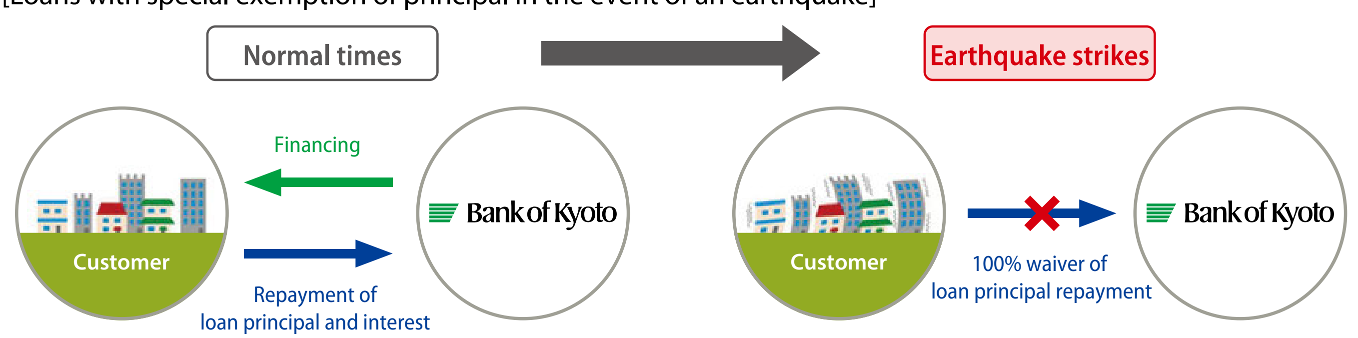
- Vitalize regional economies
- Provide safe, secure and convenient financial services
- Improve financial literacy
- Reduce environmental load
- Support activities of all employees

Commenced handling of loans with special exemption of principal in the event of an earthquake

In April 2019, the Bank of Kyoto was the first regional financial institution in the Kinki region to start offering loans with special exemption of principal in the event of a major earthquake, stronger than 6.0 on the Japanese scale.

Customers can use these loans as a part of their business continuity plans (BCPs) and measures to address earthquake risk.

[Loans with special exemption of principal in the event of an earthquake]



Obtained Platinum Kurumin Certification

In July 2019, the Bank of Kyoto received the Platinum Kurumin Certification in recognition of its course for helping women return to work after taking childcare leave and assistance for career development.

Certificate awards ceremony

[Platinum Kurumin Certification]

This special certification is awarded by the Minister of Health, Labour and Welfare based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Among the companies that receive the Kurumin Certification, only those striving at a higher level and meeting certain criteria are eligible to receive this platinum certification as excellent "childcare support companies."

Kyoto Digital Solution Challenge Held

The Kyoto Digital Solution Challenge was held to gather ideas about new financial services that would lead to innovations in the lifestyles of local residents and businesses. Kyogin Bright Future Support Fund No. 2 invests in companies that won this challenge to support technological development.

Our Response to COVID-19

The Bank of Kyoto is upgrading its channels for supporting the cash flows of its customers seriously affected by the prolonged COVID-19 pandemic, as well as those facing uncertain business conditions, as a regional financial institution that promotes community-based finance.

To help customers with their cash flows, the Bank of Kyoto began to offer special COVID-19 financing and no-interest, no-collateral loans, while accommodating customers with changes to loan terms and conditions.

Financial Review (Consolidated)

Financial and Economic Environment

During the consolidated fiscal year under review, the Japanese economy decelerated as consumer spending lacked vigor after the consumption tax hike, in addition to weak trends in corporate exports and production activity while overseas economies also lost momentum. After the outset of the year, domestic output inevitability contracted as the COVID-19 pandemic led to restrictions on the movement of people and supply chain disruptions around the world. The Japanese economy rapidly deteriorated as economic activity dulled, owing to circumstances such as the sudden weakening of domestic demand as the number of foreign tourists visiting Japan plummeted. Financial markets were shaken as investors pivoted toward risk avoidance amid strong uncertainties about the future. The fiscal year ended as governments around the world raced to stave off turmoil by implementing monetary and fiscal policies.

Business Progress and Results

Consolidated ordinary income amounted to ¥113,823 million, a decrease of ¥19,716 million compared with the previous fiscal year, reflecting the absence of significant gains on the sale of securities in the previous fiscal year, despite an increase in interest income and fees and commissions.

Consolidated ordinary expenses declined ¥3,763 million to ¥84,591 million, thanks to efforts to reduce operating expenses.

As a result, consolidated ordinary profit decreased ¥15,952 million year on year to ¥29,232 million. Net income attributable to owners of the parent totaled ¥20,383 million, down ¥11,297 million. Nevertheless, the Bank of Kyoto achieved its target (¥20,000 million or higher) in the 6th Medium-Term Management Plan (fiscal 2017 to fiscal 2019).

Turning to earnings by segment, in the banking business, the core business of the Bank of Kyoto Group, ordinary income fell ¥20,109 million to ¥103,913 million, and segment profit amounted to ¥26,634 million, down ¥15,820 million. In others, ordinary income grew ¥10 million to ¥12,464 million, and segment profit decreased ¥130 million to ¥2,613 million.

Main Accounts

Regarding main accounts, deposits totaled ¥7,117.0 billion, an increase of ¥30.5 billion from the previous fiscal year, reflecting brisk growth in deposits by individuals. Negotiable certificates of deposit, however, declined ¥62.2 billion year on year to ¥881.7 billion. As a result, the total of deposits and negotiable certificates of deposit decreased ¥31.6 billion to ¥7,998.7 billion.

Loans and bills discounted increased ¥338.9 billion from the previous fiscal year to ¥5,818.3 billion, reflecting our proactive response to individual and corporate customer needs.

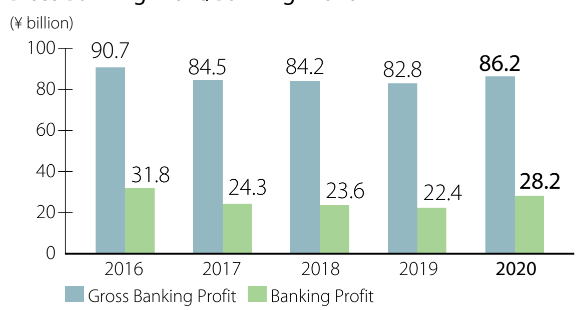
As for securities, as a result of appropriate fund management while closely monitoring market trends, securities ended the year at ¥2,867.1 billion, a decrease of ¥50.3 billion year on year. Appraisal gains (unrealized) yielded from mark-to-market accounting decreased ¥16.0 billion to ¥584.9 billion.

Total assets ended the year at ¥10,078.4 billion, an increase of ¥413.3 billion compared with the end of the previous fiscal year. Equity totaled ¥451.0 billion, up ¥13.0 billion from the end of the previous fiscal year owing to an increase in retained earnings.

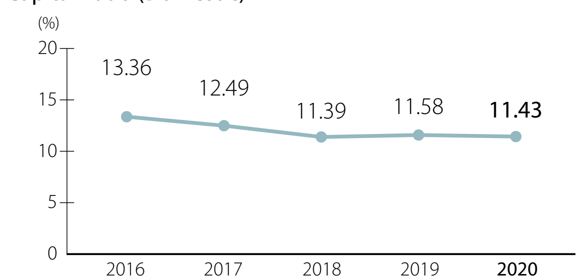
Cash Flows

Net cash provided by operating activities during the fiscal year under review was ¥115.3 billion (¥24.7 billion last year), with an increase in call money and bills sold. Net cash provided by investing activities came to ¥40.1 billion (¥49.4 billion last year), owing to the sale and redemption of securities. Net cash used in financing activities totaled ¥7.5 billion (¥20.5 billion last year), owing mainly to dividend payments. As a result, the balance of cash and cash equivalents increased ¥147.9 billion year on year to ¥1,046.6 billion.

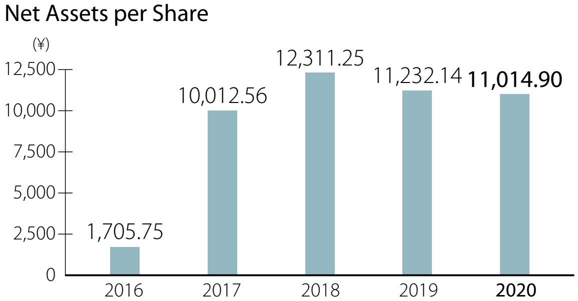
Gross Banking Profit/Banking Profit



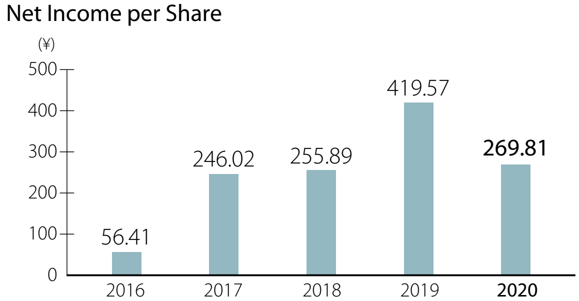
Capital Ratio (Domestic)



Net Assets per Share



Net Income per Share



Note: Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 11.02% on a non-consolidated basis and 11.43% on a consolidated basis.

In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic (exceeds the 4% level)	11.02%	11.43%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	19.35%	19.75%

Self-Assessment of Assets and Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosed Assets Based on the Financial Reconstruction Law

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2019, the Bank's total disclosed assets, excluding normal assets, amounted to ¥66.2 billion (US$608 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 58.5%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 88.8%, which we consider to be a sufficient level.

Financial Reconstruction Law Standard (Non-Consolidated)

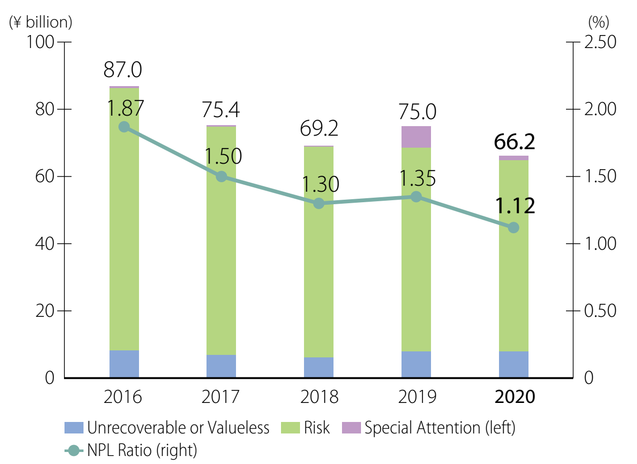
(Billions of yen)

	2020/3	Change from Mar. 31, 2019	2019/3
Unrecoverable or Valueless	¥ 7.9	¥ 0.0	¥ 7.9
Risk	56.9	(3.7)	60.6
Special Attention	1.2	(5.2)	6.4
Subtotal (A)	66.2	(8.8)	75.0
Non-Classified	5,820.3	¥353.0	5,467.3
Total	¥5,886.5	¥344.2	¥5,542.3

(Notes)

1. From the end of March 2009, we have been calculating Special Attention by standards that reflect the "Measure for facilitation of financing for SMEs through eased lending terms" (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprise only loans and bills discounted.

Financial Reconstruction Law Standard (Non-Consolidated)



Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2020/3	Change from Mar. 31, 2019	2019/3
Allowance for Possible Loan Losses (B)	¥10.4	¥(0.2)	¥10.6
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	48.4	(4.3)	52.7
Coverage Ratio (B)+(C)/(A)	88.8%	4.3%	84.5%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2020/3	Change from Mar. 31, 2019	2019/3
Loans in Legal Bankruptcy	¥ 4.1	¥ (0.0)	¥ 4.1
Nonaccrual Loans	61.3	(3.8)	65.2
Accruing Loans			
Three Months or More	—	—	—
Restructured Loans	1.2	(5.1)	6.4
Total	¥ 66.8	¥ (8.9)	¥ 75.7
Total Loans Outstanding (term-end balance)	¥5,818.3	¥339.0	¥5,479.3

Corporate Governance

The Bank of Kyoto is working to ensure that its corporate governance structure is founded on sound, transparent management practices by monitoring directors' execution of business through surveillance by the Board of Directors and auditors and through the use of an auditing system.

The Bank has built a structure for quick management decision making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

To ensure the soundness and propriety of operations, based on sound business management (governance), we have established a set of Business Management (Governance) Regulations, to better position us to offer financial intermediary services, comply with laws and regulations, rigorously protect customer privacy, and duly manage all kinds of risk. The Business Management (Governance) Regulations have the role of bringing together our stances on the finance facilitation management system, legal compliance system, customer protection management system and internal management system.

Board of Directors

The Board of Directors comprises nine directors (among whom three are outside directors) and has decision-making responsibility for basic policies and important matters related to the execution of the Bank's business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and executive directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Audit & Supervisory Board.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Shareholders after deliberations by the Nomination and Compensation Committee, which is an advisory organization used at the discretion of the Board of Directors, and after being approved as candidates by resolution of the Board of Directors or approved by the Audit & Supervisory Board, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

Adoption of Employee Stock Options (ESO) System

The Bank has introduced an ESO (employee stock options) system for directors to reward themselves more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this system will make the Bank's management more strongly focused on shareholder value.

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors and employees of the Bank and its subsidiaries, conforms to laws and the articles of incorporation of the Bank of Kyoto
2. Structures related to the storage and management of information about the execution of business by the Bank's directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and its subsidiaries
4. Structures to ensure that the directors of the Bank and its subsidiaries execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and its subsidiaries
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and its subsidiaries, and structures for reporting to the Bank on the business execution of the directors of the Bank's subsidiaries
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's subsidiaries, or those who receive the reports from these people, as well as other structures related to reporting to auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors

Compliance Structures

Given the public nature of banks, compliance will always be the cornerstone of management.

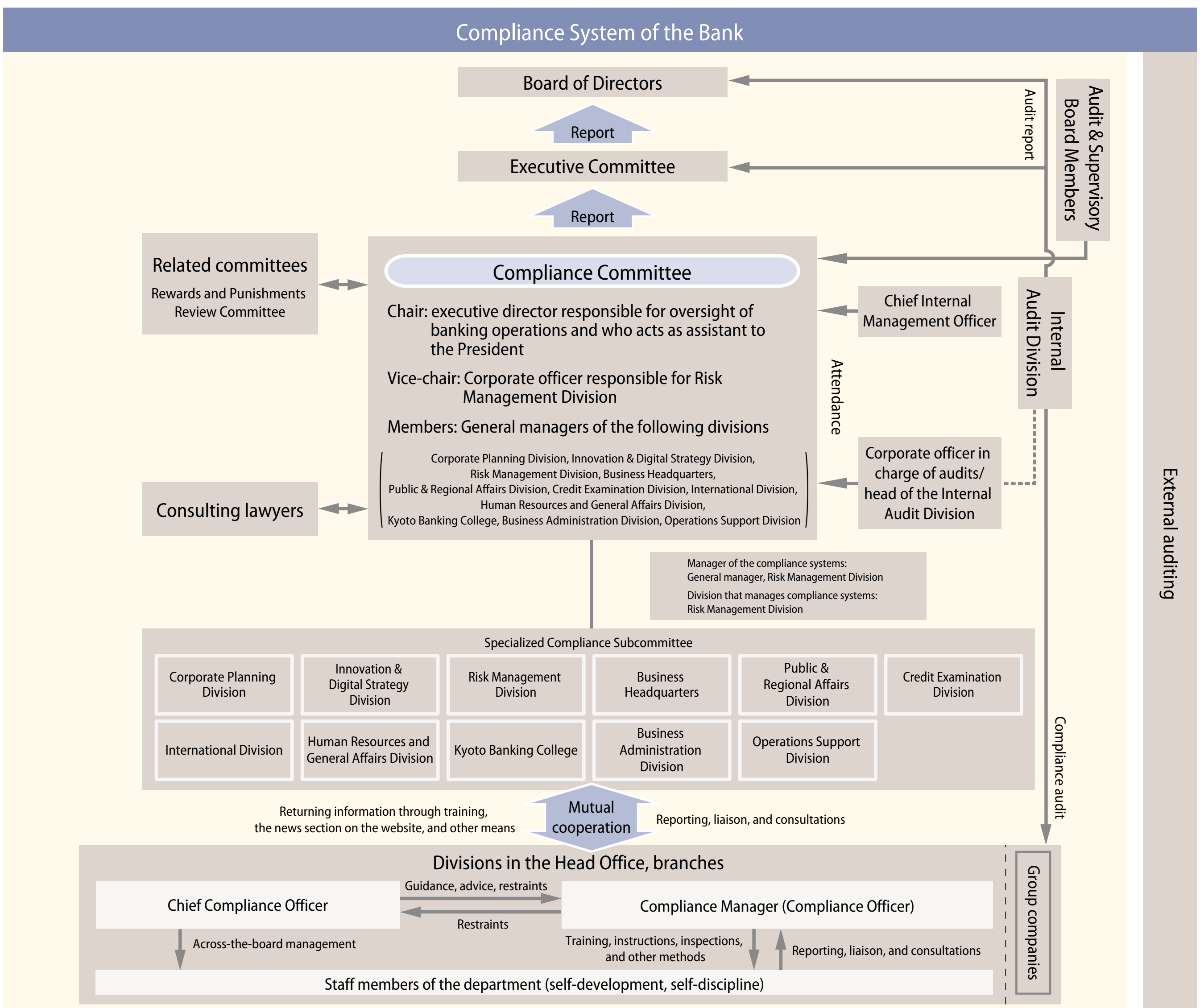
The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers.

This will enable us to build solid bonds of trust with the local community, and to maintain our reputation as a reliable bank that provides excellent customer satisfaction over the long term. For these purposes, we have worked hard to strengthen our compliance systems. For example, the Compliance Committee (chaired by an executive director responsible for oversight of banking operations and who acts as an assistant to the president) centrally manages and responds to compliance-related problems.

In order to ensure compliance, the Board of Directors establishes compliance programs every fiscal year, and enforces a variety of policies in accordance with these programs.

In light of international requests for Anti-Money Laundering/ Countering the Financing of Terrorism (AML/CFT) in recent years, the Bank believes responding to these requests is a critical management issue, and has taken steps to enhance related measures by setting up the Anti-Money Laundering Office within the Risk Management Division.

The Bank also makes every effort to block relationships with anti-social forces through a framework developed based on its Basic Stance on Anti-Social Forces.



As of July 1, 2020

System for Customer Protection and Finance Facilitation

The Bank works proactively to improve customer protection and convenience, while providing customers with appropriate and adequate explanations from a perspective of finance facilitation, such as management consultation, instruction and so forth.

The Bank facilitates lending and management improvement/business restructuring services in the region, working actively to provide detailed service based on a sufficient understanding of the facts and characteristics of customers and to facilitate finance.

Consultation and Complaint System

Our systems respond appropriately to customers' consultation requests and complaints, and we listen carefully to customers' feedback and requests to make improvements.

At the same time, we have put into place a system for solving problems that arise in consultations about complaints, such as those related to changes in loan terms and conditions.

We aim to further improve our reception framework so that corporate customers and individual business owners, as well as customers who have taken out home loans, can easily consult with the Bank of Kyoto about new funding needs or existing banking relationships.

In the event that a customer is not satisfied with our proposed solution for their complaint, we also have a financial ADR (Alternative Dispute Resolution) system for resolving disputes from a fair and neutral standpoint.

With respect to the financial ADR system, we aim to respond quickly, fairly and appropriately to customers' complaints, and by entering basic agreements for procedural execution with the Japanese Bankers Association and the Trust Companies Association of Japan, which are designated dispute resolution organizations.

System for Anti-Money Laundering/Countering the Financing of Terrorism

The Bank is strengthening its systems for Anti-Money Laundering /Countering the Financing of Terrorism (AML/CFT), acknowledging AML/CFT as a critical management issue for ensuring business adequacy.

Specifically, the Bank has created the Anti-Money Laundering/Countering the Financing of Terrorism Committee, headed by the manager in charge of preventing money laundering, to centrally manage and directly respond to problems related to AML/CFT measures.

As the organization in charge of AML/CFT measures, the Risk Management Division works with other divisions to identify and assess AML/CFT risks the Bank directly faces, and to implement the appropriate countermeasures designed to mitigate those risks. As a basic policy for AML/CFT, the Bank has created and publicly released its Anti-Money Laundering/Countering the Financing of Terrorism Policy.

Anti-Money Laundering/Countering the Financing of Terrorism Policy

The Bank of Kyoto Group establishes the governance structure and sets the policies, procedures and approaches in order to comply with all legal and regulatory requirements and obligations to implement appropriate Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) measures for ensuring business adequacy.

1. Management Policy
2. Organizational Framework
3. Risk-Based Approach
4. Customer Due Diligence
5. Sanctions and Asset Freezing
6. Reporting of Suspicious Transactions
7. Correspondent Banking Due Diligence
8. Training
9. Monitoring and Testing

Risk Management Structures

While the ongoing globalization of Japan's financial system and economy coupled with advances in financial and information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk.

Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

At the Bank of Kyoto, in order to accurately identify the amount of risk involved in the conduct of operations, and to ensure the stability and soundness of its management base, we have established a set of Comprehensive Risk Management Guidelines, and we maintain a self-managed risk management posture that compares aggregate risk to the Bank's capital. We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our head office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). As regards the amount of risk, the amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. The estimated risk amount is reported to the management at the monthly ALM meetings. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting (chaired by an executive director responsible for oversight of banking operations and who acts as an assistant to the president), is subject to semiannual review. Specifically, core capital (before applying transitional measures), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by the corporate officer responsible for the Risk Management Division) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Section is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the section analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes consolidated subsidiaries in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to audit the validity of write-offs and allowances based on asset self-assessments.

In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines. Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are 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 solution plans based on self-assessment results as policies for dealing with individual borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses. While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

The Bank has established Market Risk Guidelines, putting in place a risk management approach and ensuring adequate management of market risk. The Risk Management Division, which oversees these activities, centralizes the understanding and management of market risks arising from assets and liabilities including deposits, loans and securities.

Specifically, it manages and analyzes risks by measuring value-at-risk (VaR) and decrease in economic value against interest-rate shocks (delta EVE) for its assets and liabilities, in addition to conducting stress tests supposing a variety of different stress scenarios and utilizing them in risk checks. The Bank also employs tools such as back-testing to verify the suitability and effectiveness of its metrics and management methods.

To ensure appropriate management of market risk involving securities, derivatives and other market transactions, the Bank works to regularly measure and understand proper, accurate market pricing. At the same time, we manage the risk of positions we hold by first considering a balance with capital, net business income and other factors involving the Bank's strength and income, then setting risk tolerance levels for position and loss limit amounts, etc. For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amounts based on the Bank's capital and appraisal gains on stocks and other securities. We also conduct adequate risk management, including calculating the daily positions, profits and losses, and risk levels and reporting them to management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and consolidated subsidiaries, the results of which are audited by the Internal Audit Division.

Moreover the Bank conducts semiannual reviews of risk management policy. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and consider measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component risk take responsibility for managing those risks from a specialist's perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges. The Bank has established an Operational Risk Meeting, which is chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as an assistant to the President. The meeting provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Money Laundering / Financing of Terrorism Risk

Described on page 19.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the cases where it is likely to manifest.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews.

We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy. We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

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Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets:			
Cash and due from banks (Notes 3 and 25)	¥ 1,085,260	¥ 931,179	$ 9,972,074
Call loans and bills bought	92,130	96,078	846,555
Monetary claims bought	13,231	14,045	121,580
Trading securities	196	145	1,809
Money held in trust (Note 5)	13,068	30,074	120,082
Securities (Notes 4, 10, 15 and 25)	2,867,102	2,917,433	26,344,782
Loans and bills discounted (Notes 7, 11 and 25)	5,818,355	5,479,390	53,462,790
Foreign exchanges (Note 8)	9,993	42,530	91,829
Lease receivables and investment assets (Note 22)	12,764	10,978	117,292
Other assets (Notes 10 and 25)	93,945	64,031	863,230
Tangible fixed assets (Note 9):	75,998	76,980	698,321
Buildings	27,389	28,526	251,671
Land (Note 12)	43,617	43,741	400,781
Construction in progress	1,066	157	9,798
Other tangible fixed assets	3,925	4,554	36,069
Intangible fixed assets:	3,017	3,172	27,726
Software	2,713	2,866	24,930
Other intangible fixed assets	304	306	2,796
Deferred tax assets (Note 24)	1,215	1,271	11,170
Deferred tax assets for land revaluation (Note 12)	58	46	536
Customers' liabilities for acceptances and guarantees (Note 15)	14,577	20,786	133,950
Allowance for possible loan losses	(22,455)	(23,017)	(206,337)
Total Assets	¥10,078,463	¥9,665,127	$92,607,397
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 13 and 25)	¥ 7,998,796	¥8,030,490	$73,498,085
Call money and bills sold (Note 10)	447,618	9,989	4,113,002
Payables under securities lending transactions (Notes 10 and 25)	429,624	442,341	3,947,668
Borrowed money (Notes 10 and 14)	72,716	57,943	668,161
Foreign exchanges (Note 8)	232	214	2,135
Borrowed money from trust account	3,178	517	29,202
Other liabilities (Note 25)	94,843	58,731	871,479
Liability for employees' retirement benefits (Note 23)	30,641	30,329	281,552
Liability for reimbursement of deposit losses	564	753	5,182
Liability for contingent losses	949	872	8,721
Reserves under special laws	0	0	1
Deferred tax liabilities (Note 24)	149,734	161,224	1,375,857
Acceptances and guarantees (Note 15)	14,577	20,786	133,950
Total liabilities	9,243,476	8,814,192	84,934,999
Equity (Notes 16, 17 and 29):			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2020 and 2019	42,103	42,103	386,876
Capital surplus	34,260	34,331	314,809
Stock acquisition rights	488	598	4,484
Retained earnings	376,249	363,391	3,457,224
Treasury stock — at cost, 283 thousand shares in 2020 and 332 thousand shares in 2019	(1,550)	(1,815)	(14,250)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	407,222	418,582	3,741,823
Deferred losses on derivatives under hedge accounting	(22,168)	(5,026)	(203,697)
Land revaluation surplus (Note 12)	(132)	(105)	(1,214)
Defined retirement benefit plans	(3,735)	(3,341)	(34,324)
Total	832,737	848,719	7,651,730
Noncontrolling interests	2,249	2,215	20,667
Total equity	834,987	850,934	7,672,397
Total Liabilities and Equity	¥10,078,463	¥9,665,127	$92,607,397

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income:			
Interest income:			
Interest on loans and discounts	¥ 45,723	¥ 45,955	$ 420,134
Interest and dividends on securities	30,134	29,027	276,898
Other interest income	1,975	2,057	18,149
Trust fees	17	3	162
Fees and commissions	19,310	19,257	177,436
Other operating income (Note 18)	11,282	9,086	103,666
Other income (Note 19)	5,380	28,249	49,435
Total income	113,823	133,637	1,045,883
Expenses:			
Interest expenses:			
Interest on deposits	4,943	4,651	45,425
Interest on borrowed money	637	479	5,862
Other interest expenses	3,175	4,237	29,180
Fees and commissions	7,497	7,177	68,892
Other operating expenses (Note 20)	5,925	6,024	54,447
General and administrative expenses	58,363	60,629	536,280
Other expenses (Note 21)	4,593	5,496	42,205
Total expenses	85,137	88,696	782,293
Income Before Income Taxes	28,686	44,940	263,589
Income Taxes (Note 24):			
Current	7,321	14,111	67,276
Deferred	890	(938)	8,184
Net Income	20,474	31,767	188,129
Net Income Attributable to Noncontrolling Interests	90	86	832
Net Income Attributable to Owners of the Parent	¥ 20,383	¥ 31,681	$ 187,297

	Yen		U.S. dollars
	2020	2019	2020
Per Share Information (Notes 2. r and 29):			
Basic net income	¥269.81	¥419.57	$2.47
Diluted net income	269.41	418.78	2.47
Cash dividends applicable to the year	60.00	100.00	0.55

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net Income	¥ 20,474	¥ 31,767	$ 188,129
Other Comprehensive Losses (Note 27):	(28,949)	(108,749)	(266,004)
Unrealized losses on available-for-sale securities	(11,413)	(105,082)	(104,873)
Deferred losses on derivatives under hedge accounting	(17,141)	(3,643)	(157,510)
Defined retirement benefit plans	(393)	(22)	(3,620)
Comprehensive Losses	¥ (8,475)	¥ (76,981)	$ (77,875)
Total Comprehensive (Losses) Income Attributable to:			
Owners of the parent	¥ (8,512)	¥ (76,952)	$ (78,219)
Noncontrolling interests	37	(28)	344

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2020

	Thousands	Millions of yen											
							Accumulated other comprehensive income						
	Outstanding number of shares of common stock*	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at April 1, 2018	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
Reversal of revaluation reserve for land					92						92		92
Net change in the year				87			(104,967)	(3,643)	(92)	(22)	(108,639)	(31)	(108,671)
Balance at March 31, 2019	75,508	42,103	34,331	598	363,391	(1,815)	418,582	(5,026)	(105)	(3,341)	848,719	2,215	850,934
Net income attributable to owners of the parent					20,383						20,383		20,383
Cash dividends, ¥100.00 per share*					(7,552)						(7,552)		(7,552)
Purchases of treasury stock	(0)					(3)					(3)		(3)
Disposals of treasury stock	49		(71)			267					196		196
Reversal of revaluation reserve for land					26						26		26
Net change in the year				(110)			(11,360)	(17,141)	(26)	(393)	(29,033)	34	(28,999)
Balance at March 31, 2020	**75,556**	**¥42,103**	**¥34,260**	**¥ 488**	**¥376,249**	**¥(1,550)**	**¥ 407,222**	**¥(22,168)**	**¥(132)**	**¥(3,735)**	**¥ 832,737**	**¥2,249**	**¥ 834,987**

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at March 31, 2019	$386,876	$315,462	$ 5,499	$3,339,078	$(16,683)	$3,846,209	$ (46,187)	$ (969)	$(30,704)	$7,798,581	$20,353	$7,818,935
Net income attributable to owners of the parent				187,297						187,297		187,297
Cash dividends, $0.91 per share*				(69,395)						(69,395)		(69,395)
Purchases of treasury stock					(28)					(28)		(28)
Disposals of treasury stock		(652)			2,461					1,808		1,808
Reversal of revaluation reserve for land				244						244		244
Net change in the year			(1,015)			(104,385)	(157,510)	(244)	(3,620)	(266,776)	313	(266,463)
Balance at March 31, 2020	**$386,876**	**$314,809**	**$ 4,484**	**$3,457,224**	**$(14,250)**	**$3,741,823**	**$(203,697)**	**$(1,214)**	**$(34,324)**	**$7,651,730**	**$20,667**	**$7,672,397**

* Cash dividends, ¥40.00 ($0.36) per share are special dividends.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Operating Activities:			
Income before income taxes	¥ 28,686	¥ 44,940	$ 263,589
Depreciation	3,695	4,204	33,959
Losses on impairment of long-lived assets	131		1,207
Equity in (earning) loss of an affiliated company	(15)	5	(141)
(Decrease) increase in allowance for possible loan losses	(561)	995	(5,158)
(Decrease) increase in liability for employees' retirement benefits	(255)	29	(2,349)
(Decrease) increase in liability for reimbursement of deposit losses	(189)	417	(1,736)
Increase (decrease) in liability for contingent losses	77	(44)	708
Interest income	(77,833)	(77,039)	(715,182)
Interest expense	8,757	9,368	80,468
Gains on securities	(4,949)	(25,239)	(45,474)
Gains on money held in trust	(69)	(77)	(640)
Foreign exchange losses (gains)	4,447	(3,218)	40,863
Losses on sales of fixed assets	414	243	3,805
Net increase in trading securities	(51)	(20)	(472)
Net increase in loans	(338,965)	(213,107)	(3,114,631)
Net increase in deposits	30,599	207,455	281,169
Net (decrease) increase in negotiable certificates of deposit	(62,293)	23,905	(572,391)
Net increase (decrease) in borrowed money (excluding subordinated loans)	14,772	(36,198)	135,739
Net increase in due from banks (excluding due from Bank of Japan)	(6,085)	(22,673)	(55,915)
Net decrease (increase) in call loans and bills bought	4,761	(49,927)	43,747
Net increase (decrease) in call money	437,629	(16,570)	4,021,216
Net (decrease) increase in payables under securities lending transactions	(12,716)	138,981	(116,850)
Net decrease (increase) in foreign exchanges (assets)	32,536	(21,923)	298,968
Net increase in foreign exchanges (liabilities)	18	3	168
Net increase in lease receivables and investment assets	(1,786)	(561)	(16,413)
Net increase in borrowed money from trust account	2,660	517	24,445
Interest and dividends received (cash basis)	80,130	79,181	736,293
Interest paid (cash basis)	(9,588)	(8,457)	(88,107)
Other, net	(2,270)	(5,408)	(20,862)
Subtotal	131,686	29,780	1,210,021
Income taxes — paid	(16,306)	(5,063)	(149,837)
Net cash provided by operating activities	115,379	24,716	1,060,183
Investing Activities:			
Purchases of securities	(687,310)	(754,449)	(6,315,452)
Proceeds from sales of securities	238,835	411,494	2,194,570
Proceeds from redemption of securities	474,652	377,320	4,361,416
Decrease in money held in trust	17,074	18,033	156,895
Purchases of tangible fixed assets	(2,067)	(2,489)	(18,996)
Proceeds from sales of tangible fixed assets	0	907	0
Purchases of intangible fixed assets	(892)	(1,285)	(8,202)
Other, net	(118)	(32)	(1,089)
Net cash provided by investing activities	40,173	49,499	369,142
Financing Activities:			
Repayments of subordinated loans		(16,000)	
Dividends paid by the Bank	(7,552)	(4,530)	(69,395)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(3)	(30)
Net cash used in financing activities	(7,555)	(20,533)	(69,425)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	1	(13)
Net Increase in Cash and Cash Equivalents	147,996	53,683	1,359,886
Cash and Cash Equivalents at Beginning of Year	898,633	844,950	8,257,220
Cash and Cash Equivalents at End of Year (Note 3)	¥1,046,629	¥ 898,633	$ 9,617,106

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2020

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 2019 consolidated financial statements to conform to the classifications used in 2020.

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 2020 and 2019 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollar.

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 ¥108.83 to $1, the approximate rate of exchange at March 31, 2020. 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, 2020 include the accounts of the Bank and its 7 (8 in 2019) 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 2019) affiliated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries 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 statement 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 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 mainly with the expected losses in the next 1 or 3 years. The expected losses are determined by the loss rate which is based on the average rate of historical loan loss experience for the past 1 or 3 years, and considers the long-term perspective. To this amount, certain adjustments are then made to reflect the possibility of future credit losses.

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 calculate 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*

Lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

Lessor

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

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.

s. *New Accounting Pronouncements*

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued in July 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued in July 2019)
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued in July 2019)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued in March 2020)

(1) Summary

ASBJ developed and issued "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter, "Fair Value Measurement Standard etc.") to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards.

Fair Value Measurement Standard etc. is applied to the fair value of financial instruments as defined in the "Accounting Standard for Financial Instruments."

(2) Effective date

The Group expects to apply the new standards and guidance effective from the beginning of the year ending March 31, 2022.

(3) Effects of application of the standards and guidance

The Group is in the process of measuring the effects of applying the new standards and guidance.

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued in March 2020)

(1) Summary

ASBJ's basic policy for developing accounting standards for Disclosure of Accounting Estimates is that each company shall determine the specific disclosure content in light of their disclosure purpose by showing their principle and the purpose of disclosure, rather than expanding the individual note.

The purpose of this standard is to disclose information about this fiscal year's accounting estimates that have risks to have a significant impact on financial statements of the next fiscal year, as the assistance in understanding financial statements.

(2) Effective date

The Group expects to apply the new standard effective from the end of the year ending March 31, 2021.

t. *Additional Information*

• Coronavirus Disease 2019 ("COVID-19")

The emergence of COVID-19 during 2020 has had a significant impact on financial markets and assets globally, with broader economic and social disruption now evident and anticipated to continue in the near-term. The impact of COVID-19 has affected credit risks and factored into the determination of allowance for possible loan losses, specifically considering modified debtor classification of specific debtors based on the most recent information about the debtors.

The assumption is uncertain, so losses are subject to increases or decreases depending on COVID-19's pandemic situations or impacts on the economy.

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, 2020 and 2019, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Cash and due from banks	**¥1,085,260**	¥931,179	**$9,972,074**
Due from banks, excluding due from Bank of Japan	**(38,631)**	(32,545)	**(354,968)**
Cash and cash equivalents	**¥1,046,629**	¥898,633	**$9,617,106**

4. Securities

Securities at March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Japanese government bonds	**¥ 383,285**	¥ 509,855	**$ 3,521,873**
Japanese local government bonds	**695,463**	638,549	**6,390,363**
Japanese corporate bonds	**716,893**	684,308	**6,587,282**
Japanese corporate stocks	**735,328**	746,695	**6,756,670**
Other securities	**336,131**	338,025	**3,088,592**
Total	**¥2,867,102**	¥2,917,433	**$26,344,782**

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥2,515 million ($23,117 thousand) and ¥1,531 million as of March 31, 2020 and 2019, respectively.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥35,586 million ($326,987 thousand) and ¥10,327 million for the years ended March 31, 2020 and 2019, respectively.

Held-to-maturity debt securities at March 31, 2020 and 2019 were as follows:

	Millions of yen									
	2020					2019				
	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	¥2,510	¥ 8	¥ 8		¥2,501	¥2,515	¥13	¥13	
Japanese corporate bonds	2,505	2,508	2	2		2,507	2,513	6	6	
Japanese bonds — total	¥5,006	¥5,018	¥11	¥11		¥5,009	¥5,029	¥20	¥20	

	Thousands of U.S. dollars				
	2020				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	$22,981	$23,063	$ 82	$ 82	
Japanese corporate bonds	23,023	23,050	27	27	
Japanese bonds — total	$46,004	$46,114	$110	$110	

The cost and aggregate fair value of available-for-sale securities at March 31, 2020 and 2019 were as follows:

	Millions of yen									
	2020					2019				
	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	¥ 163,653	¥ 731,971	¥568,318	¥573,356	¥ 5,037	¥ 168,471	¥ 743,375	¥574,903	¥577,468	¥2,565
Japanese government bonds	378,693	383,285	4,591	5,954	1,362	499,931	509,855	9,923	9,932	9
Japanese local government bonds	688,821	692,962	4,140	4,822	682	628,470	636,047	7,577	7,598	21
Japanese corporate bonds	712,614	714,388	1,773	2,733	959	677,108	681,800	4,691	4,880	188
Japanese bonds — total	1,780,130	1,790,635	10,505	13,510	3,004	1,805,510	1,827,703	22,192	22,412	219
Foreign bonds	173,412	196,566	23,153	24,210	1,056	170,943	174,410	3,466	4,124	657
Other	146,331	129,339	(16,992)	2,111	19,103	157,390	157,823	433	4,907	4,474
Other — total	319,744	325,906	6,161	26,321	20,159	328,333	332,233	3,900	9,032	5,131
Total	¥2,263,527	¥2,848,513	¥584,986	¥613,188	¥28,202	¥2,302,315	¥2,903,312	¥600,996	¥608,913	¥7,916

	Thousands of U.S. dollars				
	2020				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,503,751	$ 6,725,827	$5,222,075	$5,268,366	$ 46,290
Japanese government bonds	3,479,683	3,521,873	42,189	54,709	12,520
Japanese local government bonds	6,329,335	6,367,381	38,045	44,316	6,270
Japanese corporate bonds	6,547,960	6,564,259	16,299	25,119	8,819
Japanese bonds — total	16,356,979	16,453,514	96,534	124,145	27,610
Foreign bonds	1,593,425	1,806,177	212,752	222,460	9,708
Other	1,344,591	1,188,456	(156,134)	19,397	175,531
Other — total	2,938,016	2,994,634	56,617	241,858	185,240
Total	$20,798,747	$26,173,976	$5,375,228	$5,634,370	$259,141

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2020 and 2019.

Available-for-sale securities sold during the fiscal years were as follows:

	Millions of yen					
	2020			2019		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:						
Equity securities	¥ 8,228	¥2,693	¥ 754	¥ 46,779	¥25,091	¥1,377
Debt securities	124,387	1,037	16	247,652	594	42
Other securities	109,293	3,874	1,072	118,285	2,217	1,242
Total	¥241,909	¥7,605	¥1,843	¥412,717	¥27,903	¥2,663

	Thousands of U.S. dollars		
	2020		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 75,607	$24,751	$ 6,930
Debt securities	1,142,953	9,529	154
Other securities	1,004,261	35,604	9,858
Total	$2,222,822	$69,884	$16,943

The classification of securities has not changed in the years ended March 31, 2020 and 2019.

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 total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥819 million ($7,534 thousand) for the year ended March 31, 2020. The devaluation of available-for-sale securities did not occur for the year ended March 31, 2019.

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.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) 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 issuers 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

(1) Money held in trust classified as trading:

	Millions of yen				Thousands of U.S. dollars	
	2020		2019		2020	
	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	¥13,068		¥30,074		$120,082	

(2) No money held in trust was classified as held-to-maturity at March 31, 2020 and 2019.

(3) 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, 2020 and 2019.

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
	2020	2019	2020
Net unrealized gains on available-for-sale securities	¥ 584,986	¥ 600,996	$ 5,375,228
Deferred tax liabilities	(177,541)	(182,138)	(1,631,364)
Other	(54)	(54)	(503)
Net unrealized gains on valuation (before adjustment)	407,389	418,803	3,743,360
Noncontrolling interests	(167)	(220)	(1,536)
Net unrealized gains on valuation	¥ 407,222	¥ 418,582	$ 3,741,823

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Bills discounted	¥ 18,824	¥ 24,338	$ 172,968
Loans on bills	93,352	92,579	857,780
Loans on deeds	5,109,138	4,876,397	46,946,050
Overdrafts	597,040	486,074	5,485,990
Total	¥5,818,355	¥5,479,390	$53,462,790

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 ¥19,957 million ($183,385 thousand) and ¥24,988 million at March 31, 2020 and 2019, respectively.

Loans and bills discounted at March 31, 2020 and 2019, included the following loans:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans in legal bankruptcy	¥ 4,193	¥ 4,112	$ 38,535
Nonaccrual loans	61,380	65,228	564,003
Restructured loans	1,274	6,434	11,708
Total	¥66,848	¥75,775	$614,248

Loans in legal bankruptcy are nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law and exclude the portion written off as bad debts. For those loans, the interest accrual is discontinued, 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.

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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets:			
Due from foreign correspondents	¥8,469	¥41,303	$77,821
Foreign bills of exchange purchased	1,133	650	10,417
Foreign bills of exchange receivable	390	576	3,590
Total	¥9,993	¥42,530	$91,829
Liabilities:			
Foreign bills of exchange sold	¥ 210	¥ 171	$ 1,933
Accrued foreign bills of exchange	21	42	201
Total	¥ 232	¥ 214	$ 2,135

9. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2020 and 2019, amounted to ¥83,676 million ($768,870 thousand) and ¥81,887 million, respectively.

10. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Securities	¥522,918	¥526,691	$4,804,906

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deposits	¥ 35,885	¥ 14,590	$ 329,736
Call money		5,549	
Payables under securities lending transactions	429,624	442,341	3,947,668
Borrowed money	72,386	57,503	665,129

In addition, securities totaling ¥380,457 million ($3,495,885 thousand) and ¥371,031 million at March 31, 2020 and 2019, 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
	2020	2019	2020
Cash collateral paid for financial instruments	¥71,617	¥46,381	$658,063
Surety deposits	1,728	1,740	15,881

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, 2020 and 2019, such commitments amounted to ¥1,528,976 million ($14,049,217 thousand) and ¥1,547,702 million, respectively, of which ¥1,441,839 million ($13,248,550 thousand) and ¥1,460,630 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 where the Group can reject the application from customers or reduce the contract amounts where economic conditions change, such as when there is a deterioration in the customer's creditworthiness, or when such other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, upon 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, 2020 and 2019, 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, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current deposits	¥ 356,778	¥ 341,485	$ 3,278,306
Ordinary deposits	4,216,424	3,967,482	38,743,214
Savings deposits	84,313	84,467	774,730
Deposits at notice	11,879	23,884	109,155
Time deposits	2,199,720	2,365,198	20,212,442
Other deposits	247,915	303,912	2,278,003
Subtotal	7,117,030	7,086,430	65,395,852
Negotiable certificates of deposit	881,765	944,059	8,102,232
Total	¥7,998,796	¥8,030,490	$73,498,085

14. Borrowed Money

Borrowed money at March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Borrowing from banks and other	¥72,716	¥57,943	$668,161
Total	¥72,716	¥57,943	$668,161

At March 31, 2020 and 2019, the weighted-average interest rates applicable to borrowed money were 0.77% and 1.33%, respectively.

Annual maturities of borrowed money at March 31, 2020, were as follows:

	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	2020	2020
2021	¥72,626	$667,334
2022	60	551
2023	20	183
2024	10	91
2025		
2026 and thereafter		
Total	¥72,716	$668,161

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 ¥39,910 million ($366,722 thousand) and ¥30,574 million as of March 31, 2020 and 2019, respectively.

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 ¥86 million ($792 thousand) and ¥92 million for the years ended March 31, 2020 and 2019, respectively.

The stock options outstanding as of March 31, 2020, 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
2019 Stock Option	7 directors and 10 executive officers of the Bank	21,220 shares	July 30, 2019	¥1 ($0.01)	From July 31, 2019, to July 30, 2049

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 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option
Year Ended March 31, 2019											
Non-vested											
March 31, 2018 — Outstanding										15,900	
Granted											17,520
Canceled											
Vested										15,900	
March 31, 2019 — Outstanding											17,520
Vested											
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	

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 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option	2019 Stock option
Year Ended March 31, 2020												
Non-vested												
March 31, 2019 — Outstanding											17,520	
Granted												21,220
Canceled												
Vested											17,520	
March 31, 2020 — Outstanding												21,220
Vested												
March 31, 2019 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	9,840	22,540	15,580		
Vested											17,520	
Exercised	3,480	4,520	5,020	5,140	6,880	6,320	5,200	1,960	4,360	2,940	3,200	
Canceled												
March 31, 2020 — Outstanding	2,940	3,820	6,420	6,580	8,760	8,460	7,900	7,880	18,180	12,640	14,320	
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)	¥1 ($0.01)
Average stock price at exercise	¥4,269 ($39.23)	¥4,268 ($39.22)	¥4,268 ($39.22)	¥4,268 ($39.22)	¥4,261 ($39.15)	¥4,259 ($39.13)	¥4,258 ($39.13)	¥4,227 ($38.84)	¥4,230 ($38.87)	¥4,231 ($38.88)	¥4,233 ($38.90)	
Fair value price at grant date	¥4,890 ($44.93)	¥4,025 ($36.98)	¥3,430 ($31.52)	¥3,390 ($31.15)	¥2,630 ($24.17)	¥3,810 ($35.01)	¥4,510 ($41.44)	¥7,195 ($66.11)	¥3,295 ($30.28)	¥5,225 ($48.01)	¥5,450 ($50.08)	¥3,917 ($35.99)

"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 2020 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	36.6%
Estimated remaining outstanding period:	Three years and three months
Estimated dividend:	¥100 per share
Risk free interest rate:	(0.23)%

18. Other Operating Income

Other operating income for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gains on foreign exchange transactions — net	¥ 493	¥ 640	$ 4,536
Gains on trading securities	1,020	1,108	9,378
Gains on sales of bonds	4,398	2,285	40,411
Lease receipts	4,625	4,454	42,501
Other	744	596	6,838
Total	¥11,282	¥9,086	$103,666

19. Other Income

Other income for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Recovery of loans previously charged off	¥ 1	¥ 6	$ 13
Gains on sales of stocks and other securities	3,212	25,617	29,518
Gains on invests in money held in trust	120	147	1,107
Gains on sales of tangible fixed assets	0	97	0
Equity in earning of an affiliated company	15		141
Other	2,030	2,380	18,653
Total	¥5,380	¥28,249	$49,435

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Losses on sales of bonds	¥ 772	¥1,285	$ 7,100
Lease costs	4,032	3,904	37,052
Other	1,120	833	10,295
Total	¥5,925	¥6,024	$54,447

21. Other Expenses

Other expenses for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Provision for allowance for possible loan losses	¥1,119	¥1,815	$10,285
Charge-off claims	27	52	251
Losses on sales of stocks and other securities	1,071	1,377	9,843
Losses on devaluation of stocks and other securities	819	0	7,525
Losses on invests in money held in trust	50	70	466
Losses on sales of tangible fixed assets	414	341	3,806
Losses on impairment of long-lived assets	131		1,207
Equity in loss of an affiliated company		5	
Other	959	1,834	8,818
Total	¥4,593	¥5,496	$42,205

22. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥ 195	¥ 245	$ 1,796
Due after one year	1,513	1,750	13,906
Total	¥1,708	¥1,996	$15,702

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gross leased investment assets	¥13,717	¥11,710	$126,044
Estimated residual values	5	6	53
Unearned interest income	(1,219)	(1,110)	(11,208)
Leased investment assets	¥12,503	¥10,605	$114,888

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
Year Ending March 31	2020	2020	2020	2020
2021	¥106	$ 976	¥ 4,042	$ 37,143
2022	81	747	3,341	30,704
2023	41	379	2,694	24,756
2024	28	261	1,929	17,726
2025	10	95	1,092	10,036
2026 and thereafter	6	61	617	5,676
Total	¥274	$2,519	¥13,717	$126,044

The minimum future rentals to be received under noncancelable operating leases at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥5	¥14	$45
Due after one year	1	3	12
Total	¥6	¥18	$58

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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥56,062	¥55,307	$515,141
Current service cost	2,189	2,124	20,114
Interest cost	279	276	2,571
Actuarial gains	30	286	284
Benefits paid	(1,917)	(1,933)	(17,621)
Others	1	1	13
Balance at end of year	¥56,646	¥56,062	$520,504

(2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥25,733	¥25,039	$236,457
Expected return on plan assets	514	500	4,729
Actuarial losses	(807)	(313)	(7,420)
Contributions from the employer	2,044	2,023	18,786
Benefits paid	(1,481)	(1,517)	(13,614)
Others	1	1	13
Balance at end of year	¥26,005	¥25,733	$238,951

(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, 2020 and 2019, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 11,046	¥ 45,289	$ 101,502
Plan assets	(26,005)	(25,733)	(238,951)
	(14,958)	19,555	(137,448)
Unfunded defined benefit obligation	45,599	10,773	419,001
Net liability arising from defined benefit obligation	¥ 30,641	¥ 30,329	$ 281,552

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Liability for retirement benefits	¥30,641	¥30,329	$281,552
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥30,641	¥30,329	$281,552

(4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥2,189	¥2,124	$20,114
Interest cost	279	276	2,571
Expected return on plan assets	(514)	(500)	(4,729)
Recognized actuarial gains	270	568	2,486
Net periodic benefit costs	¥2,224	¥2,468	$20,444

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial losses	¥(567)	¥(32)	$(5,218)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial gains	¥5,384	¥4,816	$49,472

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2020	2019
Debt investments	51%	47%
Equity investments	23	29
Cash and cash equivalents	11	8
Others	15	16
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, 2020 and 2019, were set forth as follows:

	2020	2019
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 ¥340 million ($3,131 thousand) and ¥359 million, respectively, for the years ended March 31, 2020 and 2019.

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% for the years ended March 31, 2020 and 2019, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for possible loan losses	¥ 6,528	¥ 6,751	$ 59,991
Liability for employees' retirement benefits	9,385	9,289	86,238
Devaluation of stocks and other securities	2,673	2,672	24,562
Depreciation	352	316	3,242
Deferred gains or losses on derivatives under hedge accounting	9,783	2,218	89,899
Other	3,362	3,930	30,899
Less valuation allowance	(3,004)	(2,932)	(27,606)
Total	¥ 29,082	¥22,246	$ 267,226
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥177,541	¥182,138	$1,631,364
Other	59	61	548
Total	¥177,601	¥182,199	$1,631,912
Net deferred tax assets	¥ 1,215	¥ 1,271	$ 11,170
Net deferred tax liabilities	¥149,734	¥161,224	$1,375,857

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2020, was as follows:

	2020
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes	0.2
Income not taxable for income tax purposes	(3.1)
Per capita inhabitant tax	0.3
Increase in valuation allowance for deferred tax assets	0.2
Others	0.4
Actual effective tax rate	28.6%

A reconciliation for the year ended March 31, 2019, 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

(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 a result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, 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, 2020. 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 hedge 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 non-performing 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 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 Bank's 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, 2020 and 2019 was ¥41.5 billion ($381 million) and ¥48.8 billion.

VaR by risk type at March 31, 2020 and 2019, was as follows:

	Billions of yen		Millions of U.S. dollars
	2020	2019	2020
Interest rate fluctuation risk	¥20.1	¥31.2	$184
Market price fluctuation risk (*)	21.3	17.5	195
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥41.5	¥48.8	$381

(*) 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)).

	Millions of yen		
March 31, 2020	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥1,085,260	¥1,085,260	
Securities:			
Held-to-maturity bonds	5,006	5,018	¥ 11
Available-for-sale securities	2,848,513	2,848,513	
Loans and bills discounted	5,818,355		
Allowance for possible loan losses (*1)	(21,508)		
	5,796,846	5,813,339	16,492
Total	¥9,735,628	¥9,752,132	¥16,504
Deposits (other than negotiable certificates of deposit)	¥7,117,030	¥7,117,134	¥ 104
Negotiable certificates of deposit	881,765	881,761	(4)
Call money and bills sold	447,618	447,618	
Payables under securities lending transactions	429,624	429,624	
Total	¥8,876,039	¥8,876,139	¥ 99
Derivatives (*2):			
Hedge accounting not applied	¥ 232	¥ 232	
Hedge accounting applied	(32,126)	(32,126)	
Total	¥ (31,894)	¥ (31,894)	

	Millions of yen		
March 31, 2019	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
Total	¥9,296,822	¥9,311,971	¥15,148
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	
Total	¥8,472,831	¥8,473,065	¥ 233
Derivatives (*2):			
Hedge accounting not applied	¥ 469	¥ 469	
Hedge accounting applied	(7,607)	(7,607)	
Total	¥ (7,138)	¥ (7,138)	

	Thousands of U.S. dollars		
March 31, 2020	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	$ 9,972,074	$ 9,972,074	
Securities:			
Held-to-maturity bonds	46,004	46,114	$ 110
Available-for-sale securities	26,173,976	26,173,976	
Loans and bills discounted	53,462,790		
Allowance for possible loan losses (*1)	(197,633)		
	53,265,156	53,416,697	151,540
Total	$89,457,211	$89,608,862	$151,650
Deposits (other than negotiable certificates of deposit)	$65,395,852	$65,396,810	$ 957
Negotiable certificates of deposit	8,102,232	8,102,189	(42)
Call money and bills sold	4,113,002	4,113,002	
Payables under securities lending transactions	3,947,668	3,947,668	
Total	$81,558,756	$81,559,671	$ 915
Derivatives (*2):			
Hedge accountings not applied	$ 2,133	$ 2,133	
Hedge accountings applied	(295,196)	(295,196)	
Total	$ (293,062)	$ (293,062)	

(*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. For deposits with maturity, the carrying amount is presented as the fair value, because of their short maturities (within one year).

Call loans and bills bought

The carrying amount approximates fair value 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, 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, 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 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.

Call money and bills sold and payables under securities lending transactions

The terms of all liabilities are short (within one year) and therefore carrying value approximates fair values.

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
	2020	2019	2020
Non-listed stocks (*1) (*2)	¥ 3,356	¥3,320	$ 30,842
Investments in venture funds (*3)	10,225	5,791	93,958
Total	¥13,582	¥9,112	$124,801

(*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 ($1 thousand) and ¥0 million were recorded for the years ended March 31, 2020 and 2019, respectively.

(*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

	Millions of yen					
March 31, 2020	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	¥1,006,660					
Securities:						
Held-to-maturity bonds	500	¥ 2,000	¥ 1,000	¥ 1,500		
Available-for-sale	248,087	462,849	409,887	198,777	¥271,146	¥ 359,038
Loans and bills discounted (*)	1,298,337	976,191	818,005	685,119	670,671	1,291,748
Total	¥2,553,586	¥1,441,041	¥1,228,893	¥885,396	¥941,818	¥1,650,787

	Millions of yen					
March 31, 2019	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
Total	¥2,327,718	¥1,443,541	¥1,146,465	¥769,632	¥1,067,589	¥1,460,706

March 31, 2020	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	$ 9,249,846					
Securities:						
Held-to-maturity bonds	4,594	$ 18,377	$ 9,188	$ 13,782		
Available-for-sale	2,279,588	4,252,961	3,766,309	1,826,493	$2,491,472	$ 3,299,074
Loans and bills discounted (*)	11,929,960	8,969,874	7,516,364	6,295,315	6,162,561	11,869,420
Total	$23,463,990	$13,241,213	$11,291,862	$8,135,592	$8,654,033	$15,168,494

(*) At March 31, 2020 and 2019, loans and bills discounted of ¥65,574 million ($602,539 thousand) and ¥69,340 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, 2020 and 2019, loans and bills discounted of ¥12,706 million ($116,753 thousand) and ¥13,602 million, respectively, that did not have fixed maturities were not included as well.

(d) Maturity analysis for interest bearing liabilities

March 31, 2020	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)	¥6,738,532	¥351,821	¥26,676			
Negotiable certificates of deposit	881,765					
Call money and bills sold	447,618					
Payables under securities lending transactions	429,624					
Total	¥8,497,541	¥351,821	¥26,676			

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					
Total	¥8,007,913	¥438,850	¥26,067			

March 31, 2020	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)	$61,917,970	$3,232,765	$245,116			
Negotiable certificates of deposit	8,102,232					
Call money and bills sold	4,113,002					
Payables under securities lending transactions	3,947,668					
Total	$78,080,874	$3,232,765	$245,116			

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

26. Derivatives

The contractual amounts of swap agreements, 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			
	2020			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥28,406	¥22,096	¥ 681	¥ 681
Receive floating and pay fixed	28,406	22,096	(385)	(385)
Total			¥ 295	¥ 295

	Millions of yen			
	2019			
	Contractual amount	Contractual amount 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)
Total			¥ 314	¥ 314

	Thousands of U.S. dollars			
	2020			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$261,020	$203,033	$ 6,261	$ 6,261
Receive floating and pay fixed	261,020	203,033	(3,541)	(3,541)
Total			$ 2,719	$ 2,719

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.

(2) Currency-related transactions

	Millions of yen 2020 Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥70,738	¥ 1,596	¥(480)	¥(480)
Bought	74,083	1,159	435	435
Currency options:				
Sold	¥38,683	¥16,467	¥(647)	¥ 311
Bought	38,683	16,467	647	(63)
Total			¥ (45)	¥ 203

	Millions of yen 2019 Contractual amount	Contractual amount 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)
Total			¥ 154	¥ 455

	Thousands of U.S. dollars 2020 Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$649,991	$ 14,670	$(4,411)	$(4,411)
Bought	680,730	10,649	3,997	3,997
Currency options:				
Sold	$355,446	$151,317	$(5,954)	$ 2,865
Bought	355,446	151,317	5,954	(585)
Total			$ (414)	$ 1,865

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.

(3) Stock-related transactions

	Millions of yen 2020 Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Stock index options:				
Sold	¥1,008		¥(18)	¥0
Bought				
Total			¥(18)	¥0

	Thousands of U.S. dollars 2020 Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Stock index options:				
Sold	$9,262		$(172)	$7
Bought				
Total			$(172)	$7

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 closing prices in Osaka Exchange.
3. There were no stock-related transactions for the year ended March 31, 2019.

(4) Other

	Millions of yen 2020 Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	¥7,930		¥(87)	
Bought	7,930		87	
Total			¥ 0	

	Thousands of U.S. dollars 2020 Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	$72,865		$(802)	
Bought	72,865		802	
Total			$ 0	

Notes: 1. The fair values of the above derivatives were principally based on carrying amount considered terms and other elements of derivatives.
2. There were no transactions for the year ended March 31, 2019.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related transactions

	Millions of yen 2020 Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥144,049	¥114,049	¥(32,076)

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

	Thousands of U.S. dollars 2020 Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$1,323,620	$1,047,961	$(294,742)

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 discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans, available-for-sale securities which are not classified as held-to-maturity debt securities, and time deposits.

(2) Currency-related transactions

	Millions of yen		
	2020		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	**¥31,905**	**¥10,139**	**¥(49)**

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

	Thousands of U.S. dollars		
	2020		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	**$293,172**	**$93,172**	**$(453)**

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 Losses

The components of other comprehensive loss for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrealized losses on available-for-sale securities:			
Losses arising during the year	**¥(11,068)**	¥(125,961)	**$(101,706)**
Reclassification adjustments to profit or loss	**(4,941)**	(25,239)	**(45,406)**
Amount before income tax effect	**(16,010)**	(151,201)	**(147,113)**
Income tax effect	**(4,596)**	(46,118)	**(42,239)**
Total	**(11,413)**	(105,082)	**(104,873)**
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	**(26,595)**	(7,242)	**(244,377)**
Reclassification adjustments to profit or loss	**1,888**	1,990	**17,351**
Amount before income tax effect	**(24,707)**	(5,252)	**(227,025)**
Income tax effect	**(7,565)**	(1,608)	**(69,515)**
Total	**(17,141)**	(3,643)	**(157,510)**
Defined retirement benefit plans:			
Losses arising during the year	**(838)**	(600)	**(7,705)**
Reclassification adjustments to profit or loss	**270**	568	**2,486**
Amount before income tax effect	**(567)**	(32)	**(5,218)**
Income tax effect	**(173)**	(9)	**(1,597)**
Total	**(393)**	(22)	**(3,620)**
Total other comprehensive losses	**¥(28,949)**	¥(108,749)	**$(266,004)**

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 separately 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				
	2020				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 102,949	¥10,874	¥ 113,823		¥ 113,823
Intersegment	964	1,589	2,554	¥ (2,554)	
Total	¥ 103,913	¥12,464	¥ 116,377	¥ (2,554)	¥ 113,823
Segment profit (Note 3)	¥ 26,634	¥ 2,613	¥ 29,247	¥(15)	¥ 29,232
Segment assets (Note 4)	10,065,875	61,268	10,127,143	(48,680)	10,078,463
Segment liabilities (Note 5)	9,245,547	32,758	9,278,306	(34,830)	9,243,476
Other:					
Depreciation	3,579	115	3,695		3,695
Interest income (Note 3)	77,762	130	77,892	(58)	77,833
Interest expense (Note 3)	8,752	50	8,802	(45)	8,757
Equity in earning of an affiliated company		15	15		15
Investments in an affiliated company accounted by equity method		85	85		85
Increase in tangible and intangible fixed assets	2,872	87	2,960		2,960

	Millions of yen				
	2019				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
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

	Thousands of U.S. dollars				
	2020				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 945,962	$ 99,921	$ 1,045,883		$ 1,045,883
Intersegment	8,862	14,607	23,469	$ (23,469)	
Total	$ 954,824	$114,528	$ 1,069,353	$ (23,469)	$ 1,045,883
Segment profit (Note 3)	$ 244,732	$ 24,010	$ 268,743	$ (140)	$ 268,603
Segment assets (Note 4)	92,491,734	562,974	93,054,709	(447,311)	92,607,397
Segment liabilities (Note 5)	84,954,030	301,010	85,255,041	(320,041)	84,934,999
Other:					
Depreciation	32,893	1,065	33,959		33,959
Interest income (Note 3)	714,527	1,195	715,723	(541)	715,182
Interest expense (Note 3)	80,426	460	80,886	(418)	80,468
Equity in earning of an affiliated company		141	141		141
Investments in an affiliated company accounted by equity method		789	789		789
Increase in tangible and intangible fixed assets	26,393	804	27,198		27,198

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 ¥38,565 million ($354,365 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥3,735 million ($34,324 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2020			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥47,039	¥37,745	¥29,038	¥113,823

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

	Thousands of U.S. dollars			
	2020			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$432,228	$346,828	$266,825	$1,045,883

2. Information about geographical areas
   (1) Operating income
   Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019; 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, 2020 and 2019; 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, 2020 and 2019; 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, 2020 and 2019, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2020				
Basic EPS — Net income available to common shareholders	¥20,383	75,545	¥269.81	$2.47
Effect of dilutive securities — stock acquisition rights		114		
Diluted EPS — Net income for computation	¥20,383	75,659	¥269.41	$2.47
For the year ended March 31, 2019				
Basic EPS — Net income available to common shareholders	¥31,681	75,508	¥419.57	
Effect of dilutive securities — stock acquisition rights		142		
Diluted EPS — Net income for computation	¥31,681	75,651	¥418.78	

30. Subsequent Events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2020, was approved at the Bank's general meeting of shareholders held on June 26, 2020:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.27) per share	¥2,266	$20,827

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20 Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

Opinion

We have audited the consolidated financial statements of The Bank of Kyoto, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2020

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets:			
Cash and due from banks	¥ 1,081,281	¥ 928,913	$ 9,935,514
Call loans	92,130	96,078	846,555
Monetary claims bought	7,922	8,272	72,794
Trading securities	196	145	1,809
Money held in trust	13,068	30,074	120,082
Securities	2,870,856	2,921,059	26,379,271
Loans and bills discounted	5,828,449	5,487,531	53,555,536
Foreign exchanges	9,993	42,530	91,829
Other assets	88,612	58,929	814,230
Tangible fixed assets:	75,328	76,288	692,168
Buildings	27,027	28,149	248,345
Land	43,359	43,484	398,416
Construction in progress	1,066	156	9,798
Other tangible fixed assets	3,875	4,498	35,606
Intangible fixed assets:	2,774	2,930	25,490
Software	2,475	2,629	22,742
Other intangible fixed assets	299	301	2,748
Deferred tax assets	58	46	536
Customers' liabilities for acceptances and guarantees	14,577	20,786	133,950
Allowance for possible loan losses	(19,375)	(19,754)	(178,036)
Total Assets	¥10,065,875	¥9,653,833	$92,491,734
Liabilities and Equity			
Liabilities:			
Deposits	¥ 8,026,760	¥8,057,662	$73,755,031
Call money	447,618	9,989	4,113,002
Payables under securities lending transactions	429,624	442,341	3,947,668
Borrowed money	72,406	57,543	665,313
Foreign exchanges	232	214	2,135
Borrowed money from trust account	3,178	517	29,202
Other liabilities	73,171	38,098	672,351
Liability for employees' retirement benefits	25,180	25,431	231,378
Liability for reimbursement of deposit losses	564	753	5,182
Liability for contingent losses	949	872	8,721
Deferred tax liabilities	151,283	162,535	1,390,092
Acceptances and guarantees	14,577	20,786	133,950
Total Liabilities	9,245,547	8,816,744	$84,954,030
Equity:			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2020 and 2019	42,103	42,103	$386,876
Capital surplus	30,544	30,615	280,666
Stock acquisition rights	488	598	4,484
Retained earnings	363,894	352,260	3,343,695
Treasury stock — at cost, 283 thousand shares in 2020 and 332 thousand shares in 2019	(1,550)	(1,815)	(14,250)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	407,148	418,457	3,741,144
Deferred losses on derivatives under hedge accounting	(22,168)	(5,026)	(203,697)
Land revaluation surplus	(132)	(105)	(1,214)
Total equity	820,328	837,088	7,537,703
Total Liabilities and Equity	¥10,065,875	¥9,653,833	$92,491,734

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

2. 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 ¥108.83 to $1, the approximate rate of exchange at March 31, 2020.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd. Year Ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Income:			
Interest income:			
Interest on loans and discounts	¥ 45,693	¥ 45,912	$419,856
Interest and dividends on securities	30,104	29,001	276,616
Other interest income	1,964	2,054	18,054
Trust fees	17	3	162
Fees and commissions	15,828	15,936	145,442
Other operating income	4,894	2,934	44,973
Other income	5,742	28,278	52,761
Total Income	104,244	124,120	957,868
Expenses:			
Interest expenses:			
Interest on deposits	4,945	4,653	45,446
Interest on borrowed money	636	476	5,844
Other interest expenses	3,170	4,231	29,136
Fees and commissions	7,447	7,202	68,432
Other operating expenses	1,091	1,468	10,031
General and administrative expenses	55,966	58,355	514,254
Other expenses	4,565	5,521	41,954
Total Expenses	77,824	81,909	715,098
Income before Income Taxes	26,420	42,210	242,769
Income Taxes:			
Current	6,406	13,332	58,871
Deferred	853	(1,150)	7,844
Net Income	¥ 19,159	¥ 30,029	$176,053

	Yen		U.S. dollars
	2020	2019	2020
Per Share Information:			
Basic net income	¥253.62	¥397.69	$2.33
Diluted net income	253.23	396.94	2.32
Cash dividends applicable to the year	60.00	100.00	0.55

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

2. 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 ¥108.83 to $1, the approximate rate of exchange at March 31, 2020.

Corporate Profile

The Bank's Organization (As of July 1, 2020)

- General Meeting of Shareholders
  - Audit & Supervisory Board
    Audit & Supervisory Board Members
    - Audit & Supervisory Board Secretariat
  - Board of Directors
  - Executive Committee
    - Branch Strategy Head Office Secretariat
    - Corporate Planning Division
    - Innovation & Digital Strategy Division
    - Risk Management Division
    - Business Headquarters
    - Public & Regional Affairs Division
    - Business departments: Head Office Business Department, Osaka Business Department, Tokyo Business Department, Domestic branches and Sub-branches
    - Credit Examination Division
    - Treasury & Investment Division
    - International Division
      - Hong Kong Representative Office
      - Shanghai Representative Office
      - Dalian Representative Office
      - Bangkok Representative Office
    - General Secretariat
    - Human Resources & General Affairs Division
    - Kyoto Banking College
    - Business Administration Division
    - Operations Support Division
    - Systems Division
  - Internal Audit Division

Board of Directors and Audit & Supervisory Board Members (As of June 26, 2020)

President
Nobuhiro Doi

Senior Managing Directors
Hiroshi Hitomi
Masaya Anami

Managing Directors
Toshiro Iwahashi
Mikiya Yasui
Hiroyuki Hata

Directors
Norikazu Koishihara (external)
Junko Otagiri (external)
Chiho Oyabu (external)

Standing Audit & Supervisory Board Members
Yoshihiko Hamagishi
Masahiko Naka

Audit & Supervisory Board Members
Nobuaki Sato (external)
Masaki Ishibashi (external)

Managing Executive Officers
Kazuhiro Waki
Hiroshi Nishimura
Minoru Wada
Kenji Hashi

Executive Officers
Hiroyuki Ando
Hisamitsu Ito
Minako Okuno
Hiroyuki Tsuji
Kazuhito Aoki
Kenichi Uegaki
Hiroyuki Shikata
Takashi Kawasaki
Motoyoshi Tanaka
Takanori Nakajima

Corporate Data (As of March 31, 2020)

Date of Establishment
October 1, 1941

Number of Employees
3,440 (Non-consolidated)

Number of Authorized Shares
200,000,000

Number of Issued Shares
75,840,688

Capital (Paid-in)
¥42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A

S&P* Rating *Standard & Poor's.
A-

(As of May 19, 2020)

Major Shareholders (Number of shares in thousands and percentage)

The Master Trust Bank of Japan, Ltd. (trust account)	3,741	(4.95%)
Nippon Life Insurance Company	3,033	(4.01%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,584	(3.42%)
Meiji Yasuda Life Insurance Company	2,500	(3.30%)
Japan Trustee Services Bank, Ltd. (trust account)	2,275	(3.01%)
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement Business Department)	1,854	(2.45%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service)	1,637	(2.16%)
KYOCERA Corporation	1,596	(2.11%)
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust — OMRON Corporation account)	1,528	(2.02%)
Japan Trustee Services Bank, Ltd. (trust account 5)	1,437	(1.90%)

International Service Network

• Head Office International Division
700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan
Phone: +81-75-361-2211
Fax: +81-75-343-1276
SWIFT: BOKF JP JZ

• Hong Kong Representative Office
Unit 2001, 20/F., Tower 1, Admiralty Centre,
18 Harcourt Road, Hong Kong, S.A.R.,
People's Republic of China
Phone: +852-2525-0727
Fax: +852-2521-8538

• Shanghai Representative Office
18th FL, Hang Seng Bank Tower,
1000 Lujiazui Ring Road,
Pudong New Area, Shanghai,
People's Republic of China
Phone: +86-21-6841-0575
Fax: +86-21-6841-1771

• Dalian Representative Office
21F Senmao Building,
147 Zhongshan Road,
Xigang District, Dalian,
People's Republic of China
Phone: +86-411-3960-8611
Fax: +86-411-3960-8618

• Bangkok Representative Office
Unit 2104, 21st Floor,
Park Ventures Ecoplex,
57 Wireless Road, Lumpini,
Pathumwan, Bangkok 10330,
Thailand
Phone: +66-2116-3040
Fax: +66-2116-3045

Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services
Kyogin Securities Co., Ltd.	October 2016	3,000	Securities business

Bank of Kyoto

700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan

Phone: +81-75-361-2211
Fax: +81-75-343-1276
SWIFT: BOKF JP JZ

https://www.kyotobank.co.jp/

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