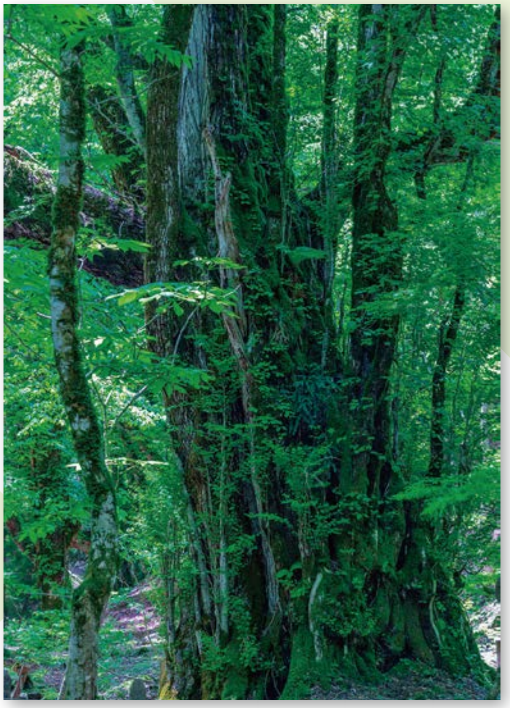
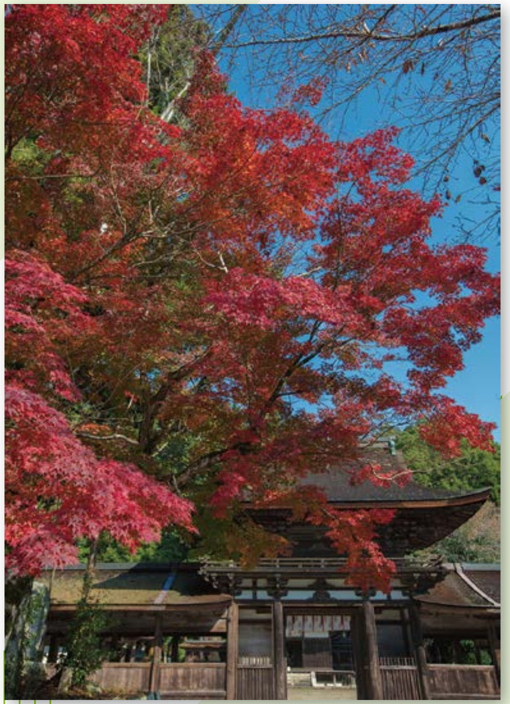
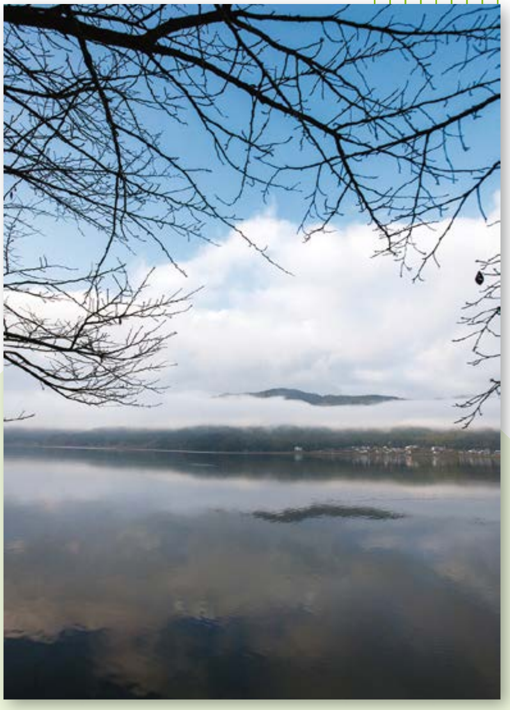
Bank of Kyoto

Annual Report 2019

For the year ended March 31, 2019





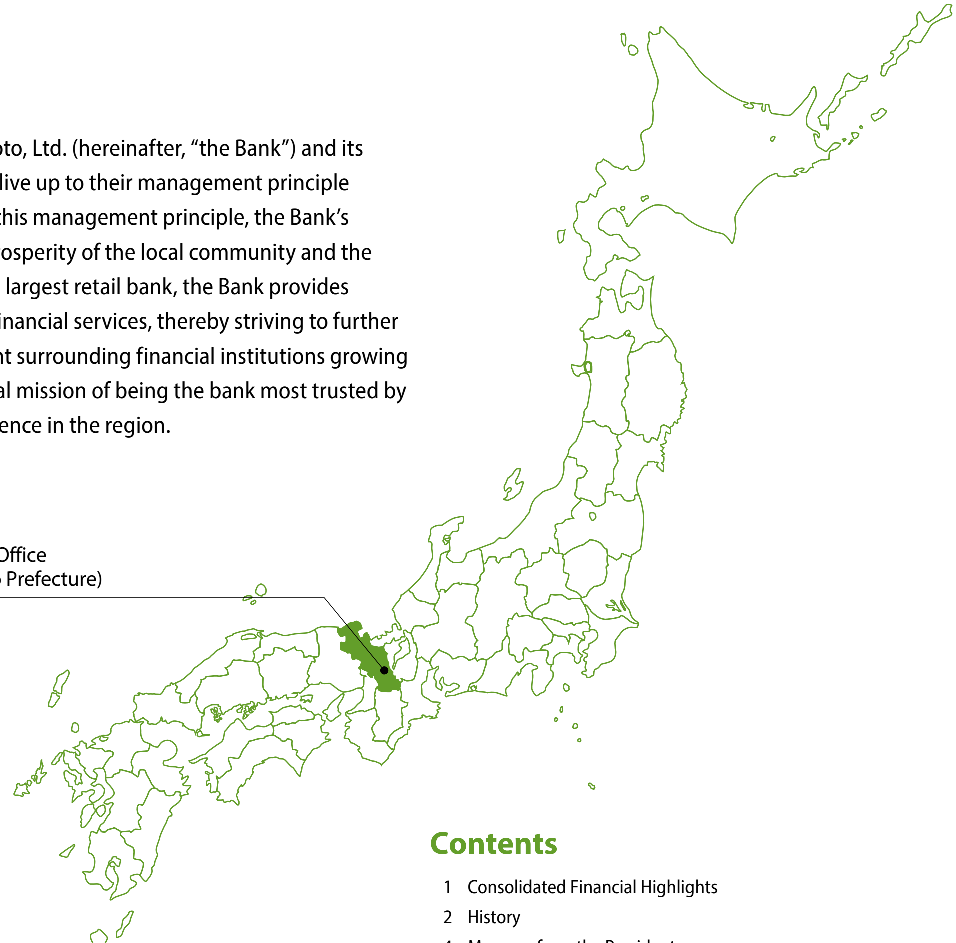


The Bank of Kyoto, Ltd.

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: ¥9,653.8 billion (8th among regional banks)	Total Deposits: ¥8,057.6 billion (7th among regional banks)
Loans and Bills Discounted: ¥5,487.5 billion (9th among regional banks)	Unrealized Gains on Securities: ¥600.3 billion (1st among regional banks)
Capital Ratio: 11.18% (domestic standards)	Credit Rating: A (R&I) A (S&P)

Contents

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

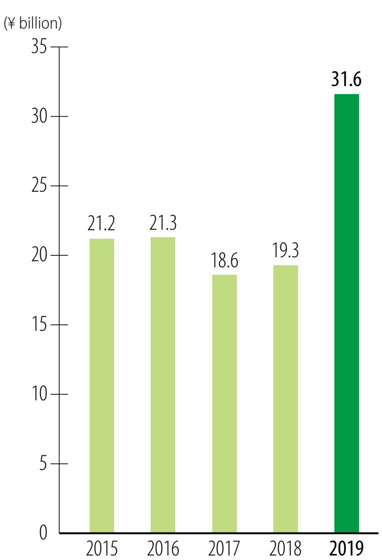
1 A weeping cherry tree in Hojo Garden, Kodaiji Temple (Higashiyama Ward, Kyoto City)
2 A large *Cercidiphyllum japonicum*, Ashiu Forest (Nantan City, Kyoto Prefecture)
3 Autumn leaves at Aburahi Shrine (Koka City, Shiga Prefecture)
4 Lake Yogo in winter (Nagahama City, Shiga Prefecture)

Consolidated Financial Highlights

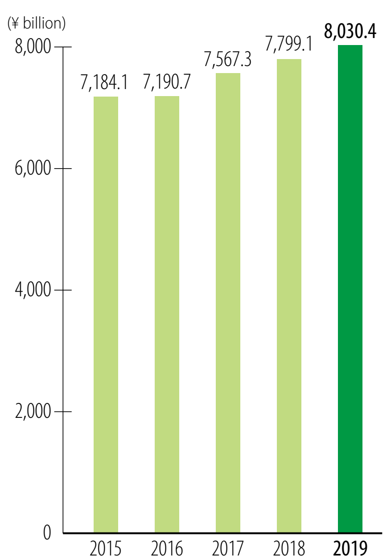
	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
For the Year				
Total Income	¥ 133,637	¥ 112,520	¥ 110,480	$ 1,204,045
Total Expenses	88,696	84,196	82,779	799,140
Income before Income Taxes	44,940	28,323	27,701	404,905
Net Income Attributable to Owners of the Parent	31,681	19,323	18,601	285,444
At Year-End				
Total Assets	¥9,665,127	¥9,478,592	¥8,899,400	$87,081,065
Deposits (including NCDs)	8,030,490	7,799,129	7,567,390	72,353,277
Loans and Bills Discounted	5,479,390	5,266,282	4,978,745	49,368,322
Securities	2,917,433	3,077,351	2,865,072	26,285,554
Noncontrolling Interests	2,215	2,246	8,687	19,957
Common Stock	42,103	42,103	42,103	379,347
Total Equity	850,934	932,365	766,294	7,666,769
Capital Ratio (Domestic Standards)	11.58%	11.39%	12.49%	

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 ¥110.99 to US$1.00, the approximate rate of exchange at March 31, 2019.
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).
4. Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

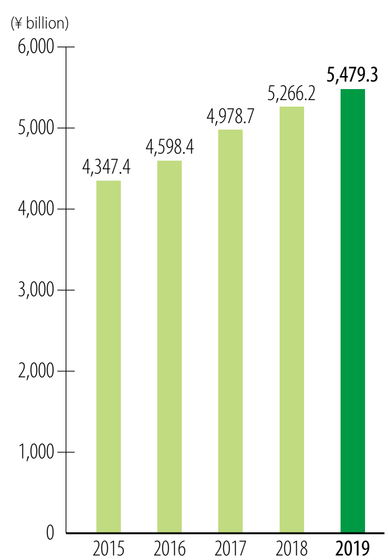
Net Income Attributable to Owners of the Parent



Deposits (including NCDs)



Loans and Bills Discounted



History

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 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."

Post-war recovery　High and stable growth

Emergence of venture companies and subsequent rapid growth

Collapse of Japan's bubble economy

Japanese financial Big Bang

1941 Established Tanwa Bank

1950 Commissioned to provide main depository service for Kyoto Prefecture

1951 Changed name to the Bank of Kyoto

1953 Relocated Head Office to Kyoto City

The Head Office after relocating to Kyoto City

1966 Completed construction of current Head Office

1973 Listed on the Kyoto Stock Exchange

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

1986 Changed designation to first sections of both exchanges

1989 Opened representative office in Hong Kong

1998 Started over-the-counter sales of investment trusts

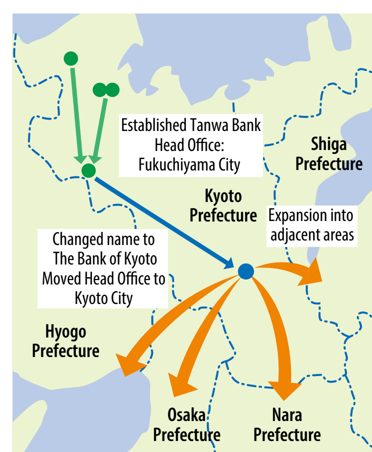
1999 The Bank recorded its first loss
Opened the Direct Banking Center

01 Establishing a Position as Locally Headquartered Bank

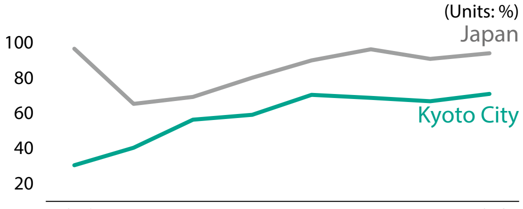
During the post-war recovery period, financial conditions in Kyoto City were extremely tight, with the bank loan-deposit ratio* significantly lower than the national average. Small and medium-sized companies were experiencing severe financial difficulties. Amid increasing calls for a locally headquartered bank to take on the role of finance facilitation for small and medium-sized companies, the Bank relocated its Head Office from Fukuchiyama City in northern Kyoto Prefecture to Kyoto City in response to requests from various sectors of the city.

Against this background, the Bank provided financial support for small and medium-sized companies throughout Kyoto Prefecture, including inside Kyoto City, and consolidated its position as a locally headquartered bank.

Around this time, a number of venture companies appeared in Kyoto that would later grow into major companies. The Bank willingly provided them with financial support through loans and investments. This multitude of companies became the Bank's important customer base while their shares that the Bank invested in and held became excellent assets forming a financial base that supported its wide area strategy later on.

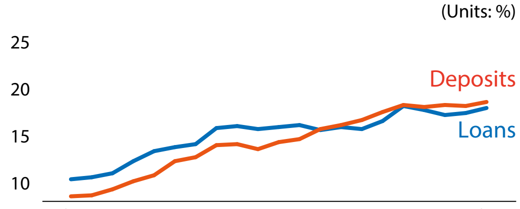


Bank Loan-Deposit Ratio* (Japan and Kyoto City)



(Created by the Bank of Kyoto from "Japanese Financial History" by the Bank of Japan)

The Bank's Market Share within Kyoto Prefecture



(Created by the Bank of Kyoto from various materials)

* An indicator showing how much of the deposits acquired by a bank are being used to provide loans. (Loans / Deposits ×100)

Globalization and reorganization of financial industry

Global financial crisis of 2008

Population decline and low growth

Digital society

Vision

A Bank That Meets Customers' Expectations

2000
Established Kusatsu Branch (Shiga Prefecture)

2001
Started agency sales of non-life insurance

2002
Started agency sales of life insurance

2004
Shifted mission critical systems to NTT DATA Regional Bank Integrated Services Center

Opened representative office in Shanghai

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

2005
Opened Net Direct Branch

2007
The Bank started credit card issuing services

2010
Established Kyoto Banking College

2011
Opened Nagoya Branch

2012
Opened representative office in Dalian

2013
Opened representative office in Bangkok

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

2014
Completed construction of Kyoto Banking College Katsuragawa Campus

2017
Kyogin Securities Co., Ltd. started operations

2018
The Bank entered the trust services business

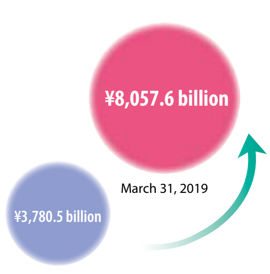
Higashinagaoka Branch

02 Growth as a Wide-Area Regional Bank

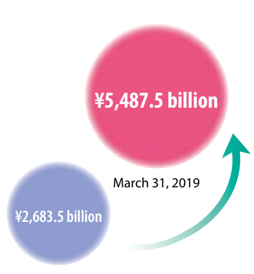
After the collapse of Japan's bubble economy, the banking industry underwent a major reorganization which also affected regional financial institutions throughout Japan. The Bank of Kyoto moved quickly to isolate non-performing loans, backed by a robust financial position, and proceeded to expand into Shiga Prefecture with the opening of Kusatsu Branch in 2000, followed by expansion into Nara and Hyogo Prefectures in addition to an existing expansion in Osaka Prefecture. In this way, the Bank proceeded with its expansion strategy of reinforcing the branch network over a wide area. To enhance its human capital in support of this strategy, the Bank focused on developing human resources. This included establishing Kyoto Banking College as in-house school, and a new training facility with advanced functions, called the "Kyoto Banking College Katsuragawa Campus." As a result of these growth strategies, the Bank steadily continued its quantitative expansion, and succeeded in increasing its earnings and strengthening its management base.

Kyoto Banking College Katsuragawa Campus

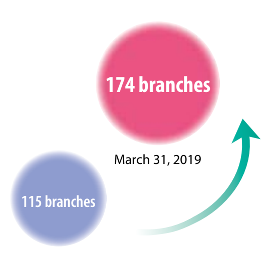
Total Deposits



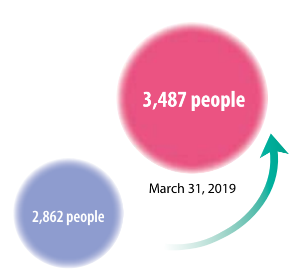
Loans



Branches



Number of Employees



Message from the President

Challenging the Status Quo of Regional Banks—Lessons from the Heisei Era

Looking back on Japan's Heisei era from the perspective of finance, two major financial events can be seen to have affected the entire economy and led to a subsequent economic downturn. The first is the problem of nonperforming loans, which sparked the collapse of Japan's bubble economy and the major reorganization of city banks and so forth. The second is the global financial crisis of 2008 that started in the United States. In both cases, financial collapses had a huge impact that extended to regional industries and economies. However, these two events served as a lesson of the Heisei era that made us reconfirm the role that finance should play in "staying close to industry and the community, and contributing to their development."

Over this time, new services spread throughout the world, enabled by technological innovation such as the rise of the internet. As we benefitted from these services, they made our lives much more convenient and changed our consumption behavior. On the other hand, in Japan a raft of different issues have emerged against a backdrop of structural change with the population simultaneously declining and growing older. These include revitalizing industries that will drive regional economies, measures for aging social infrastructure built during Japan's high-growth period, and building regional healthcare systems to support the lives of residents. Taking the necessary measures from various angles to revitalize regional economies and build sustainable cities has become an urgent task.

These dramatic changes in people's lifestyles and the environment for regional economies alone will make the Reiwa era a time for further challenging the status quo of regional banks. We need to use the diverse issues facing each of our individual and corporate customers as starting points, taking steps to provide financial services that help to solve them. We also need to focus on issues at the region-wide level and work in partnership with governments and others towards solutions. I believe it is by facing these changes in the times, continuing to meet the expectations of the region, and putting the lessons of the Heisei era into action that we will be able to continue serving our customers as their preferred bank in the new era as well.

Looking Back on the History of the Bank

In the Bank's history, we see that during the post-war recovery period, small and medium-sized companies in Kyoto City suffered from chronic financial stress, and the financial environment inevitably imposed constraints on growth. Concerned about this state of affairs, various sectors of Kyoto City requested the Bank to relocate its headquarters from Fukuchiyama City in the northern part of Kyoto Prefecture to inside Kyoto City. After relocating in response to this request, the Bank strove to facilitate financing for all manner of small and medium-sized companies located in every part of Kyoto Prefecture, including Kyoto City. In doing so, it has developed a strong presence as a locally headquartered bank.

Right about this time, a host of venture companies appeared in Kyoto, producing high-quality products with advanced technology development capabilities and unique management styles. The Bank provided willing, continuous financial support for these companies through loans and investments, and many of them went on to represent Japan as global companies. As Kyoto developed a reputation as a city of venture companies, the Bank built relationships with these ventures from their founding days, and grew together with them along their journeys. This history is an immense source of pride for the Bank whose management principle is "Serving the Prosperity of the Community."

Furthermore, the numerous shares that the Bank has invested in in the past and continued to hold have become exceptionally good assets over the years, even for a regional bank, and now provide dividend income that supports earnings and are a source of strong financial base. Through this history, the Bank has been able to accumulate the strength to continue stable management even if risk events such as economic downturns occur. Our intention is to continue to maintain and increase our financial soundness so that customers can continue to use our services with confidence over the long term.

Finance in Step with Local Industry All the Way

Initiatives to realize a sustainable society are becoming more important as a common theme for the nation. Producing firms that will drive the regional economy in the future has become the expectation of every region, with public and private entities teaming up to address the issue.

The Bank provides a range of support for ambitious entrepreneurs with great ideas, forming a pathway through a series of processes from preparing for the foundation of a company to commercializing an idea. We also offer support through various kinds of consulting for CEOs who are aiming for further business growth, such as business matching to expand sales channels, M&A and so forth, to expand the business. In particular, we are passionate in our efforts to support company foundation among venture firms, given that this field is deeply related to the Bank's historical growth journey. We have also invested in several funds, and set up our own original fund. We aim to actively continue investing, targeting a total investment of around ¥5 billion over 10 years.

Furthermore, the closure of businesses as business owners age has become a social issue facing regional economies, and is drawing more attention. The Bank has been training specialist staff in divisions concerned with business succession and is focusing on financial services aligned to business owners that involve working together to find solutions to their concerns.

This industrial promotion will not produce overnight results. However, the Bank will follow the management principle it has adhered to since its foundation and concentrate its efforts towards achieving sustainable development of the region.

Taking Steps to Provide Financial Services to Meet the Needs of Today

Outside of industry promotion, there are various initiatives that regional banks are required to approach. These include consulting services in fields of great interest to individual customers, such as savings, asset formation, and asset succession. In an age where people are expected to live to 100 and leave many cases of inheritance, this kind of consulting service is becoming more important.

The Bank started operations of Kyogin Securities Co., Ltd. in 2017 and entered the trust services business itself last year. With this structure, we can provide customers with banking, securities, and trust services all at their local branch. It represents a major step forward for us as a comprehensive financial service provider. For our customers, we hope to be able to provide detailed consultations of various kinds according to their life stages at their usual banking branch.

Meanwhile, as digital technology continues to advance with surprising speed, a growing number of customers want to do bank transactions using smartphones and so forth. To meet their needs, we have launched the "Kyogin App," which enables customers to open accounts without visiting a branch and check their balances and transaction records at any time of day. We are now working to expand the functionality of the app. Moreover, with regard to the drive towards a cashless society being promoted by the government, we are actively taking measures with a view to providing value to customers who prefer to avoid cash payments due to hassle and so forth. We are working to introduce new services, including the start of a partnership with bank-affiliated digital currency platform, "J-Coin Pay."

Through these activities, the Bank of Kyoto Group will continue striving to provide new financial services to meet the needs of today.

As the times change, so do customers' needs for financial services, and their expectations of regional banks.

The Bank of Kyoto Group will always pay attention to feedback from customers and strives to transform itself so that it can provide services in line with customers' demands.

In an era that is challenging the status quo for regional banks, we aim to steadfastly carry out our mission and role, meeting the expectations of a wide range of stakeholders while working to sustainably increase our corporate value.

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

Nobuhiro Doi

Nobuhiro Doi

President
The Bank of Kyoto, Ltd.

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	10.5 billion yen (30%)
	Spectral photometers	11.5 billion yen (44%)
	Material testing machines	12.0 billion yen (38%)
	Medical X-ray equipment	21.9 billion yen (15%)
Traditional crafts	Ready-made kimono, obi	7.2 billion yen (39%)
	Chirimen textile	3.1 billion yen (79%)
Food and beverages	Sake	62.6 billion yen (14%)

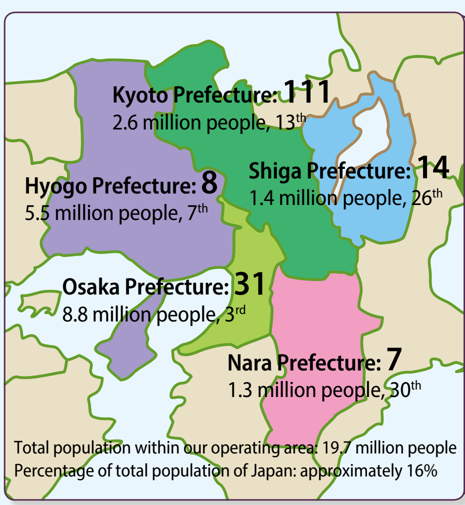
(Source)
METI: FY2017 industry statistics
(domestic market share in %)

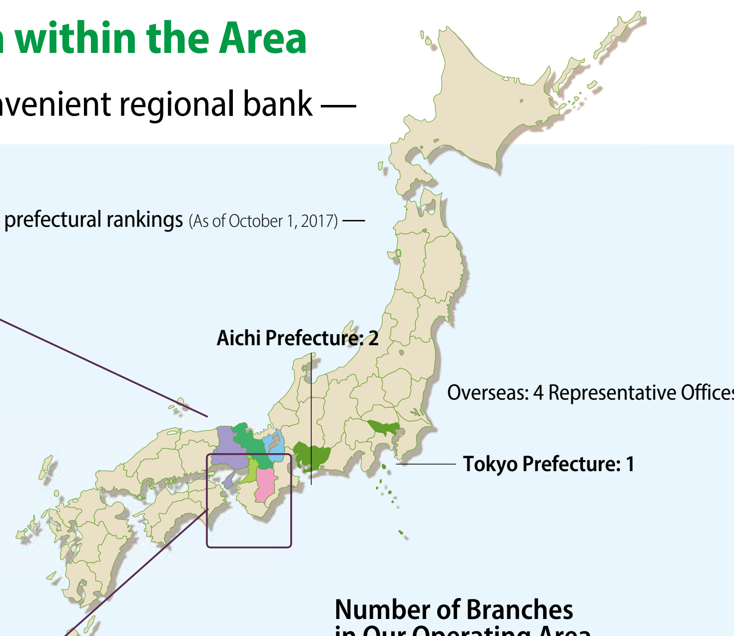
Operating Area and Population within the Area

— 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, 2017) —





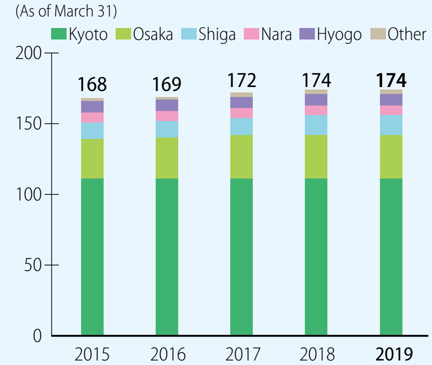
Establishment of the Kigyo Support Office and the Kyoto Keizai Center Sub-branch
The Kyoto Keizai Center is a new hub for the economy of Kyoto. We have established a Kigyo Support Office and Head Office Business Department Kyoto Keizai Center Sub-branch here to support small and medium-sized companies.

"Kigyo" means "start-up" and "company" in Japanese, so the Kigyo Support Office coordinates and cooperates with various organizations and supporting institutions to assist start-ups and the growth of companies. It serves as a support hub for budding entrepreneurs and business owners, and offers various consultation and one-stop solutions for management issues.


Third Floor, Kyoto Keizai Center

Number of Branches in Our Operating Area

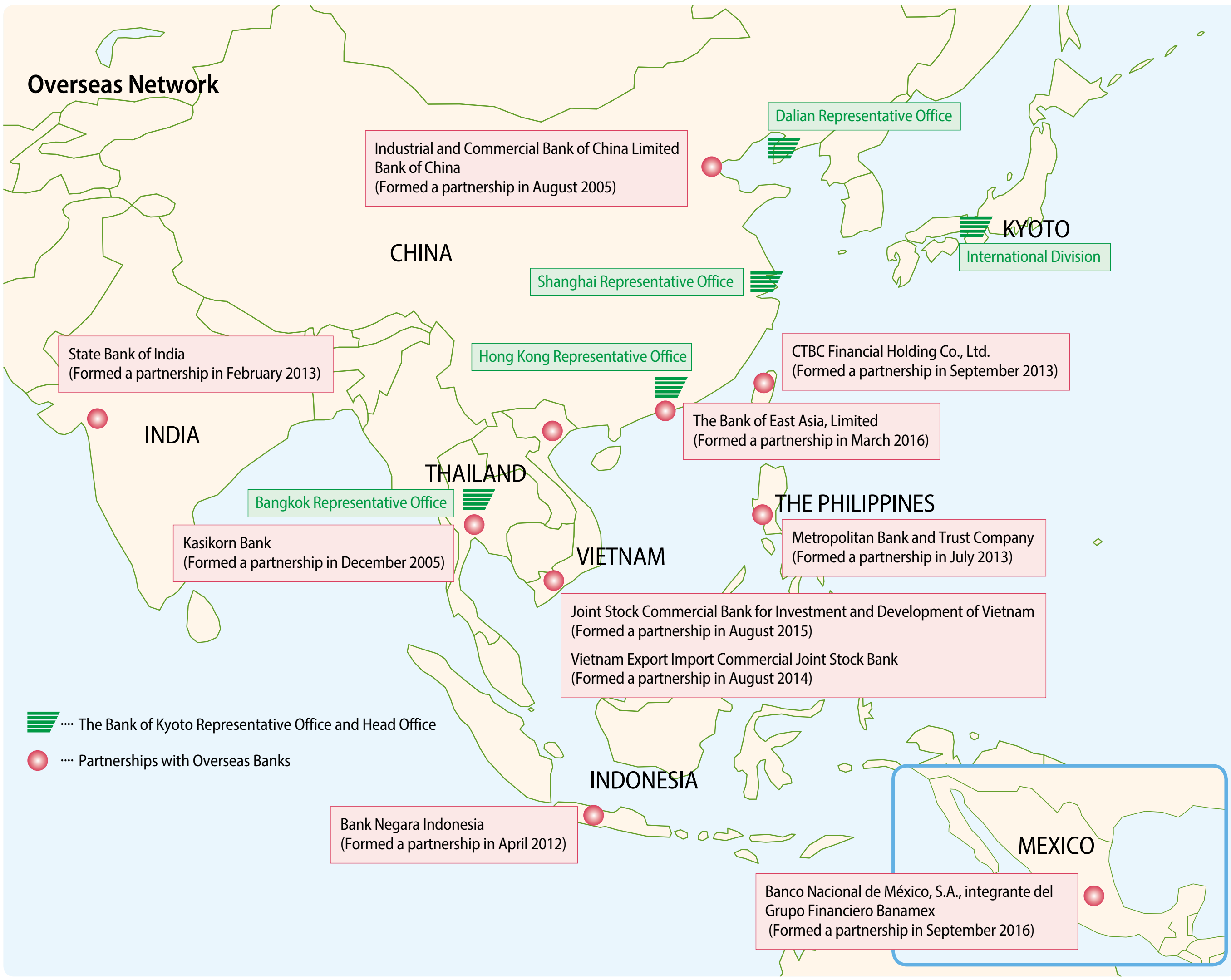
(As of March 31)



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 2018 Loans to Overseas Subsidiaries of Japanese Companies

Stand-by L/Cs Total of 22 L/Cs executed		
For China	RMB denominated	16 L/Cs
For China	USD denominated	2 L/Cs
For China	JPY denominated	1 L/C
For Taiwan	USD denominated	1 L/C
For Thailand	THB denominated	1 L/C
For U.S.	USD denominated	1 L/C

Cross-Border Loans Total of 35 loans executed		
For Taiwan	JPY denominated	3 loans
For China	JPY denominated	2 loans
For Thailand	THB denominated	16 loans
For Hong Kong	USD denominated	5 loans
For Vietnam	JPY denominated	2 loans
For Vietnam	USD denominated	1 loan
For Singapore	JPY denominated	1 loan
For Singapore	USD denominated	1 loan
For Malaysia	JPY denominated	1 loan
For U.S.	USD denominated	3 loans

6th Medium-Term Management Plan

Timely & Speedy

— Promptly Offering the Services which our Customers Need —

Since April 2017, we have been working to implement our 6th medium-term management plan "Timely & Speedy." Under the plan, we will strive to establish an unshakable position as a bank that resolutely meets customer expectations through the daily practice of providing highly satisfying services, and with the companies of the Bank of Kyoto Group we will work to make the next three years a time of substantial, robust progress.

Main Theme **Fully Leverage Consulting Capabilities: Connect**

Strategic Policies 1 *Increase contact with customers*

Face-to-face

Meet with greater numbers of customers

We will raise productivity and create ample opportunities to speak with customers, even for one minute more.

Non-face-to-face

Provide convenient services

We will increase the transactions that can be performed using a smartphone or the Internet and also allow customers who have not yet been able to make branch visits to use enhanced services.

Strategic Policies 2 *Strengthen our management foundation*

We will strengthen our management foundation, which includes human resources development, earnings power, financial soundness and other aspects, in order to continue meeting the expectations of customers into the future.

For Individual Customers

Connecting to the Future: From Parent to Child and Grandchild

- The Group will collectively provide services based on individual life plans.
- In particular, we will provide financial investment products and advice for asset formation on a comprehensive basis that also includes Kyogin Securities.

For Corporate Customers and Individual Business Owners

Connecting Customers to Each Other, to Business Growth, to Overseas, and to the Next Generation

- We will make maximum use of the Bank's broad regional branch network to provide not only financing but other services that include business matching, M&A, business succession, and support for ventures and overseas expansion.

Main Performance Targets (Final Year of Plan)

Balance of deposits + NCDs	¥8.0 trillion
Total loan balance	¥5.7 trillion
Balance of investment trusts + assets in custody of Kyogin Securities	¥500.0 billion
Net income (consolidated)	¥20.0 billion or more

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.

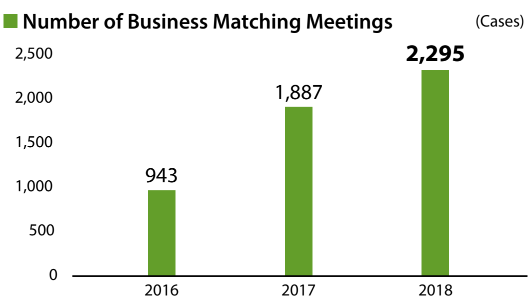
Number of Active Individual Customers	1.76	million
Number of Corporate Customers	43	thousand

Active individual customers:
Customers with financial assets of more than ¥10,000 or who have automatic debits for public utility charges

■Business Matching

We focus on business matching as an initiative that helps customers to expand their sales channels and so forth.

Leveraging the Bank's strengths in terms of its wide-ranging branch network and information network, we have increased the number of business matching meetings.



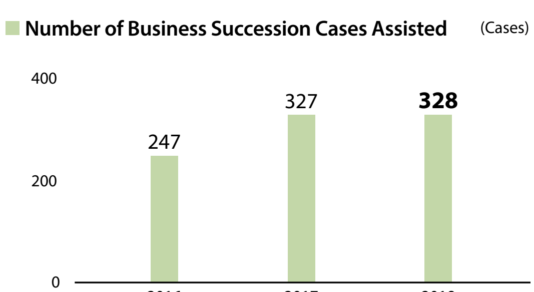
■Assisting in Business Succession and M&A

To provide support for customers concerned about business succession, in fiscal 2009 we appointed a dedicated person to propose resolution strategies and financial services according to the strategies.

Moreover, in supporting M&A, we are working not only on business succession cases, but also cases of businesses that seek overseas development or sales channel expansion.

Number of Assisted M&A (successful)

2016	17
2017	18
2018	19



■Number of Qualification Holders

To accurately respond to diversifying customer needs, we encourage the acquisition of various qualifications.

In particular, since fiscal 2017 we have been promoting the creation of the necessary consulting skill base through having employees improve themselves in working towards acquisition of Certified Financial Planner (CFP) certification, the highest financial planner qualification.

CFP	51 people	AFP	1,466 people
1st Grade Financial Planner	60 people	2nd Grade Financial Planner	2,461 people

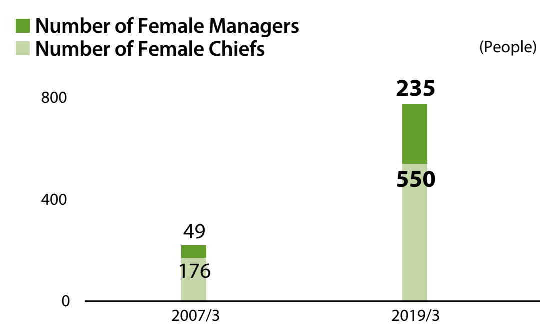
Note: Some employees have obtained both CFP/AFP certifications and Grade 1/Grade 2 Financial Planner.

■Promoting Women's Participation and Advancement

Since April 2007, the Bank has been actively working to hold programs to promote women's participation and advancement. Under the current medium-term management plan, we have increased our efforts to date on the Kirameki Career Support Program, which seeks to fully establish the conditions that make it possible for female employees to participate and advance in the workplace.

Number of Employees on Childcare Leave

2007/3	17 people
2019/3	170 people



Community-Based Finance

— Contributing to Development of the Regional Community by Solving Social Issues through Business —

The Bank has pursued its management principle of "Serving the Prosperity of the Community" and remained mindful of the development of the regional community as it conducted its corporate activities in various forms since its establishment. Amid rising social interest in the international Sustainable Development Goals (SDGs) for realizing a sustainable society, we will continue to play our role as a member of the regional community.

Sustainable Development Goals (SDGs)

The SDGs are a set of international targets to be achieved between 2016 and 2030. They are described in the 2030 Agenda for Sustainable Development, adopted by the United Nations Summit of September 2015. They comprise 17 goals and 169 targets for achieving a sustainable world, shared by the international community with a commitment to "leaving no one behind."

Becoming the Best Supporter of Communities

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

Offering Donation-Type Products

The Bank of Kyoto's donation-type loans donate part of the interest income received from customers to projects involved with regional revitalization in Kyoto, Osaka, and Shiga Prefectures. We also offer "The Bank of Kyoto Private Placement Bonds for Supporting the Future by Donating to the Children of the Next Generation," which use some of the commissions received from customers for executing private placement bonds to purchase books and supplies that will be donated to a school of the customers' choice.

Through these products, the Bank and regional customers are teaming up to help revitalize the regional economy.

Announcement of a Regional Revitalization Guidebook

We have created a Regional Revitalization Guidebook summarizing the support services provided by the Bank for regional revitalization. The guidebook is published on our website.

Supporting Financial and Economic Education

The Bank is supporting efforts to provide financial and economic education aimed at realizing an active regional society in the future by supporting the growth of children and the development of human resources who will uphold the regional economy.

We are participating in the Kyoto City Student-City experiential learning program for all fifth year elementary school students in Kyoto City municipal schools. The program has had over 120,000 participants to date, all of whom have played the part of either bank staff or bank customer at the Bank of Kyoto Booth (branch simulation) that is permanently attended by the Bank's staff.

Aiming for a Society in which Diverse People Can Actively Participate

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Promoting Work Style Reform

The Bank of Kyoto is promoting its work style reform program, "7-Up Thoughts and Acts for Improvement." This aims to improve the work productivity of all employees, thereby effectively using spare time that can be used for skills development and self-training. This will enable them to provide higher-quality financial services, while strengthening their connections with their workplace, family, and the community to lead more fulfilling lives.

In addition, we have implemented the Kirameki Career Support Program. The program seeks to fully establish the conditions that make it possible for female employees to participate and advance at the workplace.

女性が活躍しています！

2019 健康経営優良法人 Health and productivity ホワイト500

Becoming an Environmentally Friendly Bank

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

Environmental Policy (Basic Philosophy)

With our headquarters in Kyoto, which boasts more than 1,200 years of history, and operating widely in the Kinki region, a place of magnificent natural environment and precious history and culture, the Bank of Kyoto strives to achieve sustainable development together with the community in which we operate.

Passing on the rich natural environment, culture, and history of this region to the next generation is our social mission. We therefore recognize environmental issues as a management priority, and all officers and employees are actively engaging in environmental preservation.

Stage 3 Environmental Plan (FY2017–2019)

Our numerical target under the plan is to reduce the amount of electricity, gas, and gasoline we use by at least 1% every year with fiscal 2016 as the base year.

Promoting the Spread of Forest Preservation Activities and Environmental Education

Kyoto Prefecture is a heavily wooded area with forests occupying about three-quarters of its total land area. To pass on this wonderful environment to future generations, the Bank actively promotes involvement in initiatives to preserve forests.

Preservation activities in the Kyogin Fureai Forest

Our Approach to Social Contribution

At the Bank of Kyoto, "Serving the Prosperity of the Community" has been one of our management principles ever since our establishment. We have made it our business to be involved in various aspects of community work, including the development of industry and environmental issues.

Customer needs are diversifying in tandem with changing financial and social conditions. At the Bank, we are aware that the original purpose of regional financial institutions is to contribute to the development of the regional economy and society through our main line of business, which is, of course, banking. Working together with local communities, we strive to achieve ongoing development for everyone.

Further, to earn the trust and understanding of local communities, our policy is to publicly disclose the details of our activities.

Our Basic Policy on Promoting Community-Based Finance

The Bank will "Aggressively harness its consulting function to support the stable management and development of small and medium-sized companies while contributing to the revitalization of the regional economy."

Approach to Initiatives

The Bank has systems that allow us to actively demonstrate consulting capabilities in coordination with branches and head office divisions, local public organizations and external support organizations, in response to the various management issues and needs of customers.

The following three points are the pillars of our initiatives in community-based finance, through which we help local small and medium-sized companies deal with management issues, while revitalizing regional economies at the same time.

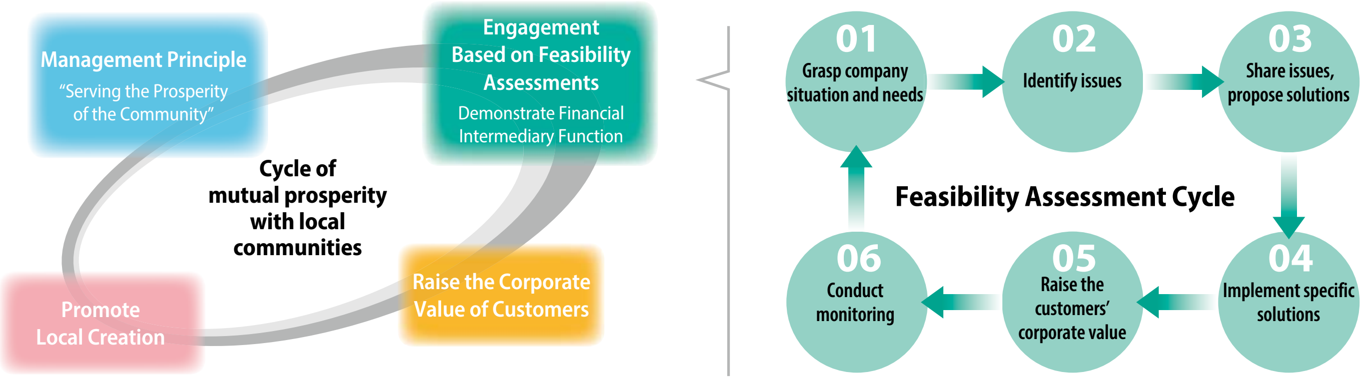
(1) Harness consulting capabilities for customers

(2) Proactively participate in regional revitalization

(3) Develop frameworks for initiatives (personnel training, performance evaluations, active information dissemination)

Promoting Feasibility Assessments

The Bank appropriately assesses the business content and growth potential of companies at various stages (feasibility assessments), and after sharing the management issues and needs that have been identified, works to propose solutions in coordination with outside institutions and support their execution. Through various training programs and other initiatives, we work to enhance the judgment and consulting skills of employees, and have systems in place for providing even higher-quality solutions, including a program for honoring exceptional initiatives called the "President's Awards for Local Creation and Feasibility Assessments."



Initiatives for Corporate Customers and Individual Business Owners

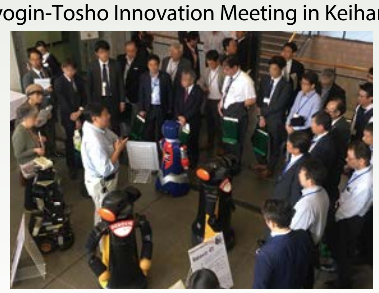
Initiatives to Provide Business Support Tailored to the Growth Stages of the Customer

Based on its "Basic Policy on Promoting Community-Based Finance" and "Policy for Facilitating Smooth Access to Finance," the Bank supports the stabilization, growth and development of its customers' management by providing in-depth support tailored to the growth stages of the customers and facilitating smooth access to finances.

For the challenges and needs of customers who are considering starting up companies or venture companies, or moving into new business fields, we are offering assistance in business matching, supplying various types of information, and providing introductions to specialists (institutions) and universities, as well as supporting through the Bank's original funds, such as Kyogin Bright Future Support Fund.

In October 2018, we leveraged our relationship with Tokyo Stock Exchange, Inc. and the Keihanna Science City to hold "Kyogin-Tosho Innovation Meeting in Keihanna," which provided a space for venture companies and listed companies to encounter one another. Many companies participated in the event.

"Kyogin-Tosho Innovation Meeting in Keihanna"

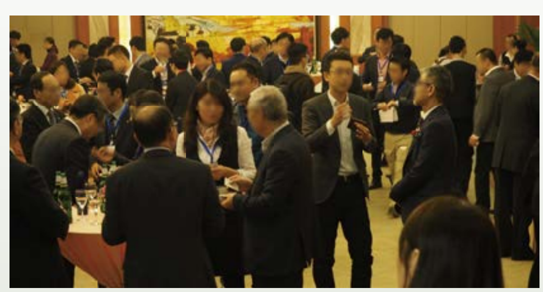


Supporting Start-Ups and Other New Businesses

Supporting Growth

Using the Bank's extensive branch and information networks, we conduct business matching and hold events to support market expansion of our customers.

"Regional Banks Food Selection 2018"



"Dalian Business Exchange Meeting"

In December 2018, we established the "Kyogin Technical Issue Consultation Desk" to strengthen our support system for customers' technical issues.

For customers considering and/or expanding their business overseas, we actively support global business by promoting advancement into overseas markets and holding business meetings to assist with offshore procurement and market expansion.

For our customers requiring management improvement and business restructuring, the Bank endeavors to increase their corporate value by helping them solve management issues.

In our initiatives for assisting with management improvement and business restructuring, we leverage our close relationships with external specialized organizations and our regional restructuring support network to proactively help customers formulate management improvement plans and offer financial support based on a cooperative framework with other financial institutions.

Initiatives to Support Restructuring via Collaboration with External Organizations

Through collaboration with external specialized organizations, such as the Small and Medium Enterprise (SME) revitalization support councils and the Regional Economy Vitalization Corporation of Japan, the Bank utilizes a variety of restructuring methods, including sponsor support for rehabilitation and debt-debt swaps (DDS), to support the efforts of customers to improve management and restructure businesses.

Utilization of Regional Restructuring Support Network

The Bank takes a unified approach with local communities to help customers restructure through its regional restructuring support network, which includes the Kyoto Restructuring Network Council and the North Kinki Small and Medium-Sized Company Support Liaison Council.

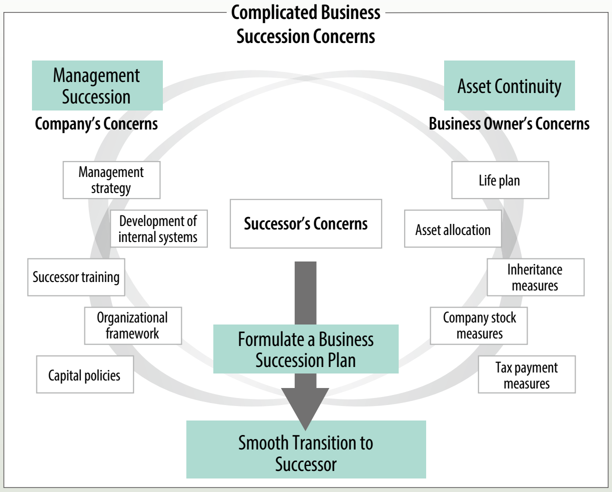
Supporting Management Improvement and Business Restructuring

Assisting in Business Succession and M&A

To support customers immersed in business succession issues, we offer initial advice on measures concerning the company's own stock and business succession, review optimal business succession schemes, and study problem-solving measures in collaboration with experts including tax accountants.

Moreover, we offer problem-solving support through the use of M&A for customers who are struggling with business continuity due to lack of successors or industry reorganization.

In our M&A initiatives, we leverage our proprietary information provision through an extensive branch network covering the five prefectures of the Kinki region, as well as Tokyo and Aichi Prefectures, and provide support in collaboration with several partners under the Regional Regeneration and Revitalization Network, a wide-spread information exchange system between regional banks. This arrangement enables us to offer proposals suitable for customers needs in terms of both quantity and quality.



Financial Review (Consolidated)

Financial and Economic Environment

During the fiscal year under review, the Japanese economy followed a moderate expansion trend overall, despite lacking strength due in part to a temporary impact from natural disasters. In this period, the corporate sector saw a marked weakness in export and production activity from around the end of the calendar year, partly due to a slowdown in the Chinese economy, although capital investment remained firm. On the other hand, consumer spending remained firm, supported by improvement in employment and income conditions, while spending by overseas tourists also trended strongly with growth in the number of visitors to Japan. Toward the end of the fiscal year, while concern grew over the slowdown in the global economy caused by trade friction between the U.S. and China, the year ended amid a growing sense of expectation for the new era.

Business Progress and Results

Consolidated ordinary income amounted to ¥133,539 million, an increase of ¥23,307 million year on year. Consolidated ordinary expenses totaled ¥88,355 million, a year-on-year increase of ¥5,053 million. As a result, consolidated ordinary profit increased ¥18,253 million year on year to ¥45,184 million. Net income attributable to owners of the parent increased ¥12,358 million to ¥31,681 million.

Earnings by segment in the banking business, the core business of the Bank of Kyoto Group, were ordinary income of ¥124,023 million, an increase of ¥22,969 million from the previous fiscal year. Segment profit was ¥42,454 million, up ¥18,116 million. In others, ordinary income was ¥12,453 million, an increase of ¥172 million, while segment profit was ¥2,743 million, a year-on-year increase of ¥130 million.

Main Accounts

Regarding main accounts, deposits amounted to ¥7,086.4 billion, an increase of ¥207.4 billion from the previous fiscal year, due to solid increases in deposits, mainly held by individuals. Negotiable certificates of deposit came to ¥944.0 billion, an increase of ¥23.9 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥231.3 billion to ¥8,030.4 billion at year-end, breaking through the ¥8 trillion level.

Turning next to loans and bills discounted, as a result of our active response to individual and corporate customers, mainly in home loans and loans to small and medium-sized enterprises, loans and bills discounted increased by ¥213.1 billion compared to the previous fiscal year to ¥5,479.3 billion.

As for securities, as a result of appropriate fund management while closely monitoring market trends, securities ended the year at ¥2,917.4 billion, a decrease of ¥159.9 billion year on year. Appraisal gains (unrealized) yielded from mark-to-market accounting decreased ¥151.2 billion year on year, reaching ¥600.9 billion at the end of the year under review.

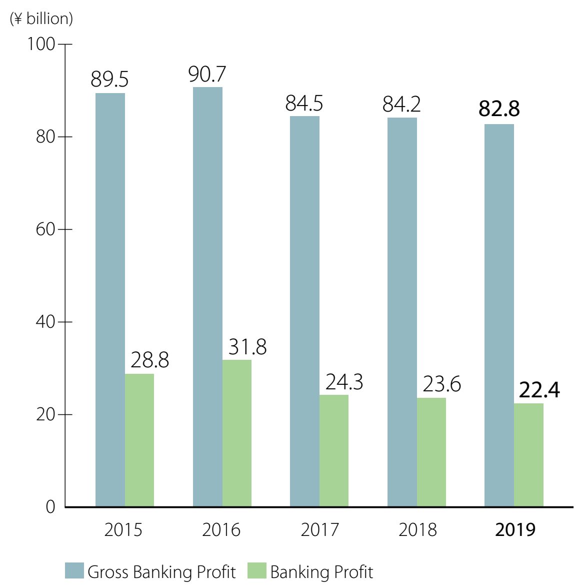
In addition, total assets ended the year at ¥9,665.1 billion, an increase of ¥186.5 billion compared with the end of the previous fiscal year. Equity stood at ¥438.0 billion, an increase of ¥27.2 billion.

Cash Flows

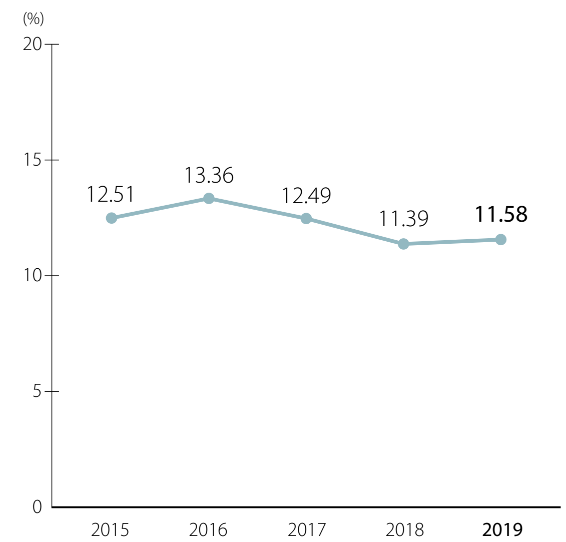
Net cash provided by operating activities during the fiscal year under review was ¥24.7 billion. Net cash provided by investing activities was ¥49.4 billion, and net cash used in financing activities was ¥20.5 billion.

As a result, the balance of cash and cash equivalents increased ¥53.6 billion year on year to ¥898.6 billion.

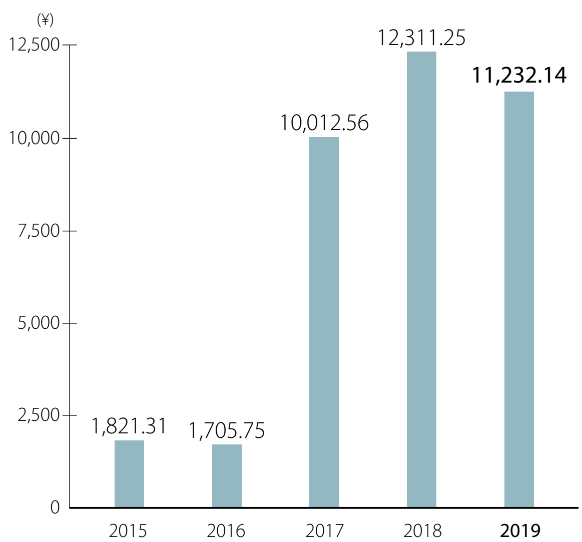
Gross Banking Profit/Banking Profit



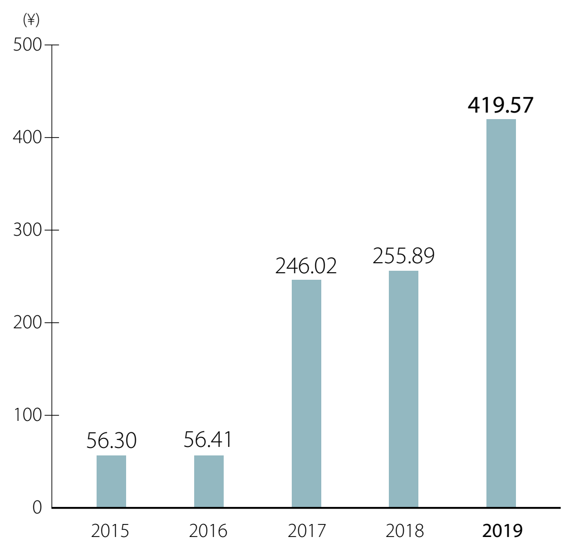
Capital Ratio (Domestic)



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 11.18% on a non-consolidated basis and 11.58% 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)	11.18%	11.58%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	19.84%	20.20%

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 2018, the Bank's total disclosed assets, excluding normal assets, amounted to ¥75.0 billion (US$675 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 47.8%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 84.5%, which we consider to be a sufficient level.

Financial Reconstruction Law Standard (Non-Consolidated)

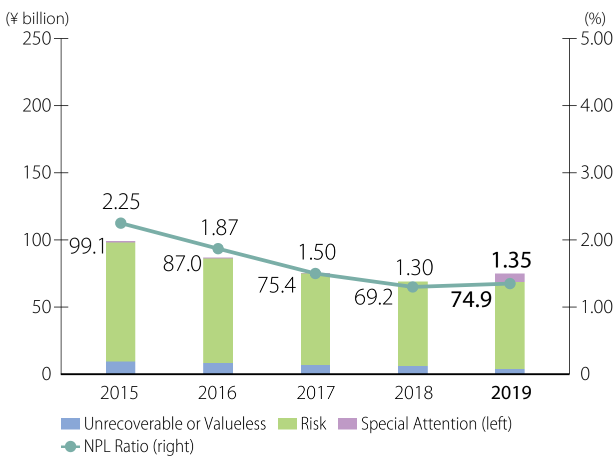
(Billions of yen)

	2019/3	Change from Mar. 31, 2018	2018/3
Unrecoverable or Valueless	¥ 7.9	¥ 1.7	¥ 6.2
Risk	60.6	(2.0)	62.6
Special Attention	6.4	6.1	0.3
Subtotal (A)	75.0	5.8	69.2
Non-Classified	5,467.3	209.5	5,257.8
Total	¥5,542.3	¥215.3	¥5,327.0

(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)

	2019/3	Change from Mar. 31, 2018	2018/3
Allowance for Possible Loan Losses (B)	¥10.6	¥ 1.7	¥ 8.9
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	52.7	(0.9)	53.6
Coverage Ratio (B)+(C)/(A)	84.5%	(5.9)%	90.4%

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)

	2019/3	Change from Mar. 31, 2018	2018/3
Loans in Legal Bankruptcy	¥ 4.1	¥ 0.2	¥ 3.9
Nonaccrual Loans	65.2	(0.5)	65.7
Accruing Loans			
Three Months or More	—	—	0.0
Restructured Loans	6.4	6.1	0.3
Total	¥ 75.7	¥ 5.6	¥ 70.1
Total Loans Outstanding (term-end balance)	¥5,479.3	¥213.1	¥5,266.2

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 two 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.

The Bank has adopted an audit & supervisory board member system in which at least half of the audit & supervisory board members are external audit & supervisory board members who have no potential conflicts of interests with general shareholders. Audit & supervisory board members attend meetings of the Board of Directors; standing audit & supervisory board members also attend meetings of the Executive Committee. Audit & supervisory board members attend these meetings to monitor decision-making processes and the execution of bank business. Internal bank rules have clearly provided that the audit & supervisory board members/Audit & Supervisory Board establish and maintain an audit environment that ensures objectivity and independence in management audits. Accordingly the current structure supports a strict audit control function.

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

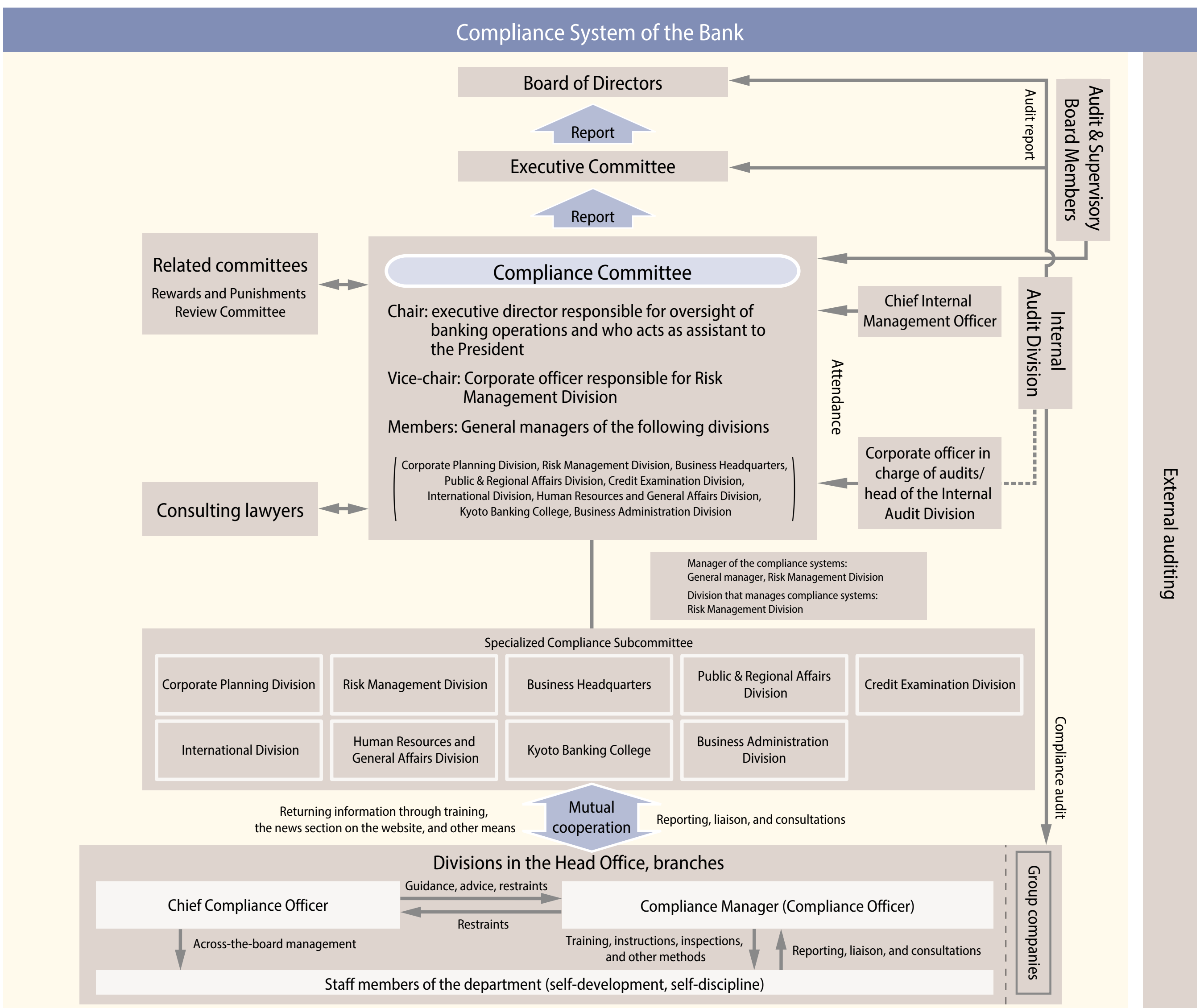
Compliance Structures

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, 2019

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.

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

With respect to the financial ADR (Alternative Dispute Resolution) 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. The designated dispute resolution organizations work to mediate resolutions to customers' complaints from a fair and neutral position in cases where customers do not accept the resolution measures proposed by the Bank.

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 following 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

The Board acknowledges AML/CFT as a critical management issue and establishes the AML/CFT framework to respond to emerging regulatory policy and any other relevant affairs in a timely and appropriate manner as an integrated organization.

2. Organizational Framework

The Director of the Risk Management Division is appointed as the Anti-Money Laundering Compliance Officer. The Risk Management Division is responsible for the implementation of AML/CFT policies and procedures in coordination with other relevant departments and business units throughout the Group.

3. Risk-Based Approach

The Group adopts a Risk-Based Approach in identifying and assessing Money Laundering/Terrorist Financing (ML/TF) risks which the Group is exposed, and in implementing the appropriate countermeasures designed to mitigate those risks.

4. Customer Due Diligence

The Group establishes Know Your Customer (KYC) procedures to understand customer attributes and receive customer verifications at the Time of Transaction in a timely and appropriate manner. The countermeasures are updated based on the results of the periodic investigation and analysis on customer transaction records.

5. Sanctions and Asset Freezing

All transactions are screened against various sanctions lists and any transactions found to involve specially designated individuals/entities will be blocked. The Group implements appropriate measures to 'freeze' accounts, funds, or other assets of designated individuals/ entities in which a targeted government or authority has an interest.

6. Reporting of Suspicious Transactions

The Group establishes procedures to ensure prompt reporting of suspicious transactions and activity detected by the bank's monitoring and screening systems and personnel to all relevant authorities.

7. Correspondent Banking Due Diligence

The Group aims to collect sufficient information related to correspondent banks in order to evaluate and implement appropriate countermeasures to mitigate any ML/TF risks presented by correspondent banking relationships. The Group and its correspondent banks are prohibited from transacting with shell banks and accounts with high anonymity.

8. Training

The Group aims to provide regular and targeted trainings to enhance bank personnel's understanding of their respective roles and responsibilities, and expertise in carrying out the Group AML/ CFT policies.

9. Monitoring and Testing

The Group aims to continually strengthen the Group AML/ CFT policies, procedures and systems through routine and comprehensive assessments conducted by the independent Internal Audit Division.

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 21.

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.

Financial Section and Corporate Profile

I Financial Section

II Corporate Profile

Consolidated Balance Sheet

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

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

See notes to consolidated financial statements.

Consolidated Statement of Income

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

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

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

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

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

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Thousands	Millions of yen											
							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, 2017 (as restated)	75,608	¥42,103	¥30,301	¥569	¥321,389	¥(1,072)	¥ 371,008	¥(1,772)	¥ (13)	¥(4,906)	¥757,607	¥ 8,687	¥ 766,294
Net income attributable to owners of the parent					19,323						19,323		19,323
Cash dividends, ¥60.00 per share*					(4,537)						(4,537)		(4,537)
Purchase of shares of consolidated subsidiaries			622								622		622
Sales of shares of consolidated subsidiaries			(154)								(154)		(154)
Increase by share exchanges	660		3,562			3,611					7,173		7,173
Purchases of treasury stock	(798)					(4,525)					(4,525)		(4,525)
Disposals of treasury stock	37				(26)	173					146		146
Net change in the year				(58)			152,542	390		1,587	154,462	(6,440)	148,022
Balance at March 31, 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
Disposal of land revaluation surplus					92						92		92
Net change in the year				87			(104,967)	(3,643)	(92)	(22)	(108,639)	(31)	(108,671)
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

	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, 2018	$379,347	$309,330	$4,606	$3,028,638	$(16,342)	$4,717,099	$(12,457)	$(118)	$(29,902)	$8,380,200	$20,243	$8,400,444
Net income attributable to owners of the parent				285,444						285,444		285,444
Cash dividends, $0.54 per share*				(40,819)						(40,819)		(40,819)
Purchases of treasury stock					(69)					(69)		(69)
Disposals of treasury stock		(7)			53					46		46
Disposal of land revaluation surplus				832						832		832
Net change in the year			786			(945,742)	(32,830)	(832)	(203)	(978,823)	(286)	(979,109)
Balance at March 31, 2019	$379,347	$309,323	$5,392	$3,274,095	$(16,358)	$3,771,357	$(45,288)	$(950)	$(30,106)	$7,646,811	$19,957	$7,666,769

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

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

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

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation of Consolidated Financial Statements

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

h. *Long-Lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective tangible fixed assets.

i. *Allowance for Possible Loan Losses* — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as legal bankruptcy or virtual bankruptcy, a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as possible bankruptcy, which are currently neither legally nor virtually bankrupt but are likely to become bankrupt, and for claims to debtors which had restructured loans, allowances are provided at the amounts deemed necessary based on an overall solvency assessment performed after deducting amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceed a pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.

For other claims, an allowance is provided based on historical loan loss experience.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. *Reserve under Special Laws* — The Reserve under special laws represents financial instruments transaction liability reserve recorded by a consolidated subsidiary as determined in accordance with the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business to provide for losses arising from security-related accidents.

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

The bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

l. *Liability for Reimbursement of Deposit Losses* — A liability for reimbursement of deposits which was derecognized as a liability is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. *Liability for Contingent Losses* — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

n. *Foreign Currency Transactions* — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

o. *Stock Options* — Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

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

Lessee

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

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

All other leases are accounted for as operating leases.

Lessor

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

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

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

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

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

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

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

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

3. Cash and Cash Equivalents

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

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

4. Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(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 debtors who require close attention because there are problems with their borrowings. "Normal" refers to issuers other than those classified as "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy" and "caution" mentioned above.

5. Money Held in Trust

(1) Money held in trust classified as trading:

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

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

(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, 2019 and 2018.

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains on available-for-sale securities	¥ 600,996	¥ 752,198	$ 5,414,870
Deferred tax liabilities	(182,138)	(228,257)	(1,641,033)
Other	(54)	(54)	(494)
Net unrealized gains on valuation (before adjustment)	418,803	523,886	3,773,342
Noncontrolling interests	(220)	(335)	(1,985)
Net unrealized gains on valuation	¥ 418,582	¥ 523,550	$ 3,771,357

7. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Bills discounted	¥ 24,338	¥ 26,605	$ 219,285
Loans on bills	92,579	99,231	834,126
Loans on deeds	4,876,397	4,694,510	43,935,463
Overdrafts	486,074	445,936	4,379,447
Total	¥5,479,390	¥5,266,282	$49,368,322

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥24,988 million ($225,141 thousand) and ¥27,497 million at March 31, 2019 and 2018, respectively.

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

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

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

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

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

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

8. Foreign Exchanges

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

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

9. Tangible Fixed Assets

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

10. Assets Pledged

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

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

Collateralized liabilities were as follows:

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

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

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

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

11. Commitment Line

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

12. Land Revaluation

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

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

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

Method of Revaluation

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

13. Deposits

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

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

14. Borrowed Money

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

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

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

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

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

15. Acceptances and Guarantees

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

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

16. Equity

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

a. Dividends

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

17. Stock Options

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

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

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

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

The stock option activity was as follows:

	2008 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
Year Ended March 31, 2018										
Non-vested										
March 31, 2017 — Outstanding									31,680	
Granted										15,900
Canceled										
Vested									31,680	
March 31, 2018 — Outstanding										15,900
Vested										
March 31, 2017 — Outstanding	8,760	11,520	15,200	15,580	20,260	18,960	16,860	13,260		
Vested									31,680	
Exercised	(2,340)	(3,180)	(3,760)	(3,860)	(4,620)	(4,180)	(3,760)	(3,180)	(8,620)	
Canceled										
March 31, 2018 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	10,080	23,060	

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

	2008 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	
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise								¥5,000 ($45.05)	¥5,000 ($45.05)	¥5,000 ($45.05)	
Fair value price at grant date	¥4,890 ($44.06)	¥4,025 ($36.26)	¥3,430 ($30.90)	¥3,390 ($30.54)	¥2,630 ($23.70)	¥3,810 ($34.33)	¥4,510 ($40.63)	¥7,195 ($64.83)	¥3,295 ($29.69)	¥5,225 ($47.08)	¥5,450 ($49.10)

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

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

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

18. Other Operating Income

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

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

19. Other Income

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

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

20. Other Operating Expense

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

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

21. Other Expenses

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

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

22. Leases

Lessee

The Group leases certain equipment.

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

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

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

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

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	2019	2019	2019	2019
2020	¥132	$1,193	¥ 3,631	$ 32,720
2021	103	932	2,936	26,459
2022	78	707	2,223	20,029
2023	38	346	1,583	14,267
2024	25	231	893	8,048
2025 and thereafter	13	122	442	3,985
Total	¥392	$3,533	¥11,710	$105,511

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

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

23. Employees' Retirement Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

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

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

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

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

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

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

24. Income Taxes

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

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

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

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

25. Financial Instruments and Related Disclosures

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

(1) Basic policy for financial instruments

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

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

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

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

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

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

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

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

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

Derivatives are classified and accounted for as follows:

① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans and currency-denominated available-for-sale securities.

③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

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

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

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

② Market risk management

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

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

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

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

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

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

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

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

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

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

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

(*) 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, 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)	

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

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

(*1) General and specific allowances for possible loan losses corresponding to "Loans and bills discounted" were deducted.
(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

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

Call loans and bills bought

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

Securities

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

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

Loans and bills discounted

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

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

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

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

Liabilities

Deposits and negotiable certificates of deposit

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

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

Payables under securities lending transactions

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

Borrowed money

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

Derivatives

Fair value information for derivatives is included in Note 26.

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

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

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

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

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

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

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

	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

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

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

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

(d) Maturity analysis for interest bearing liabilities

	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
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			

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

	Thousands of U.S. dollars					
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
Deposits (other than negotiable certificates of deposit)	$59,933,444	$3,679,168	$234,859			
Negotiable certificates of deposit	8,231,005	274,799				
Payables under securities lending transactions	3,985,418					
Total	$72,149,867	$3,953,968	$234,859			

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

26. Derivatives

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

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

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

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

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

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows or option-pricing models.

(2) Currency-related Transactions

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

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

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

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related Transactions

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

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

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

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.
2. The fair values of the above derivatives were principally based on quoted market prices, such as those from Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans and time deposits.

(2) Currency-related Transactions

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

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

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

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

27. Other Comprehensive Income

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

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

28. Segment Information

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

1. Description of reportable segments

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

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

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

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

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

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

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

	Millions of yen				
	2019				
	Reportable segment				
	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

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

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

Notes: 1. "Operating income" was presented as a substitute for sales in industries. "Operating income" did not include certain other income.
2. "Other" included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, security business, and several other businesses.
3. "Reconciliations" were eliminations of intersegment transactions.
4. "Reconciliations" were eliminations of intersegment assets.
5. "Reconciliations" were eliminations of intersegment liabilities (decrease by ¥35,870 million ($323,188 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥3,341 million ($30,106 thousand)).

Related Information

1. Information about services

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

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

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

2. Information about geographical areas

(1) Operating income

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

(2) Tangible fixed assets

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

3. Information about major customers

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

29. Net Income per Share

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

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

30. Subsequent Events

Appropriations of Retained Earnings

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

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Bank of Kyoto, Ltd. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank of Kyoto, Ltd. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their 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.

Deloitte Touche Tohmatsu LLC

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets:			
Cash and due from banks	¥ 928,913	¥ 852,672	$ 8,369,347
Call loans	96,078	47,348	865,647
Monetary claims bought	8,272	7,312	74,530
Trading securities	145	125	1,311
Money held in trust	30,074	48,033	270,969
Securities	2,921,059	3,081,118	26,318,221
Loans and bills discounted	5,487,531	5,274,185	49,441,676
Foreign exchanges	42,530	20,606	383,192
Other assets	58,929	49,400	530,941
Tangible fixed assets:	76,288	77,958	687,349
Buildings	28,149	28,617	253,622
Land	43,484	43,687	391,784
Construction in progress	156	172	1,412
Other tangible fixed assets	4,498	5,480	40,530
Intangible fixed assets:	2,930	2,845	26,406
Software	2,629	2,543	23,694
Other intangible fixed assets	301	302	2,711
Deferred tax assets	46	5	419
Customers' liabilities for acceptances and guarantees	20,786	23,961	187,278
Allowance for possible loan losses	(19,754)	(18,369)	(177,986)
Total Assets	¥9,653,833	¥9,467,206	$86,979,306
Liabilities and Equity			
Liabilities:			
Deposits	¥8,057,662	¥7,825,791	$72,598,091
Call money	9,989	26,560	90,000
Payables under securities lending transactions	442,341	303,360	3,985,418
Borrowed money	57,543	109,651	518,456
Foreign exchanges	214	210	1,928
Borrowed money from trust account	517		4,664
Other liabilities	38,098	19,755	343,256
Liability for employees' retirement benefits	25,431	25,408	229,134
Liability for reimbursement of deposit losses	753	336	6,784
Liability for contingent losses	872	916	7,856
Deferred tax liabilities	162,535	211,252	1,464,419
Acceptances and guarantees	20,786	23,961	187,278
Total Liabilities	8,816,744	8,547,204	79,437,290
Equity:			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2019 and 2018	42,103	42,103	379,347
Capital surplus	30,615	30,616	275,844
Stock acquisition rights	598	511	5,392
Retained earnings	352,260	326,668	3,173,800
Treasury stock — at cost, 332 thousand shares in 2019 and 331 thousand shares in 2018	(1,815)	(1,813)	(16,358)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	418,457	523,310	3,770,229
Deferred losses on derivatives under hedge accounting	(5,026)	(1,382)	(45,288)
Land revaluation surplus	(105)	(13)	(950)
Total equity	837,088	920,001	7,542,016
Total Liabilities and Equity	¥9,653,833	¥9,467,206	$86,979,306

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 ¥110.99 to $1, the approximate rate of exchange at March 31, 2019.

Non-Consolidated Statement of Income (Unaudited)

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Income:			
Interest income:			
Interest on loans and discounts	¥ 45,912	¥ 45,312	$ 413,661
Interest and dividends on securities	29,001	29,772	261,294
Other interest income	2,054	1,003	18,509
Trust fees	3		33
Fees and commissions	15,936	16,021	143,587
Other operating income	2,934	3,698	26,436
Other income	28,278	7,533	254,782
Total Income	124,120	103,341	1,118,304
Expenses:			
Interest expenses:			
Interest on deposits	4,653	2,800	41,928
Interest on borrowed money	476	524	4,292
Other interest expenses	4,231	2,235	38,125
Fees and commissions	7,202	7,136	64,894
Other operating expenses	1,468	4,020	13,229
General and administrative expenses	58,355	58,235	525,772
Other expenses	5,521	2,657	49,750
Total Expenses	81,909	77,610	737,994
Income before Income Taxes	42,210	25,730	380,310
Income Taxes:			
Current	13,332	4,749	120,119
Deferred	(1,150)	2,624	(10,368)
Net Income	¥30,029	¥18,356	$ 270,559

	Yen		U.S. dollars
	2019	2018	2019
Per Share Information:			
Basic net income	¥397.69	¥243.09	$3.58
Diluted net income	396.94	242.69	3.57
Cash dividends applicable to the year	100.00	60.00	0.90

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 ¥110.99 to $1, the approximate rate of exchange at March 31, 2019.

The Bank's Organization (As of July 1, 2019)

- General Meeting of Shareholders
  - Audit & Supervisory Board
    Audit & Supervisory Board Members
    - Audit & Supervisory Board Secretariat
  - Board of Directors
    - Internal Audit Division
  - Executive Committee
    - Corporate Planning Division
    - Innovation & Digital Strategy Division
    - Risk Management Division
    - Business Headquarters
    - Public & Regional Affairs Division
    - 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
    - Business departments:
      Head Office Business Department,
      Osaka Business Department,
      Tokyo Business Department,
      Domestic branches and
      Sub-branches

Board of Directors and Audit & Supervisory Board Members (As of June 27, 2019)

Chairman
Hideo Takasaki

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)

Standing Audit & Supervisory Board Members
Yoshihiko Hamagishi
Masahiko Naka

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

Managing Executive Officers
Keizo Tokomoto
Kazuhiro Waki
Hiroshi Nishimura
Minoru Wada
Kenji Hashi

Executive Officers
Masao Okuda
Hiroyuki Ando
Hisamitsu Ito
Minako Okuno
Hiroyuki Tsuji

Corporate Data (As of March 31, 2019)

Date of Establishment
October 1, 1941

Number of Employees
3,487 (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

Major Shareholders (Number of shares in thousands and percentage)

The Master Trust Bank of Japan, Ltd. (trust account)	3,214	(4.25%)
Nippon Life Insurance Company	3,033	(4.01%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,631	(3.48%)
Meiji Yasuda Life Insurance Company	2,500	(3.31%)
Japan Trustee Services Bank, Ltd. (trust account)	2,296	(3.04%)
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement Business Department)	1.630	(2.15%)
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)	1,389	(1.84%)
Sumitomo Life Insurance Company	1,318	(1.74%)

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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

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