

 **THE HACHIJUNI BANK, LTD.**  
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The Hachijuni Bank, LTD.

# 2019 Annual Report

Year ended March 31, 2019

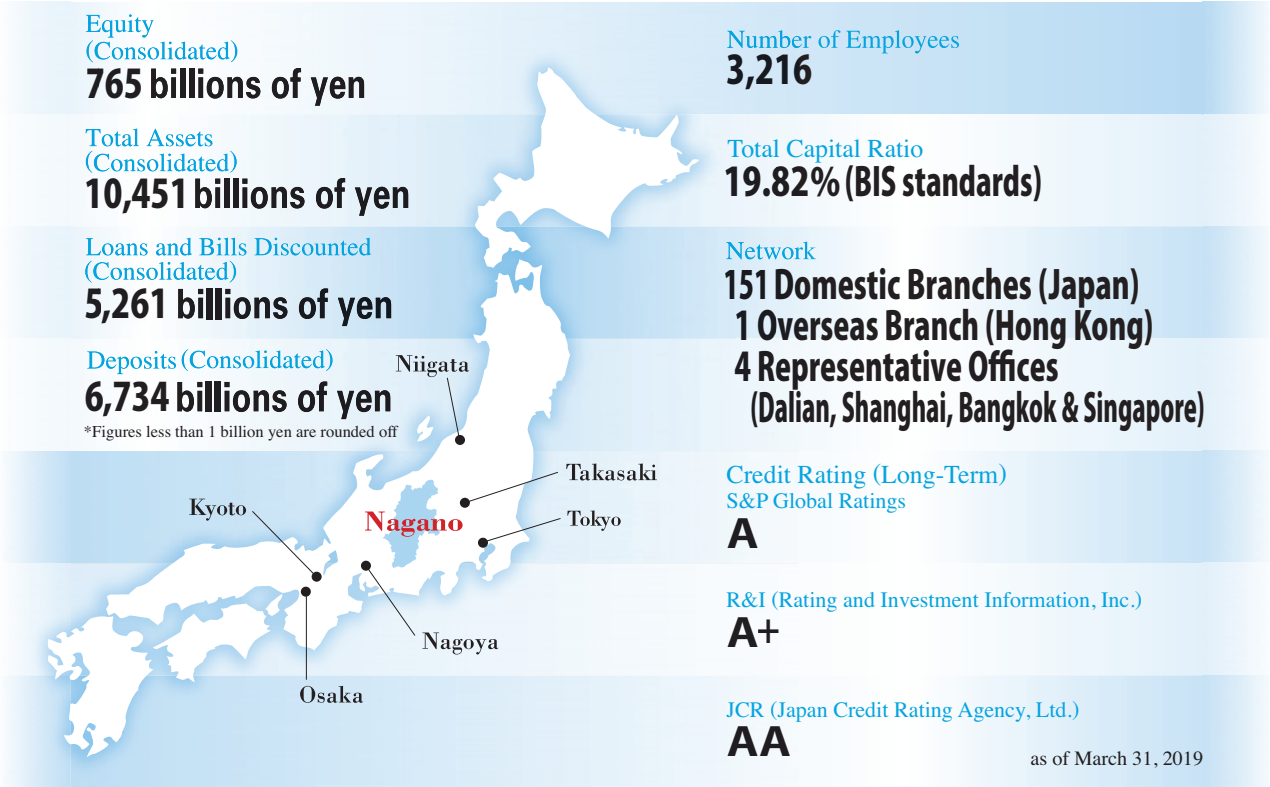


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 **八十二銀行**  
**THE HACHIJUNI BANK, LTD.**

# Corporate Outline



The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are mainly based in Nagano Prefecture, which is geographically located in the center of Japan and is well-known for its coexistence with beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni Bank has consistently maintained sound management policies, and is now playing a significant role as one of the largest regional banks in Japan.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama, Niigata and Gifu Prefectures, as well as in Tokyo, Osaka and Nagoya metropolitan areas. We also have an overseas branch in Hong Kong, as well as, the Dalian Representative Office, the Shanghai Representative Office, the Bangkok Representative Office, and the Singapore Representative Office.

## CONTENTS

2	Message from the Management	10	Major Affiliated Companies
3	Management Policies	10	Major Shareholders
4	Business Performance and Financial Standings	11	Independent Auditor's Report
5	Corporate Governance	12	Financial Section
6	Risk Management	12	Consolidated Balance Sheet
7	International Operations	13	Consolidated Statement of Income
8	Corporate Social Responsibility (CSR)	13	Consolidated Statement of Comprehensive Income
10	Board of Directors	14	Consolidated Statement of Changes in Equity
10	Audit & Supervisory Board Members	15	Consolidated Statement of Cash Flows
10	Organization	16	Notes to Consolidated Financial Statements





Yoshiyuki Yamaura  
Chairman



Shoichi Yumoto  
President

## Message from the Management

August 2019

We would like to begin by expressing our sincere gratitude for your patronage.

Since its establishment in 1931, and in tandem with the development of the regional economy, Hachijuni Bank (“the Bank”) has continued to grow and has established itself as a key financial institution within its community. This is in large part due to the long-lasting support and patronage of our shareholders, our customers, and the community, for which we are very grateful.

We have designed our “Annual Report 2019” to present, in an easy-to-understand format, our earnings results and the details of our businesses for the fiscal year ended March 31, 2019. We sincerely hope that this report will help give you a better understanding of the Bank.

The Japanese economy continued a moderate recovery in FY2018, but the pace of recovery slowed in the second half of the year due to frequent natural disasters in Japan and slowing foreign economies. Regarding the economy of Nagano Prefecture, the Bank’s main business area, although the increasing trend mainly led by production of semiconductor-related products and electrical machinery continued in the first half of the year, the trend was subdued in the second half. As for personal consumption, sales decreased year on year in some months at large-scale stores primarily due to a slump in sales of clothing.

Under such conditions, the Bank promoted its 31st Long-Term Management Plan entitled “Dare to Change; Create the Next Generation” targeting three years from FY2018 to FY2020. Looking back on the first year of the Plan, outstanding loans and outstanding deposits marked record highs and our cost reduction efforts made steady progress in operating expenses such as non-personnel expenses through the reorganization of operational sections. The Hachijuni Bank Group will work as one to provide customers comprehensive financial services of even higher quality and will continue to pursue strong profitability.

We kindly ask for your continued support and patronage in the years to come; in exchange, we will commit ourselves to doing our utmost to live up to your expectations.

Sincerely yours,

Yoshiyuki Yamaura  
Chairman

Shoichi Yumoto  
President

## Management Policies

### Management Philosophy

“Stick firmly to the sound banking principles, thereby contributing to the development of the regional community”

### Corporate Vision: “Shining at the center of Japan” – 8 “shines”

Strong trustworthiness from the people and the region of Nagano	Entirely sound, constant & steady earning power	Agreeable correspondence to the request of our customers	Business promotion from our customers’ viewpoint
High awareness of compliance	Every staff’s speedy, lively & responsible action	Trustworthy, efficient & assured operational system and condition	Advanced and confident computer system

### Long-Term Management Guideline **ROE : 5% or higher**

#### The 31<sup>st</sup> Long-Term Management Plan (April 1, 2018 ~ March 31, 2021)

#### “Dare to Change; Create the Next Generation”

- Strengthening and expansion of “face-to-face sales” in order to realize customer profits
- Expansion of investment in developing “human resources” and more opportunities for their active participation
- Reform of sales promotion structure and operational processes

#### Numerical Targets

Management Targets	Net income attributable to owners of the parent (for March 2021)	¥25 billion
	Ratio of consolidated profits to parent company’s profits (for March 2021)	1.25
	Dividend payout ratio (consolidated; annual)	Over 30%
Regional Vitality Targets	Number of new business launches (over three years)	1,000
	Number of cases through business matching (sales channel development, etc.) (over three years)	6,000
	Number of cases utilizing private placement bonds, funds, etc. (over three years)	500
	Number of business successions, M&As, and change/discontinuation of businesses (over three years)	1,000
Environmental Targets	Amount of greenhouse gas emissions reduced (for March 2021)	15% reduced (compared to fiscal 2013)
	Number of new contracts for electronic delivery services (over three years)	3,000
	Number of new contracts for and renewals to e-livret (over three years)	100,000
	Number of environmental investments and loans (over three years)	3,000

#### Challenge Targets

Target item	As of March 31, 2019	Target amount	Target achievement period
Balance of loans to SMEs	¥1,446.7 billion	¥2,000 billion	March 2028
Number of SME borrowers	26,250	30,000	March 2028
Revenue from investment type products (bank + securities)	¥5.4 billion	¥10.0 billion	March 2023
OHR (gross business profit basis)	63.1%	Under 60%	March 2023
Amount of greenhouse gas emissions reduced (compared to fiscal 2013)	14.4%	30%	By fiscal 2030

# Business Performance and Financial Standings

## Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
For the year:			
Total income	161,202	181,281	1,452,928
Total expenses	127,333	141,955	1,147,665
Income before income taxes	33,868	39,326	305,263
Net income attributable to owners of the parent	22,492	25,840	202,729
Net income per share	¥ 45.18	¥ 51.00	\$ 0.41
At year-end:			
Deposits	6,734,847	6,586,969	60,701,644
Loans and bills discounted	5,261,946	5,040,098	47,426,283
Securities	2,766,017	2,510,142	24,930,305
Total assets	10,451,533	9,309,043	94,200,396
Equity	765,509	777,068	6,899,590
Total capital ratio : <b>Basel 3 standards</b>	19.82%	20.51%	

Notes: 1. Yen figures have been rounded down to the nearest million yen.  
2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.95 to US\$1.00 on March 31, 2019.  
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

## Summary of Business Performance

### Consolidated Business Results

Ordinary profit decreased ¥7,153 million from the previous year to ¥34,354 million and net income attributable to owners of the parent decreased ¥3,348 million to ¥22,492 million.

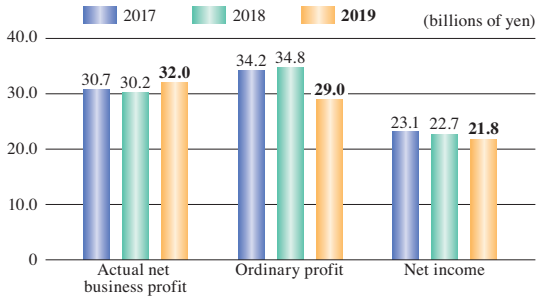
### Non-Consolidated Business Results

Ordinary income decreased ¥19,673 million from a year earlier to ¥121,046 million due mainly to decreases in gains on sales of bonds and gains on sales of stocks despite an increase in interest income, reflecting the increase of interest on loans from the previous year for the first time in 11 years.

Ordinary expenses decreased ¥13,799 million from a year earlier to ¥92,022 million due to decreases in loss on sales of bonds and operating expenses despite increases in loss on money held in trust and funding cost of foreign currencies.

As a result, ordinary profit decreased ¥5,874 million to ¥29,024 million.

Net income decreased ¥895 million to ¥21,830 million.



## Summary of Financial Standings

### Results of Consolidated Main Accounts

**Outstanding balance of deposits** increased ¥147.8 billion to ¥6,734.8 billion from a year earlier owing to increases in deposits from general corporations and from individuals.

**Outstanding balance of loans and bills discounted** increased ¥221.8 billion to ¥5,261.9 billion due to increases primarily in loans for general corporations and individuals.

**Outstanding balance of securities** increased ¥255.8 billion to ¥2,766.0 billion due mainly to increases in municipal bonds and corporate bonds.

### Results of Non-Consolidated Main Accounts

**Outstanding balance of deposits** increased ¥148.5 billion from a year earlier to ¥6,746.8 billion.

**Outstanding balance of loans and bills discounted** increased ¥222.9 billion to ¥5,310.5 billion.

**Outstanding balance of securities** increased ¥257.1 billion to ¥2,771.5 billion.

### Total Capital Ratio (Basel 3 standards)

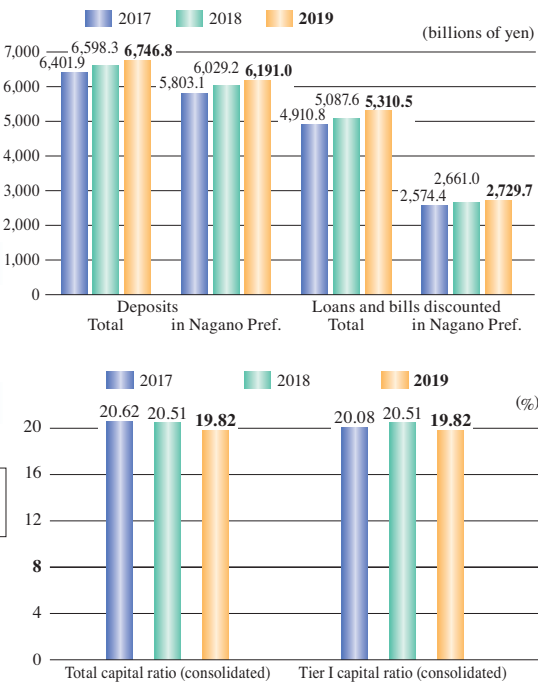
Total capital ratio was 19.82% on a consolidated basis and 19.10% on a non-consolidated basis.

### Profit Sharing

The Bank changed the dividend policy in FY2015 as follows.

Setting the lower limit of dividend per share to ¥5.0 a year, the Bank will positively provide returns to shareholders by stable dividend and purchase of own stocks.

With respect to year-end dividends, the Bank decided to pay ¥8.0 per share. As a result, annual dividends, together with the interim dividend, were ¥14.0 in total.



# Corporate Governance

## Corporate Governance Principle

- The Bank defines the Corporate Governance Principle as the basic policy which regulates all of the Bank's business activities, keeps the group's sustainability, enhances corporate value and carries out its social responsibility to realize the Bank's philosophy.
- The Corporate Governance Principle defines our basic stance toward the "customers," "shareholders," "employees," and the "regional community," as well as basic policies related to corporate governance, observation of laws, corporate ethics and disclosure of information.

## Organizational Structure

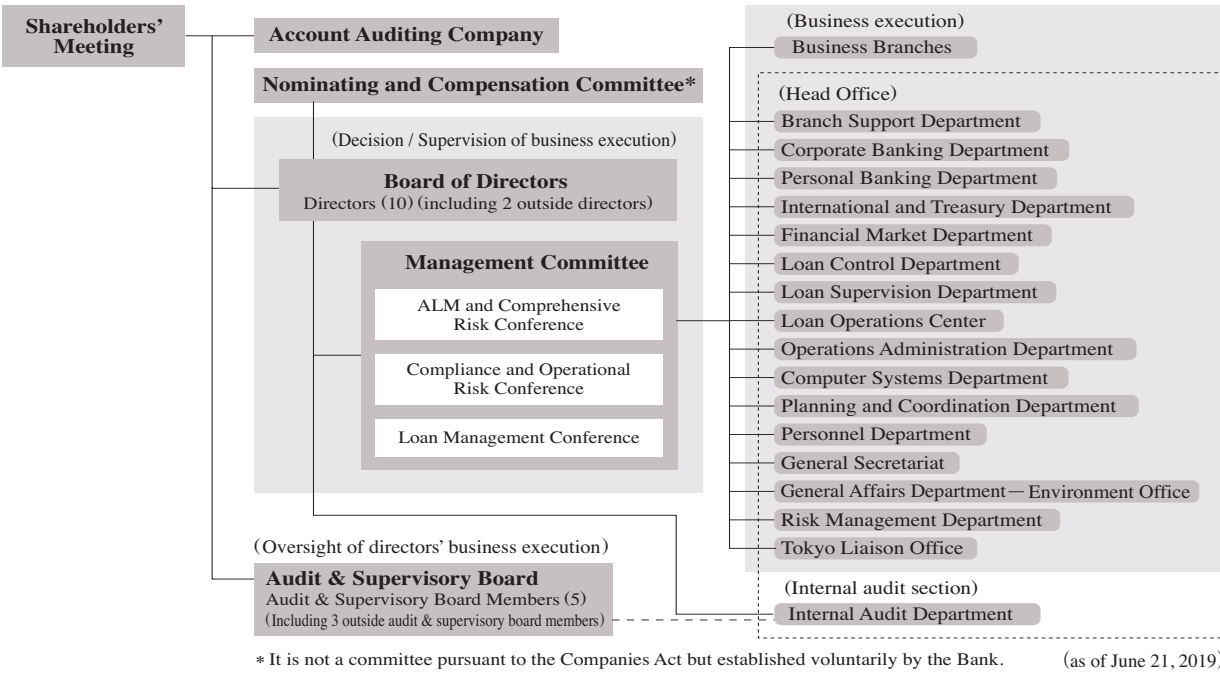
- The Bank appoints audit & supervisory board members (to form an Audit & Supervisory Board) based on the recognition that business oversight function should be separated from business execution function. While the Board of Directors decides and implements business operations, the Audit & Supervisory Board oversees business operations.
- Furthermore, the Bank appoints both outside directors and outside audit & supervisory board members who are not prone to having conflicts of interest with shareholders.

## Decision / Supervision of Business Execution

- Under the Board of Directors, the Management Committee is established with three special conferences: ALM and Comprehensive Risk Conference, Compliance and Operational Risk Conference and Loan Management Conference.
- The Board of Directors is held at least once a month in principle. In this meeting, directors engage in substantial discussions and supervise the status of business operations with one another.
- The Board of Directors consists of eight (8) internal directors and two (2) outside directors and the Management Committee consists of senior executives.
- The Bank has established the "Nominating and Compensation Committee" as an advisory body in an aim to strengthen the independence, objectivity, and accountability of the Board of Directors.

## Oversight of Directors' Business Execution

- The Audit & Supervisory Board is held every month in principle. It consists of five (5) members including three (3) outside audit & supervisory board members. By attending the Board of Directors and providing appropriate advice, each member strictly oversees the execution of duties of directors. Two full-time audit & supervisory board members may attend the Management Committee and oversee the execution of business operations through inspecting each kind of matter, such as the status of internal controls and branches' audit results. They regularly discuss with Representative Directors in order to provide their views about management policy or issues, and also discuss with the Account Auditing Company.



## Remuneration

- As for directors' remuneration, the Bank introduces three types of remuneration: fixed-amount compensation, performance-linked compensation and stock-based compensation.
- The monthly amount of fixed-amount compensation is limited to be within ¥25 million. Performance-linked compensation is based on the Bank's net income. The form of stock-based compensation is stock options (share options). The total amount of stock options is limited to be within ¥100 million in a year, to be decided at the shareholders' meeting. The payment amount to each director is decided by a consultation of the Board of Directors.
- Audit & supervisory board members' remuneration is fixed-amount compensation. The monthly amount of such remuneration is limited to be within ¥8 million by the resolutions of the shareholders' meeting and the payment amount to each member is decided by a consultation among audit & supervisory board members.
- With respect to the proposals for submission to the shareholders' meeting regarding remuneration of directors and audit & supervisory members and other remuneration-related matters, the Board of Directors receives advice and proposal from the Nominating and Compensation Committee.



# Risk Management

## Comprehensive Risk Management

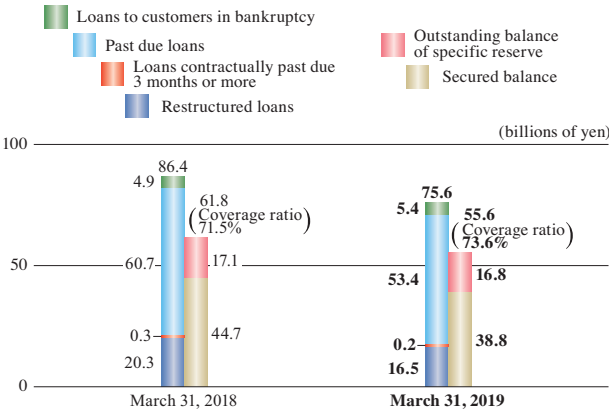
- ▶ The Bank’s Board of Directors defines the basic policy regarding comprehensive risk management to ensure soundness of management and adequacy of its business operations. Targeted main risks are market risk, liquidity risk, operational risk and credit risk as described in the Risk Management Organization Chart (see below). By managing these risks comprehensively and reflecting them in the decision-making process of executives, the Bank restrains risk amount to the appropriate level relative to the Bank’s capacity. The Bank makes a profit plan and allocates management resources suited to each form of risk.
- ▶ ALM and Comprehensive Risk Conference manages market risk, credit risk and liquidity risk. Compliance and Operational Risk Conference manages operation risk, computer system risk, and other operational risk. Loan Management Conference manages more diversified credit risks.

Risk Management Organization Chart



(as of June 21, 2019)

Loans under risk management



Note : Possible amounts of recoveries through disposition of collaterals pledged to the Bank are not included in the foregoing disclosed amounts. Therefore the disclosed amounts do not necessarily represent actual future loss amounts of the Bank.

	March 31, 2018	March 31, 2019
Loans to Customers in Bankruptcy	4.9(0.09)	5.4(0.10)
Past Due Loans	60.7(1.19)	53.4(1.00)
Loans Contractually Past Due 3 months or more	0.3(0.00)	0.2(0.00)
Restructured Loans	20.3(0.40)	16.5(0.31)
Total	86.4(1.69)	75.6(1.42)
Outstanding Balance of loans and bills discounted	5,087.6	5,310.5

(Loans under risk management as a percentage of outstanding balance of loans and bills discounted)

### Regarding Terminologies:

#### Loans to Customers in Bankruptcy

Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers who are alleged to commence legal corporate rearrangement procedures under Company Rehabilitation Law, Bankruptcy Law, Civil Rehabilitation Law, Commercial Code of Japan and other related laws, and/or to customers whose transactions with banks are suspended by the rules of clearing house.

#### Past Due Loans

Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers other than customers in bankruptcy and customers on

which the Bank granted concessions such as deferral of interest payments in order to support for their management reconstruction.

#### Loans Contractually Past Due 3 months or more

Loans, either principal or interest payment of which is contractually past due for 3 months or more; excludes loans to customers in bankruptcy and past due loans.

#### Restructured Loans

Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, deferral of interest payments, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction; excludes loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more.

# International Operations

Nagano Prefecture, which is the major business base for the Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. Now there are about 2,800 bases of our customers in other countries, primarily in Asia.

Since the launch of its foreign exchange business in January 1962, the Bank has expanded its international operations to meet the growing needs of customers who operate worldwide.

The Bank maintains a network of overseas bases covering five major Asian cities. In addition to the Hong Kong Branch, which functions as the Asian control center and offers full banking services, we have four representative offices – Dalian, Shanghai, Bangkok and Singapore.

Leveraging this network – one of the most powerful of any Japanese regional bank – our staff of international banking specialists at headquarters and overseas offices stand ready to offer customers a wide range of support services to meet their needs in overseas transactions, overseas business expansion and business development. The Bank continues to be one of Japan’s leading regional banks in terms of the amount of foreign exchange transactions handled. The Bank offers to parent companies in Japan the funds they need to expand overseas and the funds they need to finance their overseas subsidiaries (“parent-subsidiary loans”). And we are also promoting initiatives to expand cross-border loans whereby our domestic offices offer direct loans to customers operating overseas. We have extended cross-border loans to customers operating in China, Thailand, Indonesia, Vietnam and Philippines (as of the end of March 2019). We also handle loans denominated in Thai baht.

Our Hong Kong Branch offers loans to customers planning to operate in Hong Kong/South China as well as cross-border loans to customers’ subsidiaries in Southeast Asia and mainland China. The Hong Kong Branch also offers loans denominated in RMB(renminbi). In addition, the Bank can meet the fund-raising needs of customers’ overseas subsidiaries by making the most of our partnership with leading overseas banks.

## International and Treasury Department

### ◆ Nagano Main Office

178-8, Okada, Nagano-City 380-8682, Japan  
Phone: (026)227-1182 Facsimile: (026)226-2982

### ◆ Tokyo Office

1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan  
Phone: (03)3242-0082 Facsimile: (03)3277-0146  
SWIFT Address: HABK JPJT

## Financial Market Department

### ◆ Tokyo Office

1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan  
Phone: (03)3277-0082 Facsimile: (03)3246-4675

## Hong Kong

Since its opening in May 1991, the Hong Kong Branch has been expanding with offering the financial services to the customers. As a result, the Bank now handles the large foreign exchange volume due to the Hong Kong Branch. Furthermore, the Hong Kong Branch offers a wide range of services such as providing various information, supporting business expansion for customers who seek to extend business in China and other Asian countries. In September 2010, the Hong Kong Branch started the renminbi-denominated transactions such as deposit, transfer and loan amid a surge of our customers’ needs.



### ◆ Hong Kong Branch

1602-05, 16F The Gateway Tower 2 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong  
Phone: 852-2845-4188 Facsimile: 852-2537-1757 SWIFT Address: HABKHKHH

## Singapore / Bangkok

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, there are over about 1,000 customer bases in ASEAN countries.

Singapore is the distribution, financial and economic center in Southeast Asia. The Bank established its Singapore Representative Office in 1997. And in 2007, it established the Bangkok Representative Office, which is the first in Thailand among all regional banks in Japan. Both offices collect and analyze information on the rapidly changing social, financial and economic conditions in the region, and offer the latest information to local customers. In cooperation with the Bank’s head office and domestic branches, both offices help customers to expand their businesses in Southeast Asia.



### ◆ Representative Office Registered in Singapore

16 Raffles Quay, #15-05 Hong Leong Building, Singapore 048581  
Phone: 65-6221-1182 Facsimile: 65-6221-0556

### ◆ Bangkok Representative Office

Bhiraj Tower at EmQuartier 18th floor, Unit1804 689 Sukhumvit Road, North Klongton, Vadhana, Bangkok 10110 Thailand Phone: 66-2261-8226 Facsimile: 66-2261-8227

## Shanghai / Dalian

China is an important huge market for Japan and Nagano Prefecture. Our customers have established over 800 manufacturing and sales facilities in mainland China, and their making inroads to coastal regions are especially remarkable. Since its opening in May 2002, the Shanghai Representative Office supports its customers in their making inroads to China from various aspects and tries to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China. In January 2008, the Bank established the Dalian Representative Office to offer careful support to customers.

### ◆ Shanghai Representative Office

8F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, China  
Phone: 86-21-6841-1882 Facsimile: 86-21-6841-2118

### ◆ Dalian Representative Office

6F, Senmao Building, 147 Zhongshan Road, Xigang District, Dalian, Liaoning, China  
Phone: 86-411-3960-8266 Facsimile: 86-411-3960-8182



# Corporate Social Responsibility (CSR)

## Environmental Conservation Activities

### Environmental Policy



#### Environmental Philosophy

The Hachijuni Bank Group positions environmental conservation activities as elements vital to corporate social responsibility and will contribute to the creation of a sustainable regional community through positive and continual improvements in the environment.

#### Action Program

1. The Group will try to prevent pollution, mitigate the effects of climate change and adapt to climate change by accurately determining the impact of its activities on the environment as well as the impact from the external environment, and will set, achieve, and review its environmental objectives.
2. The Group will comply with all laws, regulations, and agreements concerning the environment.
3. The Group will make efforts to conserve resources and energy toward reducing environmental burden.
4. By providing financial products, services, and information, the Group aims to support its clients who are directly involved with environmental preservation, thereby contributing to improving the local environment.
5. Recognizing the importance of biodiversity which is a blessing of nature, the Group will work to preserve biodiversity.
6. All officers and employees of the Group, and their families, will engage in activities for environmental conservation, as well as enhance their awareness of environmental issues.

### Three Pillars

#### 1 Environmental conservation activities by the Bank's core business

(Target of FY2019) Contribution to customers' activities in environmental improvements by providing environment-friendly financial products

#### 2 Reduction of internal environmental burden

(Target of FY2019) Achievement of the reduction in both environmental burden and the Bank's costs through energy saving and resource conservation

#### 3 Contribution to the regional economy and reinforcement of environmental education

(Target of FY2019) Contribution to the regional community through environmental volunteer activities

### Topics

#### Our replies to CDP rewarded with No. 1 rank in the banking sector

The Bank responded to the CDP 2018 (Climate Change) questionnaire and gained the comprehensive rating "B (management)" that falls under the first rank group in the Japanese banking sector and the fifth rank group in the overall financial sector. CDP rated our business management particularly highly for being conscious of climate change, and its steady reduction of greenhouse gas emissions by setting medium-and long-term goals.

#### Environmental Management Survey Ranking

The Bank ranked first in the Japanese banking sector (the first rank for the fifth year in a row in the Japanese regional banks) in the 22nd Environmental Management Survey Ranking (FY2018) by the Nihon Keizai Shimbun. This survey evaluates Japanese companies to see how their environmental initiatives harmonize with management efficiency in 4 categories: systems for environmental management promotion, measures for pollution control and biodiversity promotion, resource circulation, and measures against global warming. As such, this survey is considered to be one of the most important rankings in Japan in terms of corporate environmental management.

### Our Initiatives to Address Global Warming

#### Current State of Greenhouse Gas Emissions

Beginning in FY2014, the Bank has calculated GHG emissions up to Scope 3, including emissions in its supply chains.

(Unit:t-CO<sub>2</sub>)

Items		FY2017	FY2018
Scope 1	Direct emissions		
	Heavy oil, kerosene, city gas, gasoline, propane gas	2,727	2,755
Scope 2	Energy-derived indirect emissions		
	Electricity	9,478	9,162
Scope 3		13,134	10,307
	1 Purchased goods & services	3,284	2,872
	2 Capital goods	4,948	3,413
	3 Fuel and energy-related activities not included in Scope 1 or 2	1,064	1,040
	4 Transportation and delivery (upstream)	1,803	744
	5 Waste generated in operations	34	52
	6 Business travel	521	570
	7 Employee commuting	1,480	1,616
Total		25,339	22,223

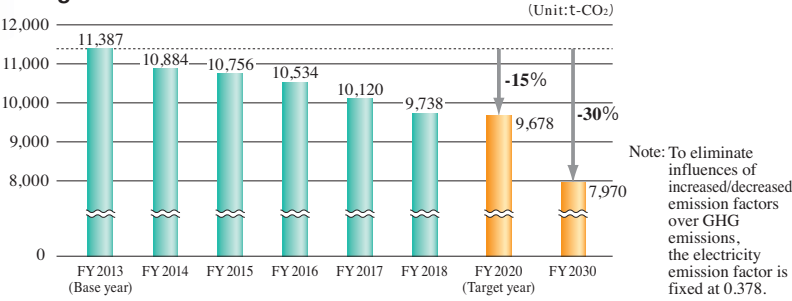
Note1 : Categories 8, 9, 10, 11, 12, 13 and 14 of scope 3 were zero. Category 15 of scope 3 was not calculated.

Note2 : The above figures were authorized by Lloyd's Register Quality Assurance Limited (LRQA) as the third party guarantee.

#### Reduction Targets for Greenhouse Gas Emissions

During FY2018, the Bank has reduced GHG emissions by 14.4% from the base year of FY2013. The Bank set as a target for FY2020 a 15% reduction in GHG emissions from the base year of FY2013.

#### Change in GHG emissions



### Results of Environmental Accounting for Fiscal Year 2018

#### Environmental conservation cost

(millions of yen)

Classification	FY2017	FY2018
Business area cost	172	69
Resource circulation cost	30	30
Pollution prevention cost	0	0
Global environmental conservation cost (*1)	142	39
Administrative activity cost	63	66
Personnel cost	42	42
Disclosure of environment information and advertisement	12	11
Maintenance of environmental management system	5	3
Monitoring of environmental burden	4	10
Social activity cost (*2)	19	17
Total	254	152

#### Economic benefit associated with environmental conservation activities

(millions of yen)

Item	FY2017	FY2018
Income	1,711	1,591
Income from environment-related loans	1,688	1,554
Income from EB contracts	17	25
Income from ISO14001 consultations	6	12
Cost saved (*3)	△ 23	20
Total	1,688	1,611

\*1 Installation cost of LED, introduction cost of energy-saving window glass

\*2 Support funds for "Hachijuni-no-Mori," donations to Nagano Environment Conservation Associations

\*3 The amount reduced in utilities expenses, supplies expenses and expenses for disposing of wastes through energy and resource saving efforts (stated by straight comparison with the previous fiscal year)

A negative figure means an increase from the previous fiscal year.

#### Environmental conservation benefit (Reduction of carbon dioxide emission)

(t-CO<sub>2</sub>)

Classification	FY2017	FY2018
CO <sub>2</sub> emission reduced by the Bank's internal efforts (by straight comparison with the previous fiscal year)	410	317
CO <sub>2</sub> emission reduced by customers through the help of the Bank's core businesses	403,678	481,745
Total	404,088	482,062

#### ISO14001 Certification

- The Bank received the ISO14001 certification for its head office in March 1999, which was a first for a regional bank in Japan. It expanded the scope of this certification to all domestic branches in March 2002. A total of 167 offices (as of March 31, 2019) and nearly 5,700 employees are involved in this effort.

### Contribution to the Region and Society

- As members of the "Hachijuni Volunteer Club," our employees are encouraged to participate in various social activities which include community cleaning campaigns, forest management programs, collaborations in events, and others. Our offices are also working actively in their own unique ways by cooperating in major events such as the "Nagano Prefecture Judan Ekiden (ekiden relay race through Nagano Prefecture)," welfare-related activities and collection volunteers, along with environmental volunteer activities. During FY2018, a total of around 6,100 of our employees worked as volunteers.
- To further support volunteers and motivate them, the Bank introduced the "Special Holiday System to Encourage Volunteer Activities."
- The Bank established the "Nagano Economic Research Institute" in March 1984 as a think tank to contribute to the advancement and development of the regional community in response to its highly sophisticated needs.
- The Bank also established the "Hachijuni Culture Foundation" in 1985 to contribute to the development of the regional community, specifically in arts and culture.



Board of Directors

Yoshiyuki Yamaura  
Chairman

Masaki Matsushita  
Deputy President

Muneco Yoshie  
Managing Director

Hiroyuki Miyahara  
Managing Director

Kayo Tashita  
Director (Outside Director)

Shoichi Yumoto  
President

Hideo Funami  
Managing Director

Yuichi Sato  
Managing Director

Takahiko Asai  
Managing Director

Sokichi Kurosawa  
Director (Outside Director)

Audit & Supervisory Board Members

Koichi Sakai  
Audit & Supervisory Board Member

Takeshi Kadota  
Outside Audit & Supervisory Board Member

Kiyohito Yamasawa  
Outside Audit & Supervisory Board Member

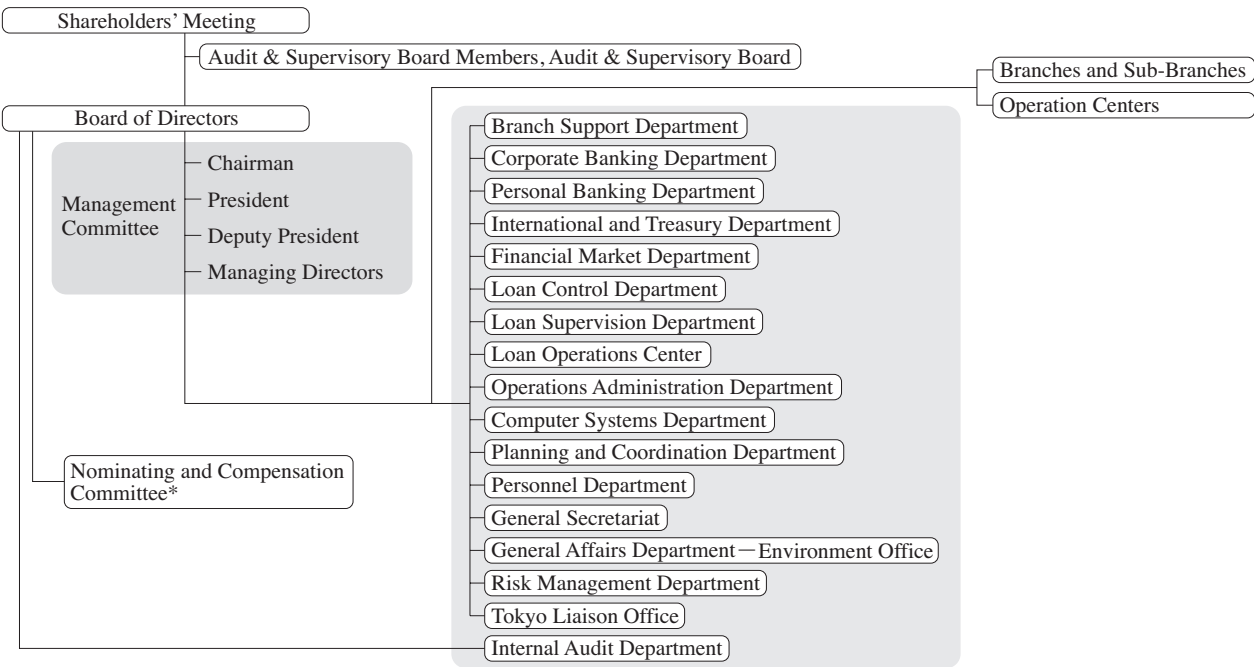
Yoshimi Kitazawa  
Audit & Supervisory Board Member

Yasuyoshi Wada  
Outside Audit & Supervisory Board Member

The ratio of outside directors : 20%  
The ratio of female directors : 10%

(as of June 21, 2019)

Organization



\* It is not a committee pursuant to the Companies Act but established voluntarily by the Bank.

(as of June 21, 2019)

Major Affiliated Companies

		Date of establishment	Line of business
The Hachijuni Bank, Ltd.	Hachijuni Staff Service Co., Ltd.	●September 1986	●Placement of temporary working staff
	Hachijuni Securities Co., Ltd.	●May 1949	●Securities business
	Hachijuni Credit Guarantee Co., Ltd.	●December 1983	●Guarantee to consumer loan
	Yamabiko Services Co., Ltd.	●June 2000	●Credit collection and management
	Hachijuni Lease Co., Ltd.	●June 1974	●Leasing
	Hachijuni Card Co., Ltd.	●August 1982	●Credit card business
	Hachijuni System Development Co., Ltd.	●December 1983	●Development of computer systems
	Hachijuni Capital Co., Ltd.	●September 1984	●Venture capital for high-tech companies
	Hachijuni Auto Lease Co., Ltd.	●October 2005	●Leasing

(as of June 21, 2019)

Major Shareholders

Name	Number of shares in thousands	%	Name	Number of shares in thousands	%
Japan Trustee Services Bank, Ltd. (Trust Account)	17,985	3.62	Japan Trustee Services Bank, Ltd. (Trust Account 9)	13,740	2.77
Meiji Yasuda Life Insurance Company	17,867	3.60	MUFG Bank, Ltd.	12,364	2.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,325	3.49	Shin-Etsu Chemical Co., Ltd.	11,830	2.38
State Street Bank and Trust Company 505223	17,071	3.44	Showa Shoji Co., Ltd.	11,820	2.38
Nippon Life Insurance Company	17,000	3.42	Aioi Nissay Dowa Insurance Co., Ltd.	11,441	2.30

(as of March 31, 2019)

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Hachijuni Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The Hachijuni Bank, 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 Hachijuni Bank, 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 24, 2019

Member of  
Deloitte Touche Tohmatsu Limited

# Financial Section

## Consolidated Balance Sheet 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 26)	¥ 1,970,730	¥ 1,348,767	\$ 17,762,332
Call loans and bills bought	33,535	11,367	302,261
Monetary claims bought	59,414	58,113	535,504
Trading assets (Notes 4 and 27)	13,373	14,415	120,532
Money held in trust (Notes 5 and 12)	76,405	60,577	688,649
Securities (Notes 6, 12 and 26)	2,766,017	2,510,142	24,930,305
Loans and bills discounted (Notes 7,12, 26 and 28)	5,261,946	5,040,098	47,426,283
Foreign exchanges (Note 8)	20,972	16,492	189,027
Lease receivables and investments in leases (Note 24)	66,442	65,011	598,853
Other assets (Note 12)	122,435	123,094	1,103,519
Property, plant, and equipment—net (Notes 9 and 10)	34,632	35,458	312,145
Intangible assets—net (Note 9)	5,444	5,509	49,073
Asset for employees' retirement benefits (Note 15)	23,040	28,550	207,670
Deferred tax assets (Note 23)	1,953	1,958	17,603
Customers' liabilities for acceptances and guarantees (Note 11)	36,413	34,445	328,199
Allowance for credit losses	(41,225)	(44,960)	(371,568)
TOTAL	¥ 10,451,533	¥ 9,309,043	\$ 94,200,396

### LIABILITIES AND EQUITY

LIABILITIES:			
Deposits (Notes 12, 13 and 26)	¥ 6,734,847	¥ 6,586,969	\$ 60,701,644
Negotiable certificates of deposit (Note 26)	512,915	503,652	4,622,941
Call money and bills sold (Note 26)	990,000		8,922,938
Payables under repurchase agreements	63,740	82,223	574,493
Payables under securities lending transactions (Notes 12 and 26)	521,091	681,737	4,696,632
Trading liabilities (Notes 4 and 27)	4,356	4,960	39,264
Borrowed money (Notes 12,14 and 26)	637,891	443,483	5,749,356
Foreign exchanges (Note 8)	2,033	891	18,328
Other liabilities	97,792	99,100	881,411
Liability for employees' retirement benefits (Note 15)	12,368	12,269	111,474
Provision for reimbursement of deposits	901	836	8,127
Provision for contingent losses	927	1,000	8,358
Reserve under special laws	9	9	82
Deferred tax liabilities (Note 23)	70,736	80,395	637,551
Acceptances and guarantees (Note 11)	36,413	34,445	328,199
Total liabilities	9,686,024	8,531,974	87,300,805

### EQUITY (Notes 16 and 31):

Common stock—authorized, 2,000,000 thousand shares; issued, 511,103 thousand shares in 2019 and 2018	52,243	52,243	470,871
Capital surplus	34,484	34,484	310,809
Stock acquisition rights (Note 17)	359	312	3,238
Retained earnings	462,187	446,197	4,165,728
Treasury stock—at cost, 15,191 thousand shares in 2019 and 7,226 thousand shares in 2018	(8,845)	(4,864)	(79,726)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	205,593	217,035	1,853,026
Deferred loss on hedges	(11,386)	(3,008)	(102,630)
Defined retirement benefit plans	2,107	6,343	18,990
Total	736,742	748,744	6,640,307
Noncontrolling interests	28,767	28,324	259,282
Total equity	765,509	777,068	6,899,590
TOTAL	¥ 10,451,533	¥ 9,309,043	\$ 94,200,396

See notes to consolidated financial statements.

## Consolidated Statement of Income 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	¥ 47,510	¥ 46,767	\$ 428,214
Interest and dividends on securities	30,398	29,593	273,984
Other interest income	2,815	2,740	25,377
Fees and commissions	20,725	20,857	186,804
Trading income	2,099	2,978	18,923
Other operating income (Note 18)	48,950	67,081	441,195
Other income (Note 19)	8,701	11,263	78,428
Total income	161,202	181,281	1,452,928
EXPENSES:			
Interest expenses:			
Interest on deposits	3,327	2,662	29,994
Interest on borrowings and rediscounts	4,223	2,407	38,066
Other interest expenses	4,188	3,838	37,754
Fees and commission payments	7,253	7,028	65,378
Other operating expenses (Note 20)	35,135	54,872	316,680
General and administrative expenses (Note 21)	60,940	62,909	549,258
Provision for credit losses	1,799	224	16,221
Other expenses (Note 22)	10,463	8,011	94,310
Total expenses	127,333	141,955	1,147,665
INCOME BEFORE INCOME TAXES	33,868	39,326	305,263
INCOME TAXES (Note 23):			
Current	8,944	12,826	80,619
Deferred	1,113	(627)	10,037
Total income taxes	10,058	12,199	90,657
NET INCOME	23,810	27,127	214,606
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,317	1,286	11,876
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 22,492	¥ 25,840	\$ 202,729
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 30):			
Basic net income	¥ 45.18	¥ 51.00	\$ 0.40
Diluted net income	45.12	50.94	0.40
Cash dividends applicable to the year	14.00	13.00	0.12

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥ 23,810	¥ 27,127	\$ 214,606
OTHER COMPREHENSIVE INCOME (LOSS) (Note 29):			
Unrealized gain (loss) on available-for-sale securities	(12,206)	4,803	(110,021)
Deferred gain (loss) on derivatives under hedge accounting	(8,378)	6,971	(75,515)
Defined retirement benefit plans	(4,326)	3,499	(38,998)
Total other comprehensive income (loss)	(24,912)	15,274	(224,535)
COMPREHENSIVE INCOME (LOSS)	¥ (1,101)	¥ 42,401	\$ (9,928)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (1,564)	¥ 40,452	\$ (14,098)
Noncontrolling interests	462	1,948	4,169

See notes to consolidated financial statements.



## Consolidated Statement of Changes in Equity

[illegible]

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Year Ended March 31, 2019

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations 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 (IFRS).

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 that 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.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.95 to \$1, the rate of exchange at March 31, 2019. Such translations should not be construed as representations 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 nine 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 their operations are fully consolidated.

Investments in six (seven in 2018) unconsolidated subsidiaries and in one associated company are stated at cost, and are included in securities in the consolidated financial statements. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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 eliminated.

**b. Cash Equivalents** – For the purpose of reporting of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

**c. Trading Assets and Liabilities** – Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the consolidated balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the consolidated balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the consolidated balance sheet dates.

**d. Securities** – Securities other than investments in unconsolidated subsidiaries and associated company are classified into three categories, based principally on the Group's intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income; (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using straight-line method; and (c) available-for-sale securities, which are not classified as either of the aforementioned securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities for which a fair value is not reliably determined are stated at cost computed using the moving-average method.

In addition, investments in unconsolidated subsidiaries and associated company that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

**e. Securities in Money Held in Trust** – Securities included in "Money held in trust" are stated at fair value.

**f. Property, Plant, and Equipment** – Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 1 to 50 years for buildings and from 3 to 20 years for equipment.

**g. Software** – Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally 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 would be 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.

**i. Allowance for Credit Losses** – An allowance for credit

losses is determined based on a credit assessment made by management at each consolidated balance sheet date. A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments, and current trends. In determining the appropriate level of the allowance, the Group evaluates the probable loss by category of loan based on its type and characteristics.

The Bank performs a credit assessment of its loan asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and the credit inspection division in accordance with the Bank's policies and discipline.

Under the policies and discipline, all loans are classified into five categories, which are: "normal"; "caution, including substandard"; "possible bankrupt"; "virtual bankrupt"; and "legal bankrupt."

The allowance for credit losses is calculated based on the past loss ratio for normal and caution categories, and on the fair value of the collateral and other factors of solvency, including value of future cash flows for possible bankrupt, virtual bankrupt, and legal bankrupt categories.

The Bank applied the "discounted cash flow method" (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possible bankrupt or substandard under the self-assessment guidelines, when total loan amounts exceed a certain amount. Under the DCF method, the loan loss allowance is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim.

The consolidated subsidiaries provide an "Allowance for credit losses" at the amount deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio.

**j. Asset and Liability for Employees' Retirement Benefits** – The Bank and its consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans, together covering substantially all of their 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.

**k. Provision for Reimbursement of Deposits** – A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

**l. Provision for Contingent Losses** – A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of

estimated future contributions based on subrogate performance, etc.

**m. Reserve under Special Laws** – A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

**n. Stock Options** – In December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance that require companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

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

**p. 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.

**q. Foreign Currency Transactions** – Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the consolidated balance sheet date.

**r. Derivatives and Hedging Activities** – Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under portfolio hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is accessed by each group.



Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Audit Committee Report No. 25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging instruments in accordance with the strict hedging criteria for external mirror transactions stipulated in the Industry Audit Committee Reports No. 24 and No. 25. Therefore, the Bank accounts for the gains and losses on these swap transactions in its earnings or defers until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

**s. Per Share Information** – Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS 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 years including dividends to be paid after the end of the fiscal year.

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
	2019	2018	U.S. Dollars
			2019
Cash and due from banks	¥ 1,970,730	¥ 1,348,767	\$ 17,762,332
Due from banks, excluding amounts due from the Bank of Japan	(15,894)	(18,664)	(143,261)
Cash and cash equivalents	¥ 1,954,835	¥ 1,330,102	\$ 17,619,071

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of
	2019	2018	U.S. Dollars
			2019
Trading assets:			
Trading securities	¥ 620	¥ 1,053	\$ 5,589
Derivatives of trading securities	1		14
Financial derivatives	4,752	5,362	42,830
Other trading assets	7,999	7,999	72,098
Total	¥ 13,373	¥ 14,415	\$ 120,532
Trading liabilities			
—Financial derivatives	¥ 4,356	¥ 4,960	\$ 39,264

5. MONEY HELD IN TRUST

The aggregate fair value of money held in trust that is listed on stock exchanges or over-the-counter markets as of March 31, 2019 and 2018, is as follows:

	Fair Value		
	Millions of Yen		Thousands of
	2019	2018	U.S. Dollars
Money held in trust—Trading	¥ 76,405	¥ 60,577	\$ 688,649

6. SECURITIES

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

	Millions of Yen		Thousands of
	2019	2018	U.S. Dollars
			2019
Securities:			
National government bonds	¥ 1,001,192	¥ 997,273	\$ 9,023,818
Local government bonds	383,801	255,015	3,459,231
Corporate bonds	416,345	287,584	3,752,553
Equity securities	343,348	379,258	3,094,621
Other securities	621,328	591,011	5,600,080
Total	¥ 2,766,017	¥ 2,510,142	\$ 24,930,305

The securities placed under unsecured lending agreements are included in the above national government bonds in the amount of ¥173,166 million (\$1,560,766 thousand) and ¥194,788 million as of March 31,2019 and 2018, respectively.

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in securities were ¥37,357 million (\$336,708 thousand) and ¥25,156 million as of March 31,2019 and 2018, respectively.

In the following description, in addition to "Securities" in the consolidated balance sheet, also presented are beneficial interests in trust investments within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2019 and 2018, are as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 97,050	¥ 239,547	¥ 674	¥ 335,923
Debt securities	1,757,206	44,286	252	1,801,240
Other securities	591,601	17,927	4,294	605,233
Held-to-maturity	99	4		104
March 31, 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 98,254	¥ 273,873	¥ 179	¥ 371,948
Debt securities	1,502,749	38,140	1,215	1,539,673
Other securities	569,125	9,547	6,188	572,484
Held-to-maturity	199	4		204

March 31, 2019	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 874,721	\$2,159,056	\$ 6,080	\$ 3,027,697
Debt securities	15,837,821	399,157	2,275	16,234,703
Other securities	5,332,141	161,582	38,709	5,455,014
Held-to-maturity	899	39		939

Proceeds from sales of available-for-sale securities for the years ended March 31, 2019 and 2018, were ¥808,800 million (\$7,289,775 thousand) and ¥849,373 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥15,915 million (\$143,444 thousand) and ¥3,944 million (\$35,553 thousand), respectively, for the year ended March 31, 2019, and ¥34,980 million and ¥7,062 million, respectively, for the year ended March 31, 2018.

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of
	2019	2018	U.S. Dollars
			2019
Bills discounted	¥ 19,747	¥ 19,820	\$ 177,985
Loans on bills	158,234	166,361	1,426,174
Loans on deeds	4,418,859	4,181,400	39,827,489
Overdrafts	665,104	672,516	5,994,635
Total	¥ 5,261,946	¥ 5,040,098	\$ 47,426,283

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥5,556 million (\$50,081 thousand) and ¥4,957 million as of March 31, 2019 and 2018, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥53,711 million (\$484,107 thousand) and ¥61,045 million as of March 31, 2019 and 2018, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥203 million (\$1,834 thousand) and ¥366 million as of March 31, 2019 and 2018, respectively.

Of total loans, restructured loans amounted to ¥16,525 million (\$148,941 thousand) and ¥20,368 million as of March 31, 2019 and 2018, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

8. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of
	2019	2018	U.S. Dollars
			2019
Assets:			
Due from foreign banks	¥ 16,737	¥ 13,191	\$ 150,858
Foreign exchange bills bought	3,625	2,831	32,672
Foreign exchange bills receivable	609	469	5,496
Total	¥ 20,972	¥ 16,492	\$ 189,027
Liabilities:			
Overdrafts from foreign banks	¥ 17	¥ 23	\$ 155
Foreign exchange bills sold	179	333	1,616
Foreign exchange bills payable	1,836	534	16,556
Total	¥ 2,033	¥ 891	\$ 18,328

9. PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment as of March 31, 2019 and 2018, net of accumulated depreciation of ¥71,552 million (\$644,905 thousand) and ¥70,743 million, respectively, consisted of the following:

	Millions of Yen		Thousands of
	2019	2018	U.S. Dollars
			2019
Land	¥ 12,126	¥ 12,491	\$ 109,297
Buildings	10,971	11,598	98,889
Lease assets	1	25	16
Construction in progress	573	56	5,169
Other tangible fixed assets	10,958	11,287	98,772
Software	4,826	4,890	43,499
Other intangible fixed assets	618	618	5,574
Total	¥ 40,077	¥ 40,967	\$ 361,219

As of March 31, 2019 and 2018, deferred gains for tax purposes of ¥8,207 million (\$73,978 thousand) and ¥8,209 million, respectively, on property, plant, and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant, and equipment.

10. LONG-LIVED ASSETS

Impairment losses on the tangible fixed assets, consisted of the following:

Year Ended March 31, 2019				
Area	Use	Category	Millions of Yen	Thousands of U.S. Dollars
Nagano Prefecture	15 Operating assets	Land	¥ 233	\$ 2,101
Nagano Prefecture	3 Operating assets	Buildings	3	32
Nagano Prefecture	9 Idle assets	Land and buildings	26	234
Others	2 Operating assets	Land	28	256
Others	1 Operating assets	Buildings	115	1,045
Others	4 Idle assets	Land and buildings	25	231
Total			¥ 433	\$ 3,903

Year Ended March 31, 2018				
Area	Use	Category	Millions of Yen	
Nagano Prefecture	28 Operating assets	Land	¥ 846	
Nagano Prefecture	8 Operating assets	Buildings	362	
Nagano Prefecture	9 Idle assets	Land and buildings	821	
Others	2 Operating assets	Land	30	
Others	1 Operating assets	Buildings	23	
Others	4 Idle assets	Land and buildings	10	
Total			¥ 2,095	

In the case of the above asset groups, book values were written down to the recoverable levels due to falling land prices and lower net cash from operating activities, and decision made to abolish the branch, and differences have been recorded as impairment losses. In this method of asset grouping, operating assets as a rule are treated as business premises units, and idle assets are treated as individual asset units. For the consolidated subsidiaries, each company is treated as one asset units, and idle assets are treated as individual asset units. The recoverable values of such assets are measured as their net selling prices determined by the appraisal value based on Japanese real estate appraisal standard.

11. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills, and issuances of guarantees. The contra account included in the assets side of the consolidated balance sheet represents the Bank's potential claim against applicants.

## 12. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets pledged:			
Cash (other assets)	¥ 400	¥ 400	\$ 3,608
Securities	1,192,794	1,117,197	10,750,741
Loans and bills discounted	263,118	188,595	2,371,500
Total	¥ 1,456,313	¥ 1,306,193	\$ 13,125,850
Related liabilities:			
Deposits	¥ 23,072	¥ 22,598	\$ 207,954
Payables under securities lending transactions	521,091	681,737	4,696,632
Borrowed money	617,321	422,814	5,563,963
Total	¥ 1,161,485	¥ 1,127,149	\$ 10,468,550

In addition to the above, assets pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Money held in trust	¥ 491		\$ 4,431
Securities	10,201	¥ 29,020	91,948
Cash (other assets)	25	25	225
Cash collateral received for financial instrument liabilities (other assets)	3,919	2,822	35,330
Deposits to central counterparty (other assets)	71,486	58,746	644,311

Additionally, initial margin of futures markets and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Initial margin of futures markets	¥ 188	¥ 345	\$ 1,697
Guarantee deposits on office space	828	863	7,466

## 13. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current deposits	¥ 305,939	¥ 309,102	\$ 2,757,454
Ordinary deposits	3,856,364	3,682,866	34,757,677
Savings deposits	55,828	56,893	503,189
Deposits at notice	7,045	6,154	63,504
Time deposits	2,367,931	2,382,753	21,342,332
Other deposits	141,737	149,200	1,277,485
Total	¥ 6,734,847	¥ 6,586,969	\$ 60,701,644

## 14. BORROWED MONEY

As of March 31, 2019 and 2018, the weighted-average annual interest rates applicable to borrowed money were 0.28% and 0.24%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2019, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 634,331	\$ 5,717,276
2021	225	2,036
2022	625	5,640
2023	2,649	23,883
2024	18	169
2025 and thereafter	38	349
Total	¥ 637,891	\$ 5,749,356

## 15. RETIREMENT AND PENSION PLANS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans.

In the contributory funded pension plan, the Group adopted a cash balance plan that each employee has a "hypothetical account balance," which accumulates pay credits based on each salary level, interest credits based on the trend of market interest rate, and pay retirement lump-sum grants or pension, based on their salary and length of service. Some funded pension plan contributed to employee pension trust.

In the noncontributory unfunded plan, the Group pays retirement lump-sum grants based on salary and length of service.

Employees whose service with the Bank or its domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

In addition, some consolidated subsidiaries adopt the simplified method to calculate their liability for employees' retirement benefit and retirement benefit costs.

(1) The changes in defined benefit obligation, excluding the ones calculated by the simplified method, (3) below, 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	¥ 51,462	¥ 50,786	\$ 463,838
Current service cost	2,113	2,111	19,044
Interest cost	130	158	1,178
Actuarial losses	2,149	922	19,376
Benefits paid	(3,135)	(2,644)	(28,264)
Increase due to change from simplified method to principle method as a result of merger	2,759		24,869
Others	127	127	1,145
Balance at end of year	¥ 55,606	¥ 51,462	\$ 501,188

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, 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	¥ 67,533	¥ 62,345	\$ 608,680
Expected return on plan assets	1,069	1,013	9,643
Actuarial gains (losses)	(4,311)	4,939	(38,862)
Contributions from the employer	794	791	7,156
Benefits paid	(1,910)	(1,684)	(17,221)
Increase due to change from simplified method to principle method as a result of merger	3,267		29,451
Others	127	127	1,145
Balance at end of year	¥ 66,569	¥ 67,533	\$ 599,993

(3) The changes in liability for employees' retirement benefits calculated by the simplified method 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	¥ (211)	¥ (71)	\$ (1,903)
Net periodic benefit cost	59	(90)	540
Benefits paid	(67)	(49)	(609)
Increase due to change from simplified method to principle method as a result of merger	508		4,581
Balance at end of year	¥ 289	¥ (211)	\$ 2,609

(4) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including that calculated by the simplified method (3) above is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 47,216	¥ 45,776	\$ 425,568
Plan assets	(70,015)	(74,228)	(631,054)
Total	(22,798)	(28,451)	(205,486)
Unfunded defined benefit obligation	12,125	12,170	109,290
Net asset arising from defined benefit obligation	¥ (10,672)	¥ (16,281)	\$ (96,195)
	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for employees' retirement benefits	¥ 12,368	¥ 12,269	\$ 111,474
Asset for employees' retirement benefits	(23,040)	(28,550)	(207,670)
Net asset arising from defined benefit obligation	¥ (10,672)	¥ (16,281)	\$ (96,195)

(5) 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	¥ 2,113	¥ 2,111	\$ 19,044
Interest cost	130	158	1,178
Expected return on plan assets	(1,069)	(1,013)	(9,643)
Recognized actuarial (gains) losses	(328)	996	(2,963)
Net periodic benefit costs calculated by the simplified method	59	(90)	540
Others	173	82	1,567
Net periodic benefit costs	¥ 1,079	¥ 2,245	\$ 9,725

(6) 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 gains (losses)	¥ (6,213)	¥ 5,013	\$ (56,001)

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial gains	¥ (3,009)	¥ (9,223)	\$ (27,128)

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	18.53 %	19.16 %
Equity investments	50.61	52.96
General account assets of life insurance companies	22.81	21.80
Cash and cash equivalents	1.74	1.10
Others	6.31	4.98
Total	100.00 %	100.00 %

Employee pension trusts for the years ended March 31, 2019 and 2018, are 34.78% and 37.81%, respectively, and are included in the total above.

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

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

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

	2019	2018
Discount rates	(0.2)%–0.1%	0.0%–0.3%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	10.0%	10.0%

## 16. EQUITY

The significant provisions in the Banking Law and the Companies Act of Japan (the "Companies Act") 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 meets all the above criteria.

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 provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

The Companies Act requires that an amount equal to 10% 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 aggregate amount of the legal reserve and additional paid-in capital equals 25% of common 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 common 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 by 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.

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends upon resolution by the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock upon resolution by the Board of Directors.

17. STOCK ACQUISITION RIGHTS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective periods. Stock-based compensation expenses were ¥68 million (\$619 thousand) and ¥73 million for the years ended March 31, 2019 and 2018, respectively.

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	9 directors	105,700 shares	July 28, 2008	¥ 1 (\$0.01)	From July 29, 2008, to July 28, 2033
2009 Stock Option	8 directors	135,900 shares	July 27, 2009	¥ 1 (\$0.01)	From July 28, 2009, to July 27, 2034
2010 Stock Option	8 directors	150,000 shares	August 2, 2010	¥ 1 (\$0.01)	From August 3, 2010, to August 2, 2035
2011 Stock Option	8 directors	150,000 shares	August 8, 2011	¥ 1 (\$0.01)	From August 9, 2011, to August 8, 2036
2012 Stock Option	8 directors	150,000 shares	August 6, 2012	¥ 1 (\$0.01)	From August 7, 2012, to August 6, 2037
2013 Stock Option	7 directors	129,300 shares	August 5, 2013	¥ 1 (\$0.01)	From August 6, 2013, to August 5, 2038
2014 Stock Option	8 directors	133,800 shares	July 22, 2014	¥ 1 (\$0.01)	From July 23, 2014, to July 22, 2039
2015 Stock Option	8 directors	78,900 shares	July 27, 2015	¥ 1 (\$0.01)	From July 28, 2015, to July 27, 2040
2016 Stock Option	8 directors	150,000 shares	July 25, 2016	¥ 1 (\$0.01)	From July 26, 2016, to July 25, 2041
2017 Stock Option	7 directors	109,600 shares	July 24, 2017	¥ 1 (\$0.01)	From July 25, 2017, to July 24, 2042
2018 Stock Option	8 directors	150,000 shares	July 23, 2018	¥ 1 (\$0.01)	From July 24, 2018, to July 23, 2043

The stock option activity is as follows:

	Stock Option				
	2008	2009	2010	2011	2012
(Shares)					
Year Ended March 31, 2018					
Nonvested					
March 31, 2017—Outstanding	21,200	41,500	45,600	66,500	66,500
Granted					
Canceled					
Vested		13,500	15,000	19,900	19,900
March 31, 2018—Outstanding	21,200	28,000	30,600	46,600	46,600
Vested					
March 31, 2017—Outstanding					
Vested		13,500	15,000	19,900	19,900
Exercised		13,500	15,000	19,900	19,900
Canceled					
March 31, 2018—Outstanding					

	Stock Option				
	2008	2009	2010	2011	2012
(Shares)					
Year Ended March 31, 2019					
Nonvested					
March 31, 2018—Outstanding	21,200	28,000	30,600	46,600	46,600
Granted					
Canceled					
Vested					
March 31, 2019—Outstanding	21,200	28,000	30,600	46,600	46,600
Vested					
March 31, 2018—Outstanding					
Vested					
Exercised					
Canceled					
March 31, 2019—Outstanding					

Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise					
Fair value price at grant date	¥617 (\$5.56)	¥512 (\$4.61)	¥452 (\$4.07)	¥374 (\$3.37)	¥410 (\$3.69)

	Stock Option				
	2013	2014	2015	2016	2017
(Shares)					
Year Ended March 31, 2018					
Nonvested					
March 31, 2017—Outstanding	87,600	94,800	78,900	150,000	
Granted					109,600
Canceled					
Vested	34,700	32,400	19,100	36,400	
March 31, 2018—Outstanding	52,900	62,400	59,800	113,600	109,600
Vested					
March 31, 2017—Outstanding					
Vested	34,700	32,400	19,100	36,400	
Exercised	34,700	32,400	19,100	36,400	
Canceled					
March 31, 2018—Outstanding					

	Stock Option				
	2013	2014	2015	2016	2017
(Shares)					
Year Ended March 31, 2019					
Nonvested					
March 31, 2018—Outstanding	52,900	62,400	59,800	113,600	109,600
Granted					150,000
Canceled					
Vested		13,000	7,700	14,600	
March 31, 2019—Outstanding	52,900	49,400	52,100	99,000	109,600
Vested					
March 31, 2018—Outstanding					
Vested		13,000	7,700	14,600	
Exercised		13,000	7,700	14,600	
Canceled					
March 31, 2019—Outstanding					
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise		¥483 (\$4.35)	¥483 (\$4.35)	¥483 (\$4.35)	
Fair value price at grant date	¥602 (\$5.42)	¥628 (\$5.66)	¥927 (\$8.35)	¥455 (\$4.10)	¥689 (\$6.21)
				¥443 (\$3.99)	

The Assumptions Used to Measure the Fair Value of the 2018 Stock Option					
Estimate method:	Black-Scholes option pricing model				
Volatility of stock price:	26.48%				
Estimated remaining outstanding period:	24 months				
Estimated dividend:	¥13 per share				
Risk-free interest rate:	(0.125)%				

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	2018
Gains on foreign exchange transactions	¥ 927	¥ 866	\$ 8,361	
Gains on sales of bonds	13,639	31,479	122,934	
Gains on redemption of bonds		229		
Income on lease transaction and installment receivables	31,229	29,734	281,476	
Other	3,153	4,772	28,423	
Total	¥ 48,950	¥ 67,081	\$ 441,195	

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	2018
Gains on sales of equity securities	¥ 3,703	¥ 5,766	\$ 33,379	
Gains on money held in trust	1,292	1,598	11,651	
Reversal of allowance for credit losses				
Other	3,705	3,897	33,397	
Total	¥ 8,701	¥ 11,263	\$ 78,428	

20. OTHER OPERATING EXPENSES

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	2018
Loss on sales of bonds	¥ 4,575	¥ 24,328	\$ 41,238	
Cost of lease transaction and installment receivables	30,549	30,348	275,348	
Other	10	195	93	
Total	¥ 35,135	¥ 54,872	\$ 316,680	

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative 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	2018
Salaries and related expenses	¥ 24,542	¥ 25,216	\$ 221,204	
Other	36,397	37,692	328,053	
Total	¥ 60,940	¥ 62,909	\$ 549,258	

22. 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	2018
Write-off of loans	¥ 15	¥ 2	\$ 140	
Losses on sales of equity securities	1,463	1,652	13,187	
Valuation losses on equity securities	344	178	3,102	
Losses on money held in trust	5,439	626	49,025	
Losses on sales of real estate	70	116	632	
Impairment losses	433	2,095	3,903	
Other	2,698	3,340	24,319	
Total	¥ 10,463	¥ 8,011	\$ 94,310	

23. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a normal effective statutory tax rate of 30.34% for the years ended March 31, 2019 and 2018.

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

	Millions of Yen		Thousands of U.S. Dollars	
	2019	2018	2019	2018
Deferred tax assets:				
Allowance for credit losses	¥ 11,247	¥ 12,246	\$ 101,378	
Valuation difference on available-for-sale securities	1,552	2,300	13,993	
Deferred losses on hedges	5,755	3,157	51,878	
Valuation losses on equity securities	1,514	1,446	13,652	
Depreciation	3,021	2,925	27,234	
Accrued enterprise tax	250	440	2,258	
Impairment losses	1,585	1,482	14,287	
Other	3,551	1,876	32,009	
Less—valuation allowance	(3,113)	(3,119)	(28,059)	
Total deferred tax assets	25,366	22,755	228,633	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	90,612	96,591	816,693	
Gain on contribution of securities to employee retirement benefit trust	1,665	1,665	15,006	
Deferred losses on hedges	796	1,846	7,177	
Other	1,076	1,089	9,703	
Total deferred tax liabilities	94,150	101,192	848,581	
Net deferred tax liabilities	¥ (68,783)	¥ (78,436)	\$ (619,947)	

Reconciliation is not presented for the years ended March 31, 2019 and 2018, because the difference was immaterial (less than 5% of the normal statutory tax rate).

## 24. LEASES

### Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gross lease receivables	¥ 58,565	¥ 57,768	\$ 527,857
Estimated residual values	6,122	5,745	55,182
Estimated maintenance cost	(1,465)	(1,442)	(13,205)
Unearned interest income	(3,830)	(3,866)	(34,520)
Investments in leases	¥ 59,393	¥ 58,203	\$ 535,314

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 2,032	¥ 1,995	\$ 18,320
Due from 1 to 2 years	1,607	1,533	14,490
Due from 2 to 3 years	1,201	1,158	10,832
Due from 3 to 4 years	827	791	7,456
Due from 4 to 5 years	519	505	4,685
Due after 5 years	849	954	7,656
Total	¥ 7,038	¥ 6,939	\$ 63,440

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 18,471	¥ 18,290	\$ 166,481
Due from 1 to 2 years	14,805	14,632	133,441
Due from 2 to 3 years	10,967	11,220	98,855
Due from 3 to 4 years	7,327	7,428	66,047
Due from 4 to 5 years	3,954	3,907	35,642
Due after 5 years	3,038	2,288	27,389
Total	¥ 58,565	¥ 57,768	\$ 527,857

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 3,171	¥ 3,057	\$ 28,587
Due after 1 year	3,905	3,716	35,197
Total	¥ 7,076	¥ 6,773	\$ 63,784

## 25. RELATED-PARTY TRANSACTIONS

Related-party transactions for the fiscal years ended March 31, 2019 and 2018, are as follows:

Related Party	Category	Description of the Transaction	2019			
			Amounts of Transactions		Balance at End of the Year	
			Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts)			
			¥ 12	\$ 115	¥ 12	\$ 109
Related Party	Category	Description of the Transaction	2018			
			Amounts of Transactions		Balance at End of the Year	
			Millions of Yen		Millions of Yen	
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts)			
			¥ 14		¥ 13	

## 26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short term and the long term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management ("ALM") to avoid negative effects of interest movements. In managing interest rate movements, the Bank utilizes derivatives.

The Bank and certain consolidated subsidiaries also hold securities for sale to customers.

### (2) Nature and Extent of Risks Arising from Financial Instruments

#### (a) Loans

The Bank provides loans mainly to domestic customers, but does not focus on specific groups of companies. These loans are exposed to credit risk in the case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Bank's main business area, is approximately 50%. As such, the Bank's credit risk is likely to deteriorate if there are negative changes in the economy in Nagano Prefecture.

#### (b) Securities

Securities are mainly bonds, stocks, investment trusts, and corporate investment funds. These securities are classified into categories, such as (1) securities held to maturity, (2) securities available for sale, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk, and liquidity risk.

#### (c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk, and liquidity risk.

#### (d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments to hedge the Bank's portfolio under ALM and to enhance the Bank's profit. Derivatives include interest rate swaps, interest cap transactions, and currency exchange swaps. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

### (3) Risk Management for Financial Instruments

#### (a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating, and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the head office. These two sections monitor and check each other. Every loan from the business branches is examined in

many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

#### (b) Market risk management (interest rate risk, foreign exchange risk, and market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering the market and the Bank's conditions, the Bank updates its Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the management committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding, and limit of valuation losses, as necessary. It also defines the threshold that should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits, as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

#### Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk ("VaR") for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivative transactions under ALM.

#### Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management Policy.

#### Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Certain consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

#### The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion, including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values, and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

#### Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments, and VaR is multiplied by a certain stress (1 to 1.35 times) to calculate market risk amount. For calculating VaR, the historical simulation method (confidence interval of 99.9%; observation period of 1,250 days; and holding period of 10 days for Bank's trading business, 240 days for Bank's banking business, and 120 days for others) has been adopted.

The VaRs in the Bank's trading business are ¥908 million (\$8,187 thousand) and ¥673 million and the VaRs in the Bank's banking business are ¥268,152 million (\$2,416,872 thousand) and ¥331,656 million as of March 31, 2019 and 2018, respectively.

The Bank conducts backtesting to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model that the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risk cannot be captured in situations when market conditions change dramatically beyond what has been experienced historically.

#### (c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long term and short term under ALM.

### (4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 27 for the details of the fair value of derivatives.

#### (a) Fair value of financial instruments

March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥1,970,730	¥1,970,730	
Securities:			
Held to maturity	99	104	¥ 4
Available for sale	2,738,229	2,738,229	
Loans and bills discounted	5,261,946		
Allowance for credit losses	(34,620)		
Subtotal	5,227,326	5,273,456	46,130
Total	¥9,936,386	¥9,982,521	¥ 46,134
Deposits	¥6,734,847	¥6,735,033	¥ (185)
Negotiable certificates of deposit	512,915	512,915	
Call money and bills sold	990,000	990,000	
Payables under securities lending transactions	521,091	521,091	
Borrowed money	637,891	637,925	(34)
Total	¥9,396,745	¥9,396,965	¥ (220)
Derivative transactions:			
Hedge accounting not applied	¥ 540	¥ 540	
Hedge accounting applied	(15,477)	(15,477)	
Total	¥ (14,937)	¥ (14,937)	



March 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥1,348,767	¥1,348,767	
Securities:			
Held to maturity	199	204	¥ 4
Available for sale	2,483,408	2,483,408	
Loans and bills discounted	5,040,098		
Allowance for credit losses	(37,721)		
Subtotal	5,002,376	5,042,452	40,075
Total	¥8,834,752	¥8,874,833	¥ 40,080
Deposits	¥6,586,969	¥6,587,189	¥ (219)
Negotiable certificates of deposit	503,652	503,652	
Payables under securities lending transactions	681,737	681,737	
Borrowed money	443,483	443,460	22
Total	¥8,215,842	¥8,216,039	¥ (196)
Derivative transactions:			
Hedge accounting not applied	¥ 262	¥ 262	
Hedge accounting applied	(6,453)	(6,453)	
Total	¥ (6,190)	¥ (6,190)	
March 31, 2019	Thousands of U.S.Dollars		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	\$17,762,332	\$17,762,332	
Securities:			
Held to maturity	899	939	\$ 39
Available for sale	24,679,850	24,679,850	
Loans and bills discounted	47,426,283		
Allowance for credit losses	(312,033)		
Subtotal	47,114,249	47,530,027	415,777
Total	\$89,557,333	\$89,973,150	\$ 415,817
Deposits	\$60,701,644	\$60,703,316	\$ (1,672)
Negotiable certificates of deposit	4,622,941	4,622,941	
Call money and bills sold	8,922,938	8,922,938	
Payables under securities lending transactions	4,696,632	4,696,632	
Borrowed money	5,749,356	5,749,669	(312)
Total	\$84,693,513	\$84,695,499	\$ (1,985)
Derivative transactions:			
Hedge accounting not applied	\$ 4,867	\$ 4,867	
Hedge accounting applied	(139,503)	(139,503)	
Total	\$ (134,635)	\$ (134,635)	

#### Cash and Due from Banks

Carrying values of cash and due from banks that have no maturity dates are approximately equivalent to fair values.

Regarding due from banks with maturity dates, the carrying values of products with short maturities (less than one year) are equivalent to the fair values.

#### Securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed in public.

Fair values of private placement bonds with guarantees are measured at the total amounts of the principal and interest discounted at market rates, plus spreads. The spreads are defined in internal guidelines.

Information relating to securities for holding purpose is included in Note 6.

#### Loans

Because floating-rate loans are immediately affected by the movement of interest rates, the carrying values of these loans are equivalent to fair values in cases where the credit risk of debtors has not totally changed from the execution of the loans.

For fixed-rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines.

For fixed-rate loans other than business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The carrying values of fixed-rate loans other than business funds with short maturity (less than one year) are equivalent to the fair values.

For loans to debtors who are legally bankrupt, virtually bankrupt, and possibly bankrupt, a reserve for possible loan losses calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the book values at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The carrying values of such loans are assumed to be equivalent to the fair values because of the loans' period and conditions.

#### Deposits and Negotiable Certificates of Deposit

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the consolidated balance sheet date (book values). For time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

#### Call Money and Bills Sold and Payables under Securities Lending Transactions

Carrying value of these whose terms are short (within one year) approximates the fair value and is therefore deemed equal to the fair value.

#### Borrowed Money

Because floating-rate borrowed money is immediately affected by the movement of interest rates, the carrying value of this borrowed money is equivalent to fair value in cases where the credit risk of consolidated subsidiaries has not totally changed from when the money was borrowed.

The fair 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 borrowings. The carrying value of borrowed money whose term is short (within one year) approximates the fair value and is therefore deemed equal to the fair value.

#### Derivatives

Information on the fair value of derivatives is included in Note 27.

(b) *Financial instruments whose fair value cannot be reliably determined*

March 31	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in equity instruments that do not have a quoted market price in an active market	¥ 26,693	¥ 25,415	\$ 240,592

#### (5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2019	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	¥ 1,869,968	¥ 5				
Securities	243,539	398,040	¥ 300,289	¥ 128,522	¥ 392,529	¥ 551,556
Held to maturity			100			
National government bonds			100			
Available for sale	243,539	398,040	300,189	128,522	392,529	551,556
National government bonds	163,400	211,100	58,000	18,000	90,000	393,500
Local government bonds	23,062	25,209	66,600	39,707	207,858	13,858
Corporate bonds	29,512	122,002	141,518	12,395	23,200	80,775
Loans and bills discounted	1,087,034	1,014,879	810,008	470,103	448,992	767,395
Total	¥ 3,200,542	¥ 1,412,925	¥ 1,110,297	¥ 598,626	¥ 841,521	¥ 1,318,951

March 31, 2018	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	¥ 1,267,153					
Securities	194,721	¥ 467,961	¥ 185,572	¥ 119,012	¥ 351,446	¥ 460,519
Held to maturity	100			100		
National government bonds	100			100		
Available for sale	194,621	467,961	185,572	118,912	351,446	460,519
National government bonds	118,500	286,400	98,100	32,000	56,500	350,000
Local government bonds	21,659	41,688	13,758	16,466	157,310	1,540
Corporate bonds	23,096	106,606	47,437	323	35,112	69,585
Loans and bills discounted	1,002,077	1,022,417	741,207	448,923	431,180	723,558
Total	¥ 2,463,951	¥ 1,490,378	¥ 926,779	¥ 567,935	¥ 782,626	¥ 1,184,078

March 31, 2019	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	\$ 16,854,157	\$ 45				
Securities	2,195,035	3,587,567	\$ 2,706,527	\$ 1,158,384	\$ 3,537,894	\$ 4,971,213
Held to maturity			901			
National government bonds			901			
Available for sale	2,195,035	3,587,567	2,705,626	1,158,384	3,537,894	4,971,213
National government bonds	1,472,735	1,902,658	522,757	162,235	811,176	3,546,642
Local government bonds	207,868	227,217	600,277	357,889	1,873,441	124,911
Corporate bonds	266,000	1,099,612	1,275,514	111,720	209,103	728,032
Loans and bills discounted	9,797,513	9,147,182	7,300,661	4,237,074	4,046,796	6,916,586
Total	\$ 28,846,706	\$ 12,734,794	\$ 10,007,188	\$ 5,395,459	\$ 7,584,690	\$ 11,887,799

#### (6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2019	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 5,927,369	¥ 757,096	¥ 30,678	¥ 5,274	¥ 14,427	
Negotiable certificates of deposit	512,915					
Call money and bills sold	990,000					
Payables under securities lending transactions	521,091					
Borrowed money	634,331	851	2,668	19	19	
Total	¥ 8,585,708	¥ 757,948	¥ 33,347	¥ 5,294	¥ 14,447	

March 31, 2018	Thousands of U.S.Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 5,795,105	¥ 744,212	¥ 30,462	¥ 4,871	¥ 12,316	
Negotiable certificates of deposit	503,252	400				
Payables under securities lending transactions	681,737					
Borrowed money	427,106	13,102	3,252	13	8	
Total	¥ 7,407,201	¥ 757,715	¥ 33,714	¥ 4,885	¥ 12,325	

March 31, 2019	Thousands of U.S.Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	\$ 53,423,791	\$ 6,823,764	\$ 276,508	\$ 47,543	\$ 130,035	
Negotiable certificates of deposit	4,622,941					
Call money and bills sold	8,922,938					
Payables under securities lending transactions	4,696,632					
Borrowed money	5,717,276	7,677	24,052	171	178	
Total	\$ 77,383,581	\$ 6,831,442	\$ 300,561	\$ 47,715	\$ 130,213	

27. DERIVATIVES

Derivatives that the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate swaps and interest rate options
Currency-related transactions:	Currency swaps, currency options, and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures and bond future options
Other Transactions:	Earthquake derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers to maximize the profit of their own trading account and to manage the potential risks in their own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates, or prices of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms

and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values, and market risks are reported periodically to the responsible executive officers and the ALM Committee, where evaluations and analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2019

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions								
Listed—interest-rate futures:								
Selling								
Buying								
Over the counter—interest rate swaps:								
Receipt fixed—payments floating	¥ 57,740	¥ 54,540	¥ 1,242	¥ 1,242	\$ 520,420	\$ 491,575	\$ 11,198	\$ 11,198
Receipt floating—payments fixed	58,611	54,609	(845)	(845)	528,273	492,196	(7,622)	(7,622)
Receipt floating—payments floating	1,200	200	(1)	(1)	10,815	1,802	(10)	(10)
Over the counter—interest rate options:								
Selling	18	14		2	162	128		18
Buying	18	14		(1)	162	128		(15)
Currency-Related Transactions								
Over the counter—currency swaps								
Over the counter—currency futures:								
Selling	53,813	12,253	(267)	(267)	485,025	100,443	(2,411)	(2,411)
Buying	57,269	11,982	410	410	516,172	108,000	3,698	3,698
Over the counter—currency options:								
Selling	21,140	14,633	(877)	564	190,536	131,894	(7,912)	5,089
Buying	21,140	14,633	877	(157)	190,536	131,894	7,912	(1,421)
Foreign exchange swaps								
Stock-Related Transactions								
Listed—stock index futures:								
Selling								
Buying								
Listed—stock index options:								
Selling								
Buying								
Bond-Related Transactions								
Listed—bond futures:								
Selling	152				1,376		(5)	(5)
Buying	764		2	2	6,888		19	19
Listed—bond futures options:								
Selling								
Buying								
Other Transactions								
Over the counter—earthquake derivatives								
Selling	1,750		(22)	(22)	15,772		(201)	(201)
Buying	1,750		22	22	15,772		201	201

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2019

	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions							
Interest rate swaps:							
Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥ 160,000	¥ 100,000	¥ 727	\$1,442,091	\$ 901,306	\$ 6,553
Receipt floating—payments fixed		723,895	612,786	(16,063)	6,524,522	5,523,089	(144,782)
Currency-Related Transactions							
Currency swaps	Foreign currency loans and deposits	37,723	9,985	(439)	340,000	90,000	(3,962)
Foreign exchange swaps		62,709		669	565,202		6,035
Bond-Related Transactions							
Listed—bond futures—selling	Available-for-sale securities	73,670		(363)	663,996		(3,279)
Over the counter—bond options:							
Selling	Available-for-sale securities	53,263		(183)	480,066		(1,656)
Buying		53,263		176	480,066		1,588

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen			Thousands of U.S. Dollars		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions							
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	¥ 8,593	¥ 8,593		\$ 77,454	\$ 77,454	
Interest rate swaps—Receipt floating—payments fixed		11,386	10,935		102,627	98,560	



Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2018

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions				
Listed—interest-rate futures:				
Selling				
Buying				
Over the counter—interest rate swaps:				
Receipt fixed—				
payments floating	¥ 67,795	¥ 57,491	¥ 1,114	¥ 1,114
Receipt floating—				
payments fixed	67,344	56,698	(710)	(710)
Receipt floating—				
payments floating	2,200	1,200	(1)	(1)
Over the counter—interest rate options:				
Selling	40	40		4
Buying	40	40		(3)

Currency-Related Transactions

Over the counter—				
currency swaps				
Over the counter—				
currency futures:				
Selling	23,496	594	694	694
Buying	32,585		(813)	(813)
Over the counter—				
currency options:				
Selling	20,630	13,592	(1,082)	394
Buying	20,630	13,592	1,083	(23)

Foreign exchange swaps

Stock-Related Transactions

Listed—stock index futures:				
Selling				
Buying	1,095		48	48
Listed—stock index options:				
Selling	6,710		(109)	(56)
Buying	6,343		28	(45)

Bond-Related Transactions

Listed—bond futures:				
Selling	150			
Buying	16,873		12	12
Listed—bond futures options:				
Selling				
Buying				

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2018

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps:	Loans and bills			
Receipt fixed—	discounted,			
payments floating	available-for-sale	¥ 185,000	¥ 130,000	¥ 527
Receipt floating—	securities, and			
payments fixed	other financial assets	571,708	532,634	(5,476)
Currency-Related Transactions				
Currency swaps	Foreign currency	23,372	19,123	636
Foreign exchange swaps	loans and deposits	70,364		(1,638)
Bond-Related Transactions				
Listed—bond futures—	Available-for-sale			
selling	securities	83,183		(41)
Over the counter—	Available-for-sale			
bond options:	securities			
Selling		83,397		(547)
Buying		83,397		87

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Hedged Item				
Interest Rate-Related Transactions				
Interest rate swaps—				
Receipt fixed —	Loans and deposits	¥ 5,678	¥ 5,678	
payments floating				
Interest rate swaps—				
Receipt floating—				
payments fixed		10,518	9,742	

28. LOAN COMMITMENTS

The Bank and its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,701,511 million (\$15,335,839 thousand) and ¥1,671,486 million as of March 31, 2019 and 2018, respectively.

As a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

29. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ (7,336)	¥ 31,223	\$ (66,123)
Reclassification adjustments to profit or loss	(10,102)	(24,285)	(91,050)
Amount before income tax effect	(17,438)	6,937	(157,173)
Income tax effect	5,231	(2,133)	47,152
Subtotal	(12,206)	4,803	(110,021)
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	(13,244)	(7,369)	(119,371)
Reclassification adjustments to profit or loss	1,216	17,376	10,965
Amount before income tax effect	(12,027)	10,007	(108,406)
Income tax effect	3,649	(3,036)	32,890
Subtotal	(8,378)	6,971	(75,515)
Defined retirement benefit plans:			
Adjustments arising during the year	(5,884)	4,016	(53,038)
Reclassification adjustments to profit or loss	(328)	996	(2,963)
Amount before income tax effect	(6,213)	5,013	(56,001)
Income tax effect	1,886	(1,513)	17,003
Subtotal	(4,326)	3,499	(38,998)
Total other comprehensive income (loss)	¥ (24,912)	¥ 15,274	\$ (224,535)

30. PER SHARE DATA

(1)Basic EPS for the years ended March 31, 2019 and 2018, is as follows:

Year Ended March 31, 2019	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares		EPS
Basic EPS—net income available to common shareholders	¥ 22,492	497,839	¥ 45.18	\$ 0.40
Effect of dilutive—stock acquisition rights		658		
Diluted EPS—net income for computation	¥ 22,492	498,497	¥ 45.12	\$ 0.40
Year Ended March 31, 2018				
Basic EPS—net income available to common shareholders	¥ 25,840	506,660	¥ 51.00	
Effect of dilutive—stock acquisition rights		585		
Diluted EPS—net income for computation	¥ 25,840	507,246	¥ 50.94	

(2)Net assets per share for the years ended March 31, 2019 and 2018, were as follows:

	Yen		U.S. Dollars	
	2019	2018	2019	2018
Net assets per share	¥ 1,484.90	¥ 1,485.34	\$ 13.38	
The net assets per share figure is calculated on the basis of the following:				
	Millions of Yen		Thousands of U.S. Dollars	
	2019	2018	2019	2018
Net assets	¥ 765,509	¥ 777,068	\$ 6,899,590	
Less stock acquisition rights	359	312	3,239	
Less noncontrolling interests	28,767	28,324	259,283	
Net assets attributable to common shareholders	¥ 736,382	¥ 748,431	\$ 6,637,069	
	Thousands of Number of Shares			
	2019	2018		
Number of common stock at fiscal year-end used for calculation of net assets per share	495,911	503,876		

	Millions of Yen						
	2019						
	Reportable Segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	¥ 123,696	¥ 33,728	¥ 157,425	¥ 3,759	¥ 161,184		¥ 161,184
Intersegment	865	660	1,525	34	1,560	¥ (1,560)	
Total	¥ 124,562	¥ 34,388	¥ 158,951	¥ 3,794	¥ 162,745	¥ (1,560)	¥ 161,184
Segment profit	¥ 30,894	¥ 2,523	¥ 33,418	¥ 949	¥ 34,368	¥ (13)	¥ 34,354
Segment assets	10,394,707	98,107	10,492,815	19,000	10,511,816	(60,282)	10,451,533
Segment liabilities	9,671,805	63,113	9,734,918	8,278	9,743,197	(57,172)	9,686,024
Other :							
Depreciation	4,064	1,858	5,923	35	5,959		5,959
Interest income	80,709	82	80,792	132	80,924	(199)	80,724
Interest expense	11,707	206	11,914	26	11,940	(199)	11,740
Impairment losses of assets	432		432		433		433
Income taxes	9,158	671	9,830	228	10,058		10,058
Increase in property, plant, and equipment and intangible assets	3,337	3,646	6,984	23	7,007		7,007

31. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2019, were approved at the Bank's shareholders' meeting held on June 21, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 (\$0.07) per share	¥ 3,967	\$ 35,757

32. 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 financial information is available separately and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the banking and leasing segments. Banking consists of the banking and credit card businesses. Leasing consists of the leasing business.

(2) Methods of Measurement for Sales, Profit (Loss), Assets, Liabilities, and Other Items

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

(3) Information about Ordinary Income, Profit, Assets, Liabilities, and Other Items

Millions of Yen								
2018								
Reportable Segment								
Banking		Leasing		Total		Other		Total
Ordinary income:								
Outside customers	¥ 142,607	¥ 33,690	¥ 176,297	¥ 4,953	¥ 181,250			¥ 181,250
Intersegment	1,226	744	1,971	32	2,004	¥ (2,004)		
Total	¥ 143,834	¥ 34,434	¥ 178,268	¥ 4,986	¥ 183,254	¥ (2,004)	¥ 181,250	
Segment profit	¥ 37,216	¥ 2,606	¥ 39,823	¥ 1,694	¥ 41,518	¥ (10)	¥ 41,507	
Segment assets	9,247,567	95,507	9,343,074	22,979	9,366,053	(57,010)	9,309,043	
Segment liabilities	8,511,676	61,955	8,573,631	12,257	8,585,888	(53,913)	8,531,974	
Other :								
Depreciation	4,293	1,834	6,127	33	6,161		6,161	
Interest income	79,091	80	79,172	119	79,291	(190)	79,100	
Interest expense	8,870	201	9,072	27	9,099	(190)	8,908	
Impairment losses of assets	2,091		2,091	3	2,095		2,095	
Income taxes	11,011	652	11,664	535	12,199		12,199	
Increase in property, plant, and equipment and intangible assets	4,484	3,198	7,683	38	7,721		7,721	

Thousands of U.S. Dollars								
2019								
Reportable Segment								
Banking		Leasing		Total		Other		Total
Ordinary income:								
Outside customers	\$ 1,114,882	\$ 304,000	\$ 1,418,883	\$ 33,884	\$ 1,452,768		\$ 1,452,768	
Intersegment	7,804	5,949	13,753	311	14,065	\$ (14,065)		
Total	\$ 1,122,687	\$ 309,949	\$ 1,432,636	\$ 34,196	\$ 1,466,833	\$ (14,065)	\$ 1,452,768	
Segment profit	\$ 278,453	\$ 22,745	\$ 301,199	\$ 8,561	\$ 309,761	\$ (122)	\$ 309,638	
Segment assets	93,688,215	884,254	94,572,469	171,254	94,743,723	(543,327)	94,200,396	
Segment liabilities	87,172,651	568,844	87,741,495	74,611	87,816,107	(515,301)	87,300,805	
Other :								
Depreciation	36,636	16,754	53,391	321	53,713		53,713	
Interest income	727,441	744	728,185	1,193	729,379	(1,802)	727,576	
Interest expense	105,524	1,858	107,382	235	107,617	(1,802)	105,815	
Impairment losses of assets	3,900		3,900	2	3,903		3,903	
Income taxes	82,549	6,052	88,602	2,058	90,661	(3)	90,657	
Increase in property, plant, and equipment and intangible assets	30,082	32,866	62,948	214	63,163		63,163	

(4) Information about Services

Millions of Yen					
2019					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 47,510	¥ 54,146	¥ 33,728	¥ 25,798	¥ 161,184

Millions of Yen					
2018					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 46,767	¥ 75,332	¥ 33,690	¥ 25,460	¥ 181,250

Thousands of U.S. Dollars					
2019					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	\$ 428,214	\$488,029	\$304,000	\$232,523	\$1,452,768

(5) Information about Geographical Areas

a. Ordinary income

This information is not disclosed as the domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income.

b. Tangible fixed assets

This information is not disclosed as the domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet.

(6) Information about Major Customers

This information is not disclosed as ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statement of income.