

 **THE HACHIJUNI BANK, LTD.**  
178-8, Okada, Nagano-city 380-8682, Japan  
Phone:(026)227-1182  
<https://www.82bank.co.jp/>



# 2020 Annual Report

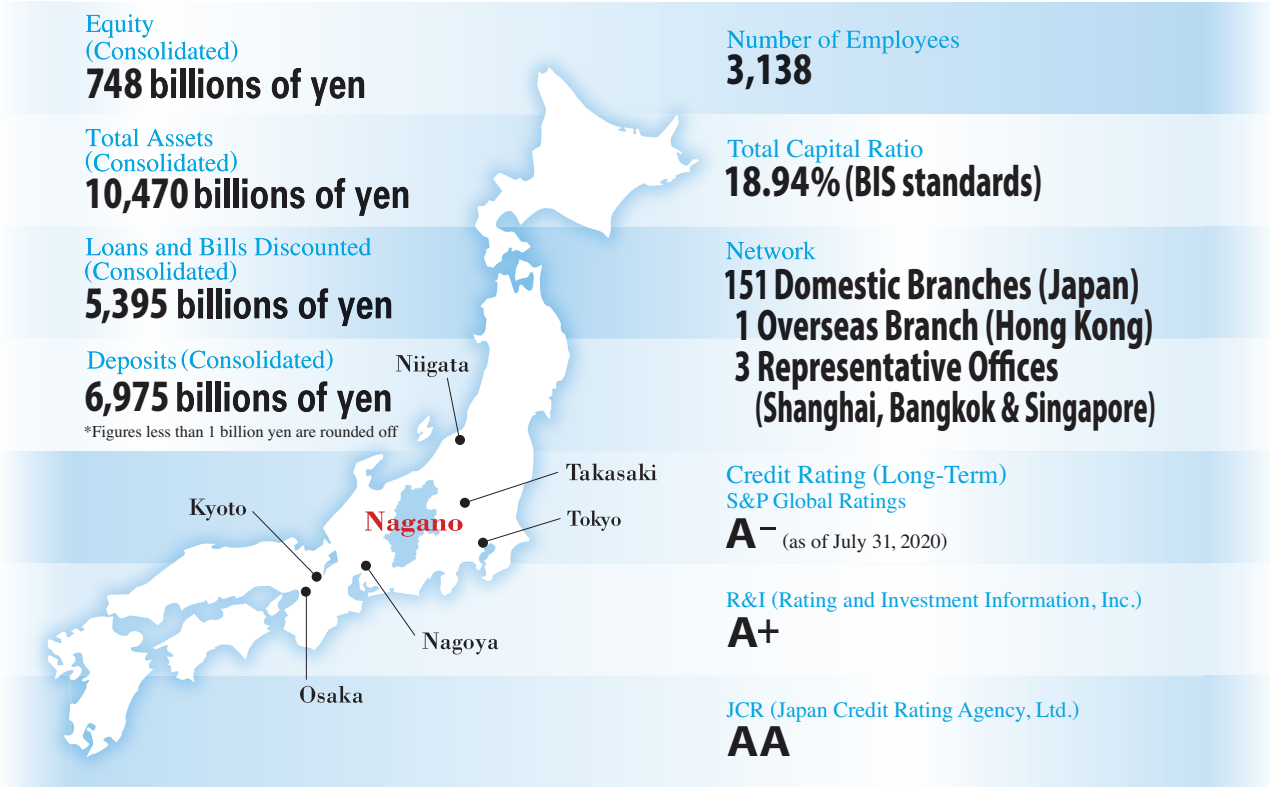
Year ended March 31, 2020



This brochure was printed  
using vegetable oil ink.



# Corporate Outline



as of March 31, 2020



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 Shanghai Representative Office, the Bangkok Representative Office, and the Singapore Representative Office.

## CONTENTS

2	Message from the President	10	Major Affiliated Companies
3	Management Policies	10	Major Shareholders
4	Business Performance and Financial Standings	11	Independent Auditor's Report
5	Corporate Governance	14	Financial Section
6	Risk Management	14	Consolidated Balance Sheet
7	International Operations	15	Consolidated Statement of Income
8	Corporate Social Responsibility (CSR)	15	Consolidated Statement of Comprehensive Income
10	Board of Directors	16	Consolidated Statement of Changes in Equity
10	Audit & Supervisory Board Members	17	Consolidated Statement of Cash Flows
10	Organization	18	Notes to Consolidated Financial Statements



Shoichi Yumoto  
President

## Message from the President

August 2020

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 2020” to present, in an easy-to-understand format, our earnings results and the details of our businesses for the fiscal year ended March 31, 2020. We sincerely hope that this report will help give you a better understanding of the Bank.

The overall Japanese economy remained sluggish in FY2019 owing to weakness in consumer spending and capital investments. Contributing factors included a decline in exports which were affected by the US-China trade conflict, the consumption tax hike, and natural disasters such as Typhoon Hagibis. Since January 2020, the coronavirus outbreak has substantially harmed economic activities. In addition to the difficulty of predicting when COVID-19 will be contained, there are many uncertain factors including overseas economic conditions and post-tax hike consumption trends, and therefore the economic outlook is forecast to remain unpredictable.

Under such conditions, the Bank promoted its 31st Long-Term Management Plan entitled “Dare to Change; Create the Next Generation.” In order to ceaselessly contribute to regional development, the Bank will transition itself towards the future and make efforts to create the next generation. We will celebrate our 90th anniversary in August 2021. The Bank will support regional communities coping with typhoon damages and coronavirus pandemic to restore their vitality without delay, and also work to achieve customer profit through a concerted effort by all its officers and employees.

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,

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, 2020	Target amount	Target achievement period
Balance of loans to SMEs	¥1,463.9 billion	¥2,000 billion	Fiscal 2027
Number of SME borrowers	26,903	30,000	Fiscal 2027
Revenue from investment type products (bank + securities)	¥5.7 billion	¥10.0 billion	Fiscal 2022
OHR (gross business profit basis)	61.7%	Under 60%	Fiscal 2022
Amount of greenhouse gas emissions reduced (compared to fiscal 2013)	18.80%	30%	By fiscal 2030



# Business Performance and Financial Standings

## Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
For the year:			
Total income	165,115	161,202	1,519,558
Total expenses	132,407	127,333	1,218,549
Income before income taxes	32,707	33,868	301,008
Net income attributable to owners of the parent	22,077	22,492	203,182
Net income per share	¥ 44.80	¥ 45.18	\$ 0.41
At year-end:			
Deposits	6,975,504	6,734,847	64,195,699
Loans and bills discounted	5,395,246	5,261,946	49,652,550
Securities	2,911,132	2,766,017	26,791,202
Total assets	10,451,533	10,451,533	96,360,642
Equity	748,432	765,509	6,887,835
Total capital ratio : <b>Basel 3 standards</b>	18.94%	19.82%	

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 ¥108.66 to US\$1.00 on March 31, 2020.  
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

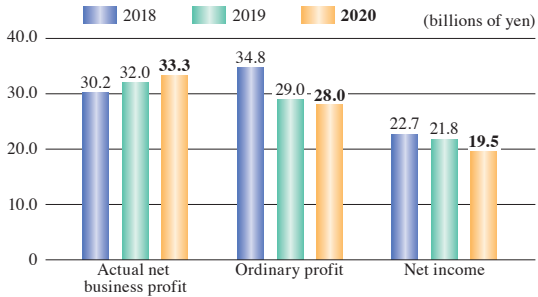
## Summary of Business Performance

### Consolidated Business Results

Ordinary profit decreased ¥907 million from the previous year to ¥33,447 million and net income attributable to owners of the parent decreased ¥415 million to ¥22,077 million.

### Non-Consolidated Business Results

Ordinary income increased ¥3,398 million from a year earlier to ¥124,445 million due to increases in gains on sales of bonds, gains on money held in trust, and interest and dividends on securities despite a decrease in gains on sales of stocks from the previous year. Ordinary expenses increased ¥4,401 million from a year earlier to ¥96,423 million due to increases in loss on sales of bonds and loss on sales of stocks despite a decrease in operating expenses. As a result, ordinary profit decreased ¥1,002 million to ¥28,021 million. Net income decreased ¥2,267 million to ¥19,562 million due to the lack of extraordinary gains of ¥1,600 million from the absorption-type merger of a subsidiary recorded in the previous year.



## Summary of Financial Standings

### Results of Consolidated Main Accounts

**Outstanding balance of deposits** increased ¥240.6 billion to ¥6,975.5 billion from a year earlier owing to increases in deposits from general corporations and from individuals.  
**Outstanding balance of loans and bills discounted** increased ¥133.2 billion to ¥5,395.2 billion due to increases in loans for general corporations and individuals.  
**Outstanding balance of securities** increased ¥145.1 billion to ¥2,911.1 billion due mainly to increases in foreign securities and corporate bonds.

### Results of Non-Consolidated Main Accounts

**Outstanding balance of deposits** increased ¥242.2 billion from a year earlier to ¥6,989.1 billion.  
**Outstanding balance of loans and bills discounted** increased ¥133.4 billion to ¥5,443.9 billion.  
**Outstanding balance of securities** increased ¥148.8 billion to ¥2,920.4 billion.

### Total Capital Ratio (Basel 3 standards)

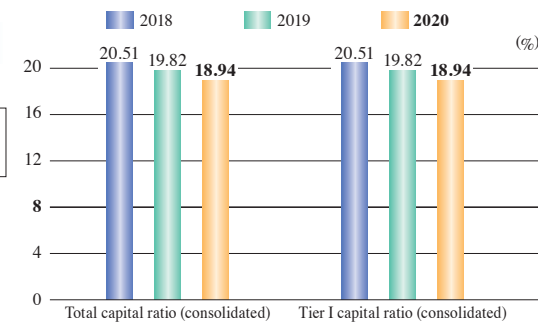
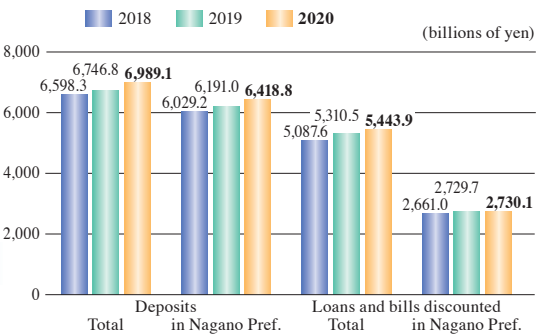
Total capital ratio was 18.94% on a consolidated basis and 17.59% on a non-consolidated basis.

### 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

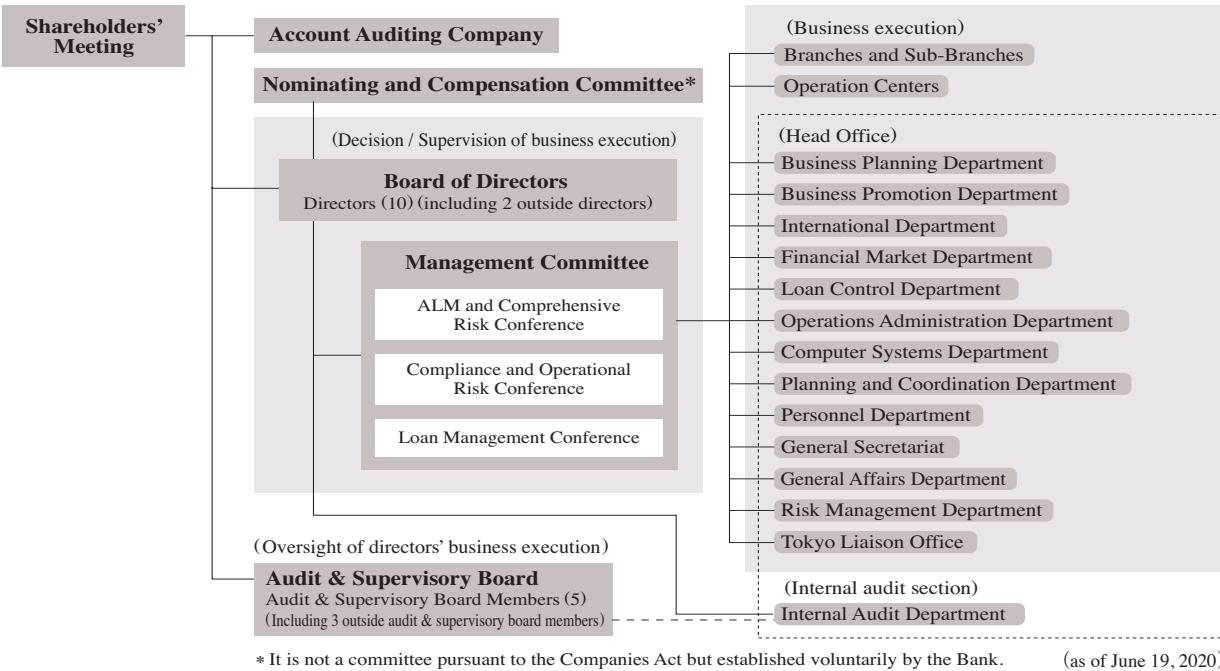
- The Bank appoints audit & supervisory board members (to form an Audit & Supervisory Board) based on the recognition that business oversight function should be separated from business execution function. While the Board of Directors decides and implements business operations, the Audit & Supervisory 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 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

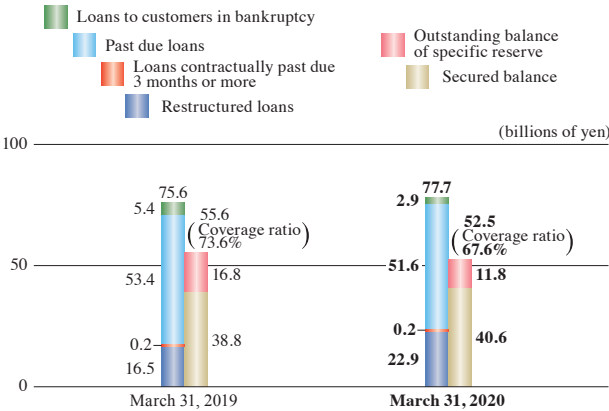
- The Bank’s Board of Directors defines the basic policy regarding comprehensive risk management to ensure soundness of management and adequacy of its business operations. Targeted main risks are market risk, liquidity risk, operational risk and credit risk as described in the Risk Management Organization 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 19, 2020)

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, 2019	March 31, 2020
Loans to Customers in Bankruptcy	5.4(0.10%)	2.9(0.05%)
Past Due Loans	53.4(1.00%)	51.6(0.94%)
Loans Contractually Past Due 3 months or more	0.2(0.00%)	0.2(0.00%)
Restructured Loans	16.5(0.31%)	22.9(0.42%)
Total	75.6(1.42%)	77.7(1.42%)
Outstanding Balance of loans and bills discounted	5,310.5	5,443.9

(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, 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 2,900 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 four major Asian cities. In addition to the Hong Kong Branch, which functions as the Asian control center and offers full banking services, we have three representative offices – 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 capital funds they need to expand overseas and the funds they need to finance their overseas subsidiaries (“parent-subsidary loans”). And we are also promoting initiatives to expand cross-border loans whereby our domestic offices offer direct loans to customers operating around the world, not only in Asia such as China, Thailand, Indonesia, Vietnam and Philippines, but also in America or Europe (as of the end of March 2020). We also handle loans denominated in Thai Baht.

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.

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. Aiming to satisfy various needs of customers, the Hong Kong Branch has been offering renminbi-denominated transactions such as deposit, transfer and loan since 2010, and cross-border loans to customers’ subsidiaries in Southeast Asia and mainland China since 2012.

◆ 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

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 addition, the Bank closed Dalian Representative Office in October 2019, and integrated it into Shanghai Representative Office.

◆ 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





# 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 FY2020) Contribution to customers' activities in environmental improvements by providing environment-friendly financial products

#### 2 Reduction of internal environmental burden

(Target of FY2020) 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 FY2020) 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 2019 (Climate Change) questionnaire and gained the comprehensive rating "B (management)" that falls under the first rank group in the Japanese banking 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.

#### TCFD

As countries around the world continue to suffer serious damage from extreme weather and natural disasters in recent years, initiatives to address climate change are spreading globally. Typhoon Hagibis, which swept through Japan last year, caused damage in various parts of Nagano Prefecture and many local governments including Nagano Prefecture announced climate emergency declarations. Against this backdrop, the Bank announced its support for TCFD in March 2020.

### 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.

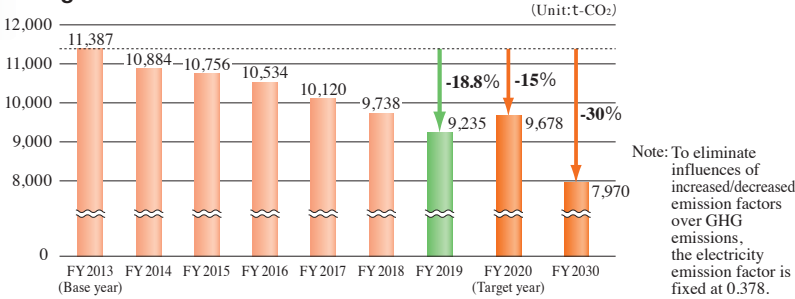
			(Unit:t-CO <sub>2</sub> )	
Items			FY2018	FY2019
Scope 1	Direct emissions	Heavy oil, kerosene, city gas, gasoline, propane gas	2,755	2,661
Scope 2	Energy-derived indirect emissions	Electricity	9,162	7,894
Scope 3			10,307	14,701
	1 Purchased goods & services	Stationery, copying paper, water and sewage, etc.	2,872	2,600
	2 Capital goods	All buildings belonging to the Bank, construction-in-progress accounts and other tangible fixed assets	3,413	6,985
	3 Fuel and energy-related activities not included in Scope 1 or 2	Heavy oil, kerosene, city gas, gasoline, propane gas, electricity	1,040	1,549
	4 Transportation and delivery (upstream)	Postage, transportation	744	1,526
	5 Waste generated in operations	All forms of waste	52	41
	6 Business travel	Business trips	570	522
	7 Employee commuting	Commuting	1,616	1,478
Total			22,223	25,256

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 FY2019, the Bank has reduced GHG emissions by 18.8% 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		FY2018	FY2019
Business area cost		69	699
	Resource circulation cost	30	31
	Pollution prevention cost	0	0
	Global environmental conservation cost (*1)	39	668
Administrative activity cost		66	65
	Personnel cost	42	42
	Disclosure of environment information and advertisement	11	14
	Maintenance of environmental management system	3	4
	Monitoring of environmental burden	10	5
Social activity cost (*2)		17	18
Total		152	782

#### Economic benefit associated with environmental conservation activities

		(millions of yen)	
Item		FY2018	FY2019
Income		1,591	1,369
	Income from environment-related loans	1,554	1,351
	Income from EB contracts	25	9
	Income from ISO14001 consultations	12	9
Cost saved (*3)		20	7
Total		1,611	1,376

- \*1 Installation cost of LED, renewal cost of air conditioners, installation cost of solar power generation systems  
\*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		FY2018	FY2019
CO <sub>2</sub> emission reduced by the Bank's internal efforts (by straight comparison with the previous fiscal year)		317	503
CO <sub>2</sub> emission reduced by customers through the help of the Bank's core businesses		481,745	556,486
Total		482,062	556,989

#### 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 165 offices (as of March 31, 2020) and nearly 5,400 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 FY2019, a total of around 6,600 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 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

<b>Shoichi Yumoto</b> President	<b>Masaki Matsushita</b> Deputy President
<b>Muneo Yoshie</b> Managing Director	<b>Yuichi Sato</b> Managing Director
<b>Hiroyuki Miyahara</b> Managing Director	<b>Takahiko Asai</b> Managing Director
<b>Shinji Sato</b> Managing Director	<b>Hideo Funami</b> Director
<b>Kayo Tashita</b> Director (Outside Director)	<b>Sokichi Kurosawa</b> Director (Outside Director)

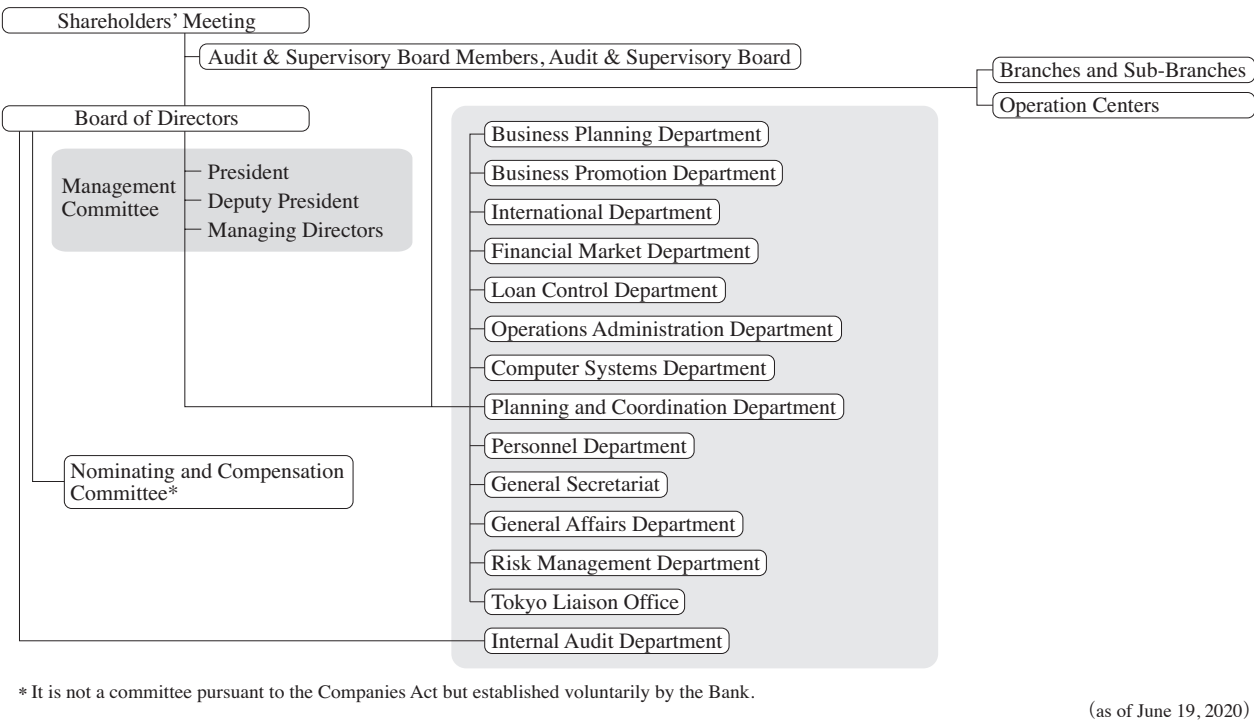
Audit & Supervisory Board Members

<b>Yoshimi Kitazawa</b> Audit & Supervisory Board Member	<b>Chishu Minemura</b> Audit & Supervisory Board Member
<b>Takeshi Kadota</b> Outside Audit & Supervisory Board Member	<b>Yasuyoshi Wada</b> Outside Audit & Supervisory Board Member
<b>Kiyohito Yamasawa</b> Outside Audit & Supervisory Board Member	

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

(as of June 19, 2020)

Organization



Major Affiliated Companies

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

(as of June 19, 2020)

Major Shareholders

Name	Number of shares in thousands	%	Name	Number of shares in thousands	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,509	5.41	State Street Bank and Trust Company 505223	13,708	2.80
Japan Trustee Services Bank, Ltd. (Trust Account)	21,111	4.31	MUFG Bank, Ltd.	12,364	2.52
Meiji Yasuda Life Insurance Company	17,867	3.65	Shin-Etsu Chemical Co., Ltd.	11,830	2.41
Nippon Life Insurance Company	17,000	3.47	Showa Shoji Co., Ltd.	11,820	2.41
Japan Trustee Services Bank, Ltd. (Trust Account 9)	14,560	2.97	Aioi Nissay Dowa Insurance Co., Ltd.	11,091	2.26

(as of March 31, 2020)

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC  
Marunouchi Building  
3-2-3 Marunouchi, Chiyoda-ku  
Tokyo 100-8360  
Japan  
Tel.: +81 (0) 3 5561 8100  
Fax: +81 (0) 3 5561 8100  
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Convenience Translation

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

Basis for Opinion

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

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

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

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

Member of  
Deloitte Touche Tohmatsu Limited



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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*Deloitte Touche Tohmatsu LLC*

June 22, 2020



# Financial Section

## Consolidated Balance Sheet March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and due from banks (Notes 3 and 25)	¥ 1,650,752	¥ 1,970,730	\$ 15,191,902
Call loans and bills bought	22,821	33,535	210,030
Monetary claims bought	78,869	59,414	725,836
Trading assets (Notes 4 and 26)	29,559	13,373	272,039
Money held in trust (Notes 5 and 11)	79,301	76,405	729,814
Securities (Notes 6, 11 and 25)	2,911,132	2,766,017	26,791,202
Loans and bills discounted (Notes 7,11, 25 and 27)	5,395,246	5,261,946	49,652,550
Foreign exchanges (Note 8)	20,019	20,972	184,237
Lease receivables and investments in leases (Note 23)	69,549	66,442	640,067
Other assets (Note 11)	155,098	122,435	1,427,372
Property, plant, and equipment—net (Note 9)	34,343	34,632	316,064
Intangible assets—net (Note 9)	5,041	5,444	46,395
Asset for employees' retirement benefits (Note 14)	20,856	23,040	191,941
Deferred tax assets (Note 22)	2,287	1,953	21,054
Customers' liabilities for acceptances and guarantees (Note 10)	33,229	36,413	305,807
Allowance for credit losses	(37,560)	(41,225)	(345,672)
TOTAL	¥ 10,470,547	¥ 10,451,533	\$ 96,360,642
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11, 12 and 25)	¥ 6,975,504	¥ 6,734,847	\$ 64,195,699
Negotiable certificates of deposit (Note 25)	257,674	512,915	2,371,379
Call money and bills sold (Note 25)	845,982	990,000	7,785,594
Payables under repurchase agreements	79,770	63,740	734,131
Payables under securities lending transactions (Notes 11 and 25)	537,369	521,091	4,945,425
Trading liabilities (Notes 4 and 26)	3,444	4,356	31,701
Borrowed money (Notes 11,13 and 25)	785,947	637,891	7,233,089
Foreign exchanges (Note 8)	544	2,033	5,009
Other liabilities	128,242	97,792	1,180,216
Liability for employees' retirement benefits (Note 14)	12,494	12,368	114,986
Provision for reimbursement of deposits	894	901	8,233
Provision for contingent losses	984	927	9,061
Reserve under special laws	9	9	83
Deferred tax liabilities (Note 22)	60,022	70,736	552,388
Acceptances and guarantees (Note 10)	33,229	36,413	305,807
Total liabilities	9,722,115	9,686,024	89,472,807
EQUITY (Notes 15 and 30):			
Common stock—authorized, 2,000,000 thousand shares; issued, 511,103 thousand shares in 2020 and 2019	52,243	52,243	480,794
Capital surplus	54,173	34,484	498,563
Stock acquisition rights (Note 16)	365	359	3,365
Retained earnings	477,336	462,187	4,392,936
Treasury stock—at cost, 21,840 thousand shares in 2020 and 15,191 thousand shares in 2019	(11,789)	(8,845)	(108,497)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	185,821	205,593	1,710,114
Deferred loss on hedges	(17,414)	(11,386)	(160,264)
Defined retirement benefit plans	(382)	2,107	(3,523)
Total	740,353	736,742	6,813,489
Noncontrolling interests	8,078	28,767	74,345
Total equity	748,432	765,509	6,887,835
TOTAL	¥ 10,470,547	¥ 10,451,533	\$ 96,360,642

See notes to consolidated financial statements.

## Consolidated Statement of Income Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 46,995	¥ 47,510	\$ 432,496
Interest and dividends on securities	31,727	30,398	291,985
Other interest income	3,041	2,815	27,991
Fees and commissions	21,715	20,725	199,850
Trading income	2,329	2,099	21,441
Other operating income (Note 17)	50,814	48,950	467,651
Other income (Note 18)	8,490	8,701	78,141
Total income	165,115	161,202	1,519,558
EXPENSES:			
Interest expenses:			
Interest on deposits	3,561	3,327	32,778
Interest on borrowings and rediscounts	4,607	4,223	42,400
Other interest expenses	4,593	4,188	42,276
Fees and commission payments	7,367	7,253	67,806
Trading expenses	14		134
Other operating expenses (Note 19)	37,426	35,135	344,440
General and administrative expenses (Note 20)	59,455	60,940	547,166
Provision for credit losses	1,195	1,799	11,002
Other expenses (Note 21)	14,184	10,463	130,543
Total expenses	132,407	127,333	1,218,549
INCOME BEFORE INCOME TAXES	32,707	33,868	301,008
INCOME TAXES (Note 22):			
Current	8,177	8,944	75,254
Deferred	1,306	1,113	12,023
Total income taxes	9,483	10,058	87,277
NET INCOME	23,224	23,810	213,731
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,146	1,317	10,548
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 22,077	¥ 22,492	\$ 203,182
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 29):			
Basic net income	¥ 44.80	¥ 45.18	\$ 0.41
Diluted net income	44.73	45.12	0.41
Cash dividends applicable to the year	14.00	14.00	0.12

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	¥ 23,224	¥ 23,810	\$ 213,731
OTHER COMPREHENSIVE INCOME (LOSS) (Note 28):			
Unrealized loss on available-for-sale securities	(20,835)	(12,206)	(191,751)
Deferred loss on derivatives under hedge accounting	(6,027)	(8,378)	(55,470)
Defined retirement benefit plans	(2,495)	(4,326)	(22,964)
Total other comprehensive income (loss)	(29,358)	(24,912)	(270,186)
COMPREHENSIVE INCOME (LOSS)	¥ (6,134)	¥ (1,101)	\$ (56,455)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (6,211)	¥ (1,564)	\$ (57,166)
Noncontrolling interests	77	462	710

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows  
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
	¥	¥	\$
OPERATING ACTIVITIES:			
Income before income taxes	32,707	33,868	301,008
Adjustments for:			
Income taxes—paid	(7,100)	(13,141)	(65,349)
Depreciation and amortization	5,842	5,959	53,766
Impairment losses	421	433	3,880
Increase in allowance for credit losses	(3,664)	(3,735)	(33,726)
Interest income	(81,763)	(80,724)	(752,473)
Interest expense	12,762	11,740	117,455
Interest received	83,793	82,390	771,150
Interest paid	(12,822)	(11,459)	(118,005)
Net increase in loans and bills discounted	(133,299)	(221,847)	(1,226,762)
Net increase in borrowed money	148,056	194,407	1,362,565
Net increase in deposits	240,657	147,877	2,214,773
Net increase in call loans and bills bought	(8,741)	(23,469)	(80,444)
Net increase (decrease) in call money and bills sold	(127,986)	971,516	(1,177,863)
Net (increase) decrease in due from banks, excluding due from the Bank of Japan	(6,347)	2,769	(58,419)
Net (decrease) increase in payables under securities lending transactions	16,278	(160,645)	149,811
Other—net	(297,357)	(23,359)	(2,736,585)
Total adjustments	(171,272)	878,711	(1,576,227)
Net cash provided by used in operating activities	(138,565)	912,580	(1,275,218)
INVESTING ACTIVITIES:			
Purchases of investment securities	(1,224,960)	(1,350,276)	(11,273,336)
Proceeds from sales of investment securities	756,079	823,587	6,958,215
Proceeds from maturities of investment securities	302,395	274,883	2,782,951
Payments for increase in money held in trust	(30,262)	(35,459)	(278,505)
Proceeds from decrease in money held in trust	25,728	15,484	236,780
Purchases of fixed assets	(7,213)	(6,964)	(66,387)
Proceeds from sales of fixed assets	1,481	1,418	13,632
Net cash used in investing activities	(176,751)	(277,325)	(1,626,650)
FINANCING ACTIVITIES:			
Payments to acquire treasury stock	(3,000)	(4,004)	(27,612)
Proceeds from sales of treasury stock			1
Dividends paid	(6,928)	(6,502)	(63,766)
Dividends paid to noncontrolling interests	(19)	(19)	(182)
Payments of changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,057)		(9,727)
Net cash used in financing activities	(11,005)	(10,526)	(101,288)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3)	4	(32)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(326,326)	624,733	(3,003,188)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	1,954,835	1,330,102	17,990,391
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 3)	¥ 1,628,509	¥ 1,954,835	\$ 14,987,202

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity  
Year Ended March 31, 2020

	Thousands		Millions of Yen										
			Accumulated Other Comprehensive Income										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Gain (Loss) on Hedges	Defined Retirement Benefit Plans	Total	Noncon- trolling Interests	Total Equity	
BALANCE, MARCH 31, 2018	511,103	¥ 52,243	¥ 34,484	¥ 312	¥ 446,197	¥ (4,864)	¥ 217,035	¥ (3,008)	¥ 6,343	¥ 748,744	¥ 28,524	¥ 777,068	
Net income attributable to owners of the parent					22,492					22,492		22,492	
Cash dividends, ¥13.00 per share					(6,502)	(4,004)				(6,502)		(6,502)	
Purchases of treasury stock						22				(4,004)		(4,004)	
Disposals of treasury stock										22		22	
Net change during the period				46			(11,442)	(8,378)	(4,236)	(24,010)	442	(23,567)	
BALANCE, MARCH 31, 2019	511,103	¥ 52,243	¥ 34,484	¥ 359	¥ 462,187	¥ (8,845)	¥ 205,593	¥ (11,386)	¥ 2,107	¥ 736,742	¥ 28,767	¥ 765,509	
Net income attributable to owners of the parent					22,077					22,077		22,077	
Cash dividends, ¥14.00 per share					(6,928)	(3,000)				(6,928)		(6,928)	
Purchases of treasury stock						56				(3,000)		(3,000)	
Disposals of treasury stock										56		56	
Purchase of shares of consolidated subsidiaries			19,689	6			(19,772)	(6,027)	(2,489)	(28,283)	(20,689)	19,689	
Net change during the period												(48,972)	
BALANCE, MARCH 31, 2020	511,103	¥ 52,243	¥ 54,173	¥ 365	¥ 477,336	¥ (11,789)	¥ 185,821	¥ (17,414)	¥ (382)	¥ 740,353	¥ 8,078	¥ 748,432	

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars (Note 1)									
	Accumulated Other Comprehensive Income					Total				
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Gain (Loss) on Hedges	Defined Retirement Benefit Plans	Noncon-trolling Interests	Total Equity
BALANCE, MARCH 31, 2019	\$ 480,794	\$ 317,359	\$ 3,307	\$ 4,253,520	\$ (81,406)	\$1,892,078	\$ (104,793)	\$ 19,390	\$ 264,747	\$ 7,044,998
Net income attributable to owners of the parent				203,182						203,182
Cash dividends, \$0.12 per share				(63,766)						(63,766)
Purchases of treasury stock					(27,612)					(27,612)
Disposals of treasury stock					522					523
Purchase of shares of consolidated subsidiaries		181,201	58			(181,963)	(55,470)	(22,914)	(190,401)	181,201
Net change during the period										(450,691)
BALANCE, MARCH 31, 2020	\$ 480,794	\$ 498,563	\$ 3,365	\$ 4,392,936	\$ (108,497)	\$ 1,710,114	\$ (160,264)	\$ (3,523)	\$ 74,345	\$ 6,887,835

See notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

Year Ended March 31, 2020

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

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 ¥108.66 to \$1, the rate of exchange at March 31, 2020. 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, 2020, 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 five (six in 2019) unconsolidated subsidiaries and in two associated companies 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** – The allowance for credit losses is recorded as follows in accordance with predetermined amortization and allowance standards.

- (a) Claims on obligors in which facts of legal or formal management failure have occurred, such as bankruptcy, corporate rehabilitation, and transaction suspension at a clearing house, and debtors who are unable to meet their obligations. Claims in excess of collateral are recorded for any amounts that may not be recovered.
- (b) Also, for obligors debtors to obligors who are not currently in a state of business failure but are likely to potentially fall into business failure in the future, the expected amount of collateral disposal and the expected amount of recovery by guarantee are deducted from the amount of the loan. Of the remaining balance (hereinafter referred to as "non-conservation amount"), the amount deemed necessary is recorded.
- For large obligors with a certain amount of credit or more, the bank estimates the Allowance for loan by the method below.

- (1) The bank comprehensively judges an obligor's situation and estimates a recoverable amounts by cash flow.
- (2) The allowance for loan is the balance of non-conservation amounts less the recoverable amounts estimated step 1.
- For debtors of debtors other than those mentioned above, an allowance for loan losses is provided by multiplying the non-conservation amount by the expected loss rate calculated from the bankruptcy probability from past periods.
- (c) For claims against the obligor who have loans with revised lending terms and increased monitoring the debtor, the difference between the cash flow discounted at the original contracted interest rate and the carrying amount of the receivable would be recorded as the allowance for loan losses.
- (d) For creditors to debtors other than (a) to (c), the allowance for loan losses is recorded based on the expected loss rate calculated from the probability of bankruptcy in the past certain period.

(Note1) Grouping in calculating the probability of bankruptcy The probability of bankruptcy is allocated to six categories, including one normal division, three cautionable divisions and two bankruptcy concerns.

Cautionable divisions are classified according to the comprehensive judgment of the creditworthiness of the obligor and the existence of loans with relaxed loan terms.

(Note2) A certain period in which the expected loss rate will be estimated in the future

Allowance for doubtful accounts is determined based on the expected loss rate for normal loans over the next one year and for loans requiring attention over the period corresponding to the average remaining life of the loans.

(Note3) Changes in the probability of bankruptcy probability and future prospects

The probability of bankruptcy used to calculate the allowance is determined by comparing the average value of the last three calculation periods with the long-term average value, considering the entity's business cycle. The average value for the three most recent calculation periods is calculated by including necessary revisions such as the current circumstances and future projections.

Based on the self-assessment standard of assets, all receivables are assessed by the asset assessment department, which is independent from the sales department, and the internal audit department provides an assessment of these results.

**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.

**t. New Accounting Pronouncements – Accounting Standard for Fair Value Measurement** (ASBJ Statement No.30 on July 4, 2019)

**Implementation Guidance on Accounting Standard for Fair Value Measurement** (ASBJ Guidance No.31 on July 4, 2019)

**Accounting Standard for Financial Instruments** (ASBJ Statement No.10 on July 4, 2019)

**Implementation Guidance for Disclosure of Fair Value of Financial Instruments** (ASBJ Guidance No.19 on March 31, 2020)

(a) Overview

In order to enhance comparability of financial statements among domestic and overseas companies, ASBJ developed an “Accounting Standard for Fair Value Measurement” and issued a new standard together with its implementation guidance. The section which adopted the accounting standard and implementation guidance are financial instruments defined by “Accounting Standard for Financial Instruments”

(b) Scheduled date of adoption

The companies expect to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022

(c) Impact of the adoption of accounting standard and implementation guidance

The companies are currently evaluating the impact of the adoption of this accounting standard and implementation guidance on the financial statements

**Accounting Standards for Disclosure of Accounting Estimates** (ASBJ Statement No.31 on March 31, 2020)

(a) Overview

Accounting standards for disclosure of accounting estimates, referred to the provisions of paragraph 125 of IAS 1 "Presentation of financial statements" and referred to corporate accounting. This standard was developed and published by the standards committee. Requirements include expanded individual notes as a basic policy for development rather than showing the principle (disclosure purpose), and the specific disclosures should be determined by the company based on the facts and circumstances.

(b) Scheduled date of adoption

The companies anticipate adopting the new accounting standards for disclosures of accounting estimates from the end of the fiscal year ending March 31, 2021.

**u. Additional Information** – The Bank assumes that the credit risk of loans and claims will be affected to some extent and the financial capacity for repayment of obligators will weaken because of the spread of the novel coronavirus(“COVID-19”) infection. However, the Bank calculates the allowance for credit losses based on the assumption that credit losses will not significantly increase.

The assumption is uncertain. Therefore, the performance of the Bank for on and after the fiscal year ended March 31, 2021, may be affected depending on the COVID-19 infection and its impact on the economic environment.

### 3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and due from banks	¥ 1,650,752	¥ 1,970,730	\$ 15,191,902
Due from banks, excluding amounts due from the Bank of Japan	(22,242)	(15,894)	(204,700)
Cash and cash equivalents	¥ 1,628,509	¥ 1,954,835	\$ 14,987,202

### 4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Trading assets:			
Trading securities	¥ 790	¥ 620	\$ 7,279
Derivatives of trading securities		1	
Financial derivatives	3,788	4,752	34,864
Other trading assets	24,980	7,999	229,895
Total	¥ 29,559	¥ 13,373	\$ 272,039
Trading liabilities			
—Financial derivatives	¥ 3,444	¥ 4,356	\$ 31,701

### 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, 2020 and 2019, is as follows:

	Fair Value	
	Millions of Yen	Thousands of U.S. Dollars
	2020	2019
Money held in trust—Trading	¥ 79,301	¥ 76,405

### 6. SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Securities:			
National government bonds	¥ 1,000,967	¥ 1,001,192	\$ 9,211,922
Local government bonds	362,245	383,801	3,333,749
Corporate bonds	465,527	416,345	4,284,255
Equity securities	332,004	343,348	3,055,443
Other securities	750,387	621,328	6,905,831
Total	¥ 2,911,132	¥ 2,766,017	\$ 26,791,202

The securities placed under unsecured lending agreements are included in the above national government bonds in the amount of ¥186,244 million (\$1,714,015 thousand) and ¥173,166 million as of March 31,2020 and 2019, respectively.

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in securities were ¥45,268 million (\$416,604 thousand) and ¥37,357 million as of March 31,2020 and 2019, 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, 2020 and 2019, are as follows:

March 31, 2020	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 95,408	¥ 230,604	¥ 839	¥ 325,173
Debt securities	1,806,147	30,048	7,556	1,828,640
Other securities	741,744	28,643	13,835	756,553
Held-to-maturity	99	3		103

March 31, 2019	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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, 2020	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 878,046	\$ 2,122,256	\$ 7,726	\$ 2,992,576
Debt securities	16,622,010	276,538	69,539	16,829,008
Other securities	6,826,291	263,609	127,324	6,962,576
Held-to-maturity	919	28		947

Proceeds from sales of available-for-sale securities for the years ended March 31, 2020 and 2019, were ¥758,063 million (\$6,976,472 thousand) and ¥808,800 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥16,640 million (\$153,140 thousand) and ¥5,425 million (\$49,935 thousand), respectively, for the year ended March 31, 2020, and ¥15,915 million and ¥3,944 million, respectively, for the year ended March 31, 2019.

### 7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Bills discounted	¥ 14,246	¥ 19,747	\$ 131,110
Loans on bills	146,157	158,234	1,345,086
Loans on deeds	4,547,511	4,418,859	41,850,834
Overdrafts	687,331	665,104	6,325,520
Total	¥ 5,395,246	¥ 5,261,946	\$ 49,652,550

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥2,982 million (\$27,451 thousand) and ¥5,556 million as of March 31, 2020 and 2019, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥51,968 million (\$478,269 thousand) and ¥53,711 million as of March 31, 2020 and 2019, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥237 million (\$2,185 thousand) and ¥203 million as of March 31, 2020 and 2019, respectively.

Of total loans, restructured loans amounted to ¥22,908 million (\$210,827 thousand) and ¥16,525 million as of March 31, 2020 and 2019, 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, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets:			
Due from foreign banks	¥ 16,191	¥ 16,737	\$ 149,012
Foreign exchange bills bought	3,516	3,625	32,357
Foreign exchange bills receivable	311	609	2,867
Total	¥ 20,019	¥ 20,972	\$ 184,237
Liabilities:			
Overdrafts from foreign banks	¥ 48	¥ 17	\$ 442
Foreign exchange bills sold	146	179	1,350
Foreign exchange bills payable	349	1,836	3,217
Total	¥ 544	¥ 2,033	\$ 5,009

## 9. PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment as of March 31, 2020 and 2019, net of accumulated depreciation of ¥72,335 million (\$665,700 thousand) and ¥71,552 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Land	¥ 11,652	¥ 12,126	\$ 107,236
Buildings	11,109	10,971	102,245
Lease assets		1	
Construction in progress	606	573	5,586
Other tangible fixed assets	10,974	10,958	100,996
Software	4,427	4,826	40,747
Other intangible fixed assets	613	618	5,647
Total	¥ 39,384	¥ 40,077	\$ 362,459

As of March 31, 2020 and 2019, deferred gains for tax purposes of ¥7,921 million (\$72,904 thousand) and ¥8,207 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. 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.

## 11. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets pledged:			
Cash (other assets)	¥ 408	¥ 400	\$ 3,758
Securities	1,264,234	1,192,794	11,634,770
Loans and bills discounted	282,490	263,118	2,599,760
Total	¥ 1,547,132	¥ 1,456,313	\$ 14,238,289
Related liabilities:			
Deposits	¥ 53,359	¥ 23,072	\$ 491,071
Payables under securities lending transactions	537,369	521,091	4,945,425
Borrowed money	774,489	617,321	7,127,644
Total	¥ 1,365,219	¥ 1,161,485	\$ 12,564,142

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
	2020	2019	2020
Money held in trust	¥ 490	¥ 491	\$ 4,513
Securities	5,136	10,201	47,268
Cash (other assets)	25	25	230
Cash collateral received for financial instrument liabilities (other assets)	14,047	3,919	129,278
Deposits to central counterparty (other assets)	92,900	71,486	854,969

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
	2020	2019	2020
Initial margin of futures markets	¥ 1,326	¥ 188	\$ 12,203
Guarantee deposits on office space	830	828	7,639

## 12. DEPOSITS

Deposits as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current deposits	¥ 312,685	¥ 305,939	\$ 2,877,650
Ordinary deposits	4,060,970	3,856,364	37,373,187
Savings deposits	55,136	55,828	507,421
Deposits at notice	7,307	7,045	67,250
Time deposits	2,358,795	2,367,931	21,708,039
Other deposits	180,609	141,737	1,662,150
Total	¥ 6,975,504	¥ 6,734,847	\$ 64,195,699

## 13. BORROWED MONEY

As of March 31, 2020 and 2019, the weighted-average annual interest rates applicable to borrowed money were 0.17% and 0.28%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2020, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 414,413	\$ 3,813,853
2022	179,126	1,648,508
2023	119,749	1,102,059
2024	72,618	668,311
2025	9	87
2026 and thereafter	29	269
Total	¥ 785,947	\$ 7,233,089

## 14. 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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 55,606	¥ 51,462	\$ 511,751
Current service cost	2,185	2,113	20,114
Interest cost	22	130	202
Actuarial (gains) losses	(935)	2,149	(8,606)
Benefits paid	(2,794)	(3,135)	(25,713)
Increase due to change from simplified method to principle method as a result of merger		2,759	
Others	124	127	1,148
Balance at end of year	¥ 54,210	¥ 55,606	\$ 498,896

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 66,569	¥ 67,533	\$ 612,638
Expected return on plan assets	1,087	1,069	10,011
Actuarial losses	(3,798)	(4,311)	(34,960)
Contributions from the employer	779	794	7,174
Benefits paid	(1,848)	(1,910)	(17,014)
Increase due to change from simplified method to principle method as a result of merger		3,267	
Others	124	127	1,148
Balance at end of year	¥ 62,913	¥ 66,569	\$ 578,997

(3) The changes in liability for employees' retirement benefits calculated by the simplified method for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 289	¥ (211)	\$ 2,664
Net periodic benefit cost	101	59	938
Benefits paid	(49)	(67)	(456)
Increase due to change from simplified method to principle method as a result of merger		508	
Balance at end of year	¥ 341	¥ 289	\$ 3,146

(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
	2020	2019	2020
Funded defined benefit obligation	¥ 45,875	¥ 47,216	\$ 422,195
Plan assets	(66,362)	(70,015)	(610,734)
Total	(20,486)	(22,798)	(188,538)
Unfunded defined benefit obligation	12,124	12,125	111,585
Net asset arising from defined benefit obligation	¥ (8,361)	¥ (10,672)	\$ (76,953)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for employees' retirement benefits	¥ 12,494	¥ 12,368	\$ 114,986
Asset for employees' retirement benefits	(20,856)	(23,040)	(191,941)
Net asset arising from defined benefit obligation	¥ (8,361)	¥ (10,672)	\$ (76,954)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥ 2,185	¥ 2,113	\$ 20,114
Interest cost	22	130	202
Expected return on plan assets	(1,087)	(1,069)	(10,011)
Recognized actuarial gains	(720)	(328)	(6,626)
Net periodic benefit costs calculated by the simplified method	101	59	938
Others	170	173	1,571
Net periodic benefit costs	¥ 672	¥ 1,079	\$ 6,189

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial losses	¥ (3,583)	¥ (6,213)	\$ (32,980)

(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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial gains (losses)	¥ 573	¥ (3,009)	\$ 5,280

(8) Plan assets

### a. Components of plan assets

Plan assets as of March 31, 2020 and 2019, consisted of the following:

	2020	2019
Debt investments	19.51 %	18.53 %
Equity investments	47.82	50.61
General account assets of life insurance companies	23.73	22.81
Cash and cash equivalents	2.44	1.74
Others	6.50	6.31
Total	100.00 %	100.00 %

Employee pension trusts for the years ended March 31, 2020 and 2019, are 34.80% and 34.78%, 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, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rates	(0.1)%–0.2%	(0.2)%–0.1%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	10.0%	10.0%

15. 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.

16. 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 ¥63 million (\$580 thousand) and ¥68 million for the years ended March 31, 2020 and 2019, respectively.

The stock options outstanding as of March 31, 2020, 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
2019 Stock Option	8 directors	150,000 shares	July 22, 2019	¥ 1 (\$0.01)	From July 23, 2019, to July 22, 2044

The stock option activity is as follows:

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

	Stock Option			
	2008	2009	2010	2011
Year Ended March 31, 2020	(Shares)			
Nonvested				
March 31, 2019—Outstanding	21,200	28,000	30,600	46,600
Granted				
Canceled				
Vested				
March 31, 2020—Outstanding	21,200	28,000	30,600	46,600
Vested				
March 31, 2019—Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2020—Outstanding				
Exercise price	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)

Average stock price at exercise				
Fair value price at grant date	¥617 (\$ 5.67)	¥512 (\$ 4.71)	¥452 (\$ 4.15)	¥374 (\$ 3.44)

	Stock Option			
	2012	2013	2014	2015
Year Ended March 31, 2019	(Shares)			
Nonvested				
March 31, 2018—Outstanding	46,600	52,900	62,400	59,800
Granted				
Canceled				
Vested			13,000	7,700
March 31, 2019—Outstanding	46,600	52,900	49,400	52,100
Vested				
March 31, 2018—Outstanding				
Vested			13,000	7,700
Exercised			13,000	7,700
Canceled				
March 31, 2019—Outstanding				

Year Ended March 31, 2020				
Nonvested				
March 31, 2019—Outstanding	46,600	52,900	49,400	52,100
Granted				
Canceled				
Vested				15,400
March 31, 2020—Outstanding	46,600	52,900	49,400	36,700
Vested				
March 31, 2019—Outstanding				
Vested				15,400
Exercised				15,400
Canceled				
March 31, 2020—Outstanding				

Exercise price	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)
Average stock price at exercise				¥438 (\$ 4.03)
Fair value price at grant date	¥410 (\$ 3.77)	¥602 (\$ 5.54)	¥628 (\$ 5.77)	¥927 (\$ 8.53)

	Stock Option			
	2016	2017	2018	2019
Year Ended March 31, 2019	(Shares)			
Nonvested				
March 31, 2018—Outstanding	113,600	109,600		150,000
Granted				
Canceled				
Vested		14,600		
March 31, 2019—Outstanding	99,000	109,600	150,000	
Vested				
March 31, 2018—Outstanding				
Vested	14,600			
Exercised	14,600			
Canceled				
March 31, 2019—Outstanding				

Year Ended March 31, 2020				
Nonvested				
March 31, 2019—Outstanding	99,000	109,600	150,000	
Granted				150,000
Canceled				
Vested	29,200	23,600	29,200	
March 31, 2020—Outstanding	69,800	86,000	120,800	150,000
Vested				
March 31, 2019—Outstanding				
Vested	29,200	23,600	29,200	
Exercised	29,200	23,600	29,200	
Canceled				
March 31, 2020—Outstanding				

Exercise price	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)
Average stock price at exercise	¥438 (\$ 4.03)	¥438 (\$ 4.03)	¥438 (\$ 4.03)	
Fair value price at grant date	¥455 (\$ 4.18)	¥689 (\$ 6.34)	¥443 (\$ 4.07)	¥413 (\$ 3.80)

The Assumptions Used to Measure the Fair Value of the 2019 Stock Option	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	28.06%
Estimated remaining outstanding period:	22months
Estimated dividend:	¥14 per share
Risk-free interest rate:	(0.199)%

17. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gains on foreign exchange transactions	¥ 700	¥ 927	\$ 6,447
Gains on sales of bonds	16,047	13,639	147,684
Income on lease transaction and installment receivables	31,101	31,229	286,227
Other	2,965	3,153	27,292
Total	¥ 50,814	¥ 48,950	\$ 467,651



## 18. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Gains on sales of equity securities	¥ 2,689	¥ 3,703	\$ 24,751	
Gains on money held in trust	3,000	1,292	27,612	
Other	2,800	3,705	25,776	
Total	¥ 8,490	¥ 8,701	\$ 78,141	

## 19. OTHER OPERATING EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Loss on sales of bonds	¥ 6,972	¥ 4,575	\$ 64,165	
Loss on write-down of bonds	20		190	
Cost of lease transaction and installment receivables	30,399	30,549	279,770	
Other	34	10	313	
Total	¥ 37,426	¥ 35,135	\$ 344,440	

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Salaries and related expenses	¥ 24,416	¥ 24,542	\$ 224,707	
Other	35,038	36,397	322,458	
Total	¥ 59,455	¥ 60,940	\$ 547,166	

## 21. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Write-off of loans	¥ 11	¥ 15	\$ 105	
Losses on sales of equity securities	3,676	1,463	33,834	
Valuation losses on equity securities	853	344	7,858	
Losses on money held in trust	4,638	5,439	42,687	
Losses on sales of real estate	355	70	3,269	
Impairment losses	421	433	3,880	
Other	4,227	2,698	38,907	
Total	¥ 14,184	¥ 10,463	\$ 130,543	

## 22. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of 30.35% and 30.34% for the years ended March 31, 2020 and 2019 respectively.

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Deferred tax assets:				
Allowance for credit losses	¥ 10,192	¥ 11,247	\$ 93,797	
Liability for employees' retirement benefits	2,472	1,511	22,751	
Valuation difference on available-for-sale securities	6,705	1,552	61,710	
Deferred losses on hedges	9,315	5,755	85,735	
Valuation losses on equity securities	1,552	1,514	14,286	
Depreciation	3,000	3,021	27,616	
Accrued enterprise tax	312	250	2,873	
Impairment losses	1,485	1,585	13,667	
Other	2,094	2,040	19,274	
Less—valuation allowance	(3,113)	(3,113)	(28,656)	
Total deferred tax assets	34,016	25,366	313,056	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	87,127	90,612	801,833	
Gain on contribution of securities to employee retirement benefit trust	1,665	1,665	15,328	
Deferred losses on hedges	1,727	796	15,899	
Other	1,231	1,076	11,329	
Total deferred tax liabilities	91,751	94,150	844,391	
Net deferred tax liabilities	¥ (57,734)	¥ (68,783)	\$ (531,334)	

Reconciliation is not presented for the years ended March 31, 2020 and 2019, because the difference was immaterial (less than 5% of the normal statutory tax rate).

## 23. LEASES

### Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Gross lease receivables	¥ 60,540	¥ 58,565	\$ 557,159	
Estimated residual values	7,393	6,122	68,040	
Estimated maintenance cost	(1,495)	(1,465)	(13,759)	
Unearned interest income	(3,971)	(3,830)	(36,552)	
Investments in leases	¥ 62,467	¥ 59,393	\$ 574,886	

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
March 31				
Due in 1 year or less	¥ 2,026	¥ 2,032	\$ 18,650	
Due from 1 to 2 years	1,630	1,607	15,001	
Due from 2 to 3 years	1,236	1,201	11,382	
Due from 3 to 4 years	893	827	8,224	
Due from 4 to 5 years	619	519	5,700	
Due after 5 years	657	849	6,047	
Total	¥ 7,063	¥ 7,038	\$ 65,007	

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:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
March 31				
Due in 1 year or less	¥ 18,647	¥ 18,471	\$ 171,615	
Due from 1 to 2 years	14,877	14,805	136,919	
Due from 2 to 3 years	11,205	10,967	103,125	
Due from 3 to 4 years	7,716	7,327	71,019	
Due from 4 to 5 years	4,217	3,954	38,816	
Due after 5 years	3,875	3,038	35,662	
Total	¥ 60,540	¥ 58,565	\$ 557,159	

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2019	2020	2019
Due within 1 year	¥ 3,221	¥ 3,171	\$ 29,648	
Due after 1 year	4,080	3,905	37,554	
Total	¥ 7,302	¥ 7,076	\$ 67,202	

## 24. RELATED-PARTY TRANSACTIONS

Related-party transactions for the fiscal years ended March 31, 2020 and 2019, are as follows:

Related Party	Category	Description of the Transaction	2020			
			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) ¥ 11	\$ 104	¥ 10	\$ 97
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		¥ 12	

## 25. 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 ¥1,128 million (\$10,384 thousand) and ¥908 million and the VaRs in the Bank's banking business are ¥318,036 million (\$2,926,894 thousand) and ¥298,318 million as of March 31, 2020 and 2019, 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 26 for the details of the fair value of derivatives.

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

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥1,650,752	¥1,650,752	
Securities:			
Held to maturity	99	103	¥ 3
Available for sale	2,881,760	2,881,760	
Loans and bills discounted	5,395,246		
Allowance for credit losses	(30,648)		
Subtotal	5,364,597	5,409,025	44,427
Total	¥9,897,209	¥9,941,640	¥ 44,430
Deposits	¥6,975,504	¥6,975,534	¥ (29)
Negotiable certificates of deposit	257,674	257,674	
Call money and bills sold	845,982	845,982	
Payables under securities lending transactions	537,369	537,369	
Borrowed money	785,947	785,957	(9)
Total	¥9,402,478	¥9,402,518	¥ (39)
Derivative transactions:			
Hedge accounting not applied	¥ 258	¥ 258	
Hedge accounting applied	(25,781)	(25,781)	
Total	¥ (25,522)	¥ (25,522)	

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, 2020	Thousands of U.S.Dollars		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	\$15,191,902	\$ 15,191,902	
Securities:			
Held to maturity	919	947	\$ 28
Available for sale	26,520,892	26,520,892	
Loans and bills discounted	49,652,550		
Allowance for credit losses	(282,058)		
Subtotal	49,370,492	49,779,359	408,867
Total	\$91,084,206	\$ 91,493,102	\$ 408,896
Deposits	\$64,195,699	\$ 64,195,972	\$ (273)
Negotiable certificates of deposit	2,371,379	2,371,379	
Call money and bills sold	7,785,594	7,785,594	
Payables under securities lending transactions	4,945,425	4,945,425	
Borrowed money	7,233,089	7,233,179	(90)
Total	\$86,531,187	\$ 86,531,551	\$ (364)
Derivative transactions:			
Hedge accounting not applied	\$ 2,382	\$ 2,382	
Hedge accounting applied	(237,266)	(237,266)	
Total	\$ (234,884)	\$ (234,884)	

#### 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 26.

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

March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020

Investments in equity instruments that do not have a quoted market price in an active market	¥ 28,309	¥ 26,693	\$ 260,535
--	----------	----------	------------



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

March 31, 2020	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	¥ 1,531,924	¥ 5				
Securities	241,503	324,804	¥ 248,175	¥ 139,015	¥ 439,639	¥ 818,920
Held to maturity			100			
National government bonds			100			
Available for sale	241,503	324,804	248,075	139,015	439,639	818,920
National government bonds	101,373	85,420	22,483		197,008	594,580
Local government bonds	19,267	25,373	87,093	91,047	123,030	16,432
Corporate bonds	81,837	169,559	49,254	11,028	52,163	99,698
Loans and bills discounted	1,124,622	1,053,905	832,377	445,346	444,177	808,866
Total	¥ 2,898,050	¥ 1,378,714	¥ 1,080,553	¥ 584,361	¥ 883,816	¥ 1,627,787

March 31, 2019

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, 2020	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	\$ 14,098,327	\$ 46				
Securities	2,222,560	2,989,182	\$ 2,283,966	\$ 1,279,358	\$ 4,046,009	\$ 7,536,543
Held to maturity			920			
National government bonds			920			
Available for sale	2,222,560	2,989,182	2,283,046	1,279,358	4,046,009	7,536,543
National government bonds	932,946	786,128	206,918		1,813,077	5,471,933
Local government bonds	177,316	233,512	801,526	837,913	1,132,251	151,227
Corporate bonds	753,151	1,560,462	453,294	101,495	480,065	917,524
Loans and bills discounted	10,349,925	9,699,108	7,660,389	4,098,532	4,087,769	7,444,017
Total	\$ 26,670,813	\$ 12,688,336	\$ 9,944,355	\$ 5,377,891	\$ 8,133,779	\$ 14,980,560

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

March 31, 2020	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	¥ 6,173,279	¥ 755,758	¥ 33,264	¥ 4,598	¥ 8,604	
Negotiable certificates of deposit	257,674					
Call money and bills sold	845,982					
Payables under securities lending transactions	537,369					
Borrowed money	414,413	298,876	72,628	17	11	
Total	¥ 8,228,719	¥ 1,054,634	¥ 105,892	¥ 4,615	¥ 8,616	

March 31, 2019

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, 2020	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	\$ 56,812,803	\$ 6,955,257	\$ 306,134	\$ 42,317	\$ 79,186	
Negotiable certificates of deposit	2,371,379					
Call money and bills sold	7,785,594					
Payables under securities lending transactions	4,945,425					
Borrowed money	3,813,853	2,750,567	668,398	161	108	
Total	\$ 75,729,055	\$ 9,705,824	\$ 974,533	\$ 42,478	\$ 79,294	

26. 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, 2020

	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	¥ 52,575	¥ 48,334	¥ 974	¥ 974	\$ 483,851	\$ 444,824	\$ 8,968	\$ 8,968
Receipt floating — payments fixed	52,051	47,611	(630)	(630)	479,035	438,166	(5,807)	(5,807)
Receipt floating — payments floating	200				1,840			
Over the counter — interest rate options:								
Selling	7				65			8
Buying	7				65			(6)

Currency-Related Transactions

Over the counter — currency swaps								
Over the counter — currency futures:								
Selling	68,058	1,608	(99)	(99)	626,339	14,804	(913)	(913)
Buying	67,099	1,211	14	14	617,517	11,148	131	131
Over the counter — currency options:								
Selling	19,201	12,482	(718)	624	176,710	114,874	(6,613)	5,747
Buying	19,201	12,482	718	(183)	176,710	114,874	6,614	(1,690)

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	
Buying	
Listed — bond futures options:	
Selling	
Buying	

Other Transactions

Over the counter — earthquake derivatives								
Selling	2,655		(34)	(34)	24,434		(313)	(313)
Buying	2,655		34	34	24,434		313	313

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, 2020

	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:	Loans and bills discounted, available-for-sale securities, and other financial assets						
Receipt fixed—payments floating		¥ 100,000	¥ 80,000	¥ 403	\$ 920,301	\$ 736,241	\$ 3,717
Receipt floating—payments fixed		894,999	852,437	(29,565)	8,236,700	7,844,995	(272,088)
Currency-Related Transactions							
Currency swaps	Foreign currency loans and deposits	44,115	14,125	53	406,000	130,000	489
Foreign exchange swaps		62,747		851	577,466		7,833
Bond-Related Transactions							
Listed—bond futures—selling	Available-for-sale securities	200,816		2,475	1,848,117		22,782
Over the counter—bond options:	Available-for-sale securities						
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.

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		
	Hedged Item	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	¥ 3,015	¥ 3,015		\$ 27,747	\$ 27,747	
Interest rate swaps—Receipt floating—payments fixed		10,041	9,551		92,408	87,898	

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

	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	¥ 57,740	¥ 54,540	¥ 1,242	¥ 1,242
Receipt floating—payments fixed	58,611	54,609	(845)	(845)
Receipt floating—payments floating	1,200	200	(1)	(1)
Over the counter—interest rate options:				
Selling	18	14		2
Buying	18	14		(1)
Currency-Related Transactions				
Over the counter—currency swaps				
Over the counter—currency futures:				
Selling	53,813	12,253	(267)	(267)
Buying	57,269	11,982	410	410
Over the counter—currency options:				
Selling	21,140	14,633	(877)	564
Buying	21,140	14,633	877	(157)
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			
Buying	764		2	2
Listed—bond futures options:				
Selling				
Buying				
Other Transactions				
Over the counter—earthquake derivatives				
Selling	1,750		(22)	(22)
Buying	1,750		22	22

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

		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 discounted, available-for-sale securities, and other financial assets	¥ 160,000	¥ 100,000	¥ 727
Receipt fixed—payments floating				
Receipt floating—payments fixed		723,895	612,786	(16,063)
Currency-Related Transactions				
Currency swaps	Foreign currency	37,723	9,985	(439)
Foreign exchange swaps	loans and deposits	62,709		669
Bond-Related Transactions				
Listed—bond futures—selling	Available-for-sale securities	73,670		(363)
Over the counter—bond options:	Available-for-sale securities			
Selling		53,263		(183)
Buying		53,263		176

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.

	Hedged Item	Millions of Yen		
		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	
Interest rate swaps—Receipt floating—payments fixed		11,386	10,935	



## 27. 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 ¥1,680,566 million (\$15,466,284 thousand) and ¥1,701,511 million as of March 31, 2020 and 2019, 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.

## 28. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ (19,861)	¥ (7,336)	\$ (182,782)
Reclassification adjustments to profit or loss	(9,612)	(10,102)	(88,462)
Amount before income tax effect	(29,473)	(17,438)	(271,245)
Income tax effect	8,637	5,231	79,493
Subtotal	(20,835)	(12,206)	(191,751)
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	(13,048)	(13,244)	(120,082)
Reclassification adjustments to profit or loss	4,391	1,216	40,419
Amount before income tax effect	(8,656)	(12,027)	(79,663)
Income tax effect	2,628	3,649	24,192
Subtotal	(6,027)	(8,378)	(55,470)
Defined retirement benefit plans:			
Adjustments arising during the year	(2,863)	(5,884)	(26,353)
Reclassification adjustments to profit or loss	(720)	(328)	(6,626)
Amount before income tax effect	(3,583)	(6,213)	(32,980)
Income tax effect	1,088	1,886	10,015
Subtotal	(2,495)	(4,326)	(22,964)
Total other comprehensive income (loss)	¥ (29,358)	¥ (24,912)	\$ (270,186)

## 29. PER SHARE DATA

(1)Basic EPS for the years ended March 31, 2020 and 2019, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2020	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—net income available to common shareholders	¥ 22,077	492,770	¥ 44.80	\$ 0.41
Effect of dilutive—stock acquisition rights		722		
Diluted EPS—net income for computation	¥ 22,077	493,492	¥ 44.73	\$ 0.41
Year Ended March 31, 2019				
Basic EPS—net income available to common shareholders	¥ 22,492	497,839	¥ 45.18	
Effect of dilutive— stock acquisition rights		658		
Diluted EPS—net income for computation	¥ 22,492	498,497	¥ 45.12	

(2)Net assets per share for the years ended March 31, 2020 and 2019, were as follows:

	Yen		U.S. Dollars
	2020	2019	2020
Net assets per share	¥ 1,512.45	¥ 1,484.90	\$ 13.91
The net assets per share figure is calculated on the basis of the following:			
	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Net assets	¥ 748,432	¥ 765,509	\$ 6,887,835
Less stock acquisition rights	365	359	3,365
Less noncontrolling interests	8,078	28,767	74,345
Net assets attributable to common shareholders	¥ 739,988	¥ 736,382	\$ 6,810,124
	Thousands of Number of Shares		
	2020	2019	
Number of common stock at fiscal year-end used for calculation of net assets per share	489,263	495,911	

## 30. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2020, were approved at the Bank's shareholders' meeting held on June 19, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 (\$0.07) per share	¥ 3,914	\$ 36,021

## 31. 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							
	2020							
	Reportable Segment			Other	Total	Reconciliations	Consolidated	
Banking	Leasing	Total						
Ordinary income:								
Outside customers	¥ 127,156	¥ 33,741	¥ 160,897	¥ 4,179	¥ 165,077			¥ 165,077
Intersegment	920	563	1,483	35	1,518	¥ (1,518)		
Total	¥ 128,076	¥ 34,304	¥ 162,381	¥ 4,215	¥ 166,596	¥ (1,518)		¥ 165,077
Segment profit	¥ 30,000	¥ 2,258	¥ 32,259	¥ 1,222	¥ 33,482	¥ (34)		¥ 33,447
Segment assets	10,408,428	99,438	10,507,866	22,545	10,530,412	(59,864)		10,470,547
Segment liabilities	9,703,062	64,260	9,767,322	11,527	9,778,850	(56,734)		9,722,115
Other :								
Depreciation	3,836	1,961	5,797	44	5,842			5,842
Interest income	81,757	80	81,837	135	81,972	(209)		81,763
Interest expense	12,732	205	12,938	19	12,958	(195)		12,762
Loss on disposal of assets	353	1	355		355			355
Impairment losses of assets	421		421		421			421
Income taxes	8,572	529	9,101	382	9,484			9,483
Increase in property, plant, and equipment and intangible assets	3,549	3,721	7,271	89	7,360			7,360

	Millions of Yen													
	2019													
	Reportable Segment			Other	Total	Reconciliations	Consolidated							
Banking	Leasing		Total											
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

	Thousands of U.S. Dollars						
	2020						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Banking	Leasing	Total					
Ordinary income:							
Outside customers	\$ 1,170,221	\$ 310,525	\$ 1,480,747	\$ 38,468	\$ 1,519,215		\$ 1,519,215
Intersegment	8,469	5,183	13,652	324	13,976	\$ (13,976)	
Total	<u>\$ 1,178,690</u>	<u>\$ 315,708</u>	<u>\$ 1,494,399</u>	<u>\$ 38,792</u>	<u>\$ 1,533,192</u>	<u>\$ (13,976)</u>	<u>\$ 1,519,215</u>
Segment profit	\$ 276,096	\$ 20,788	\$ 296,884	\$ 11,251	\$ 308,135	\$ (319)	\$ 307,816
Segment assets	95,788,957	915,135	96,704,092	207,488	96,911,581	(550,938)	96,360,642
Segment liabilities	89,297,465	591,388	89,888,854	106,084	89,994,938	(522,131)	89,472,807
Other :							
Depreciation	35,305	18,051	53,356	409	53,766		53,766
Interest income	752,411	737	753,148	1,249	754,398	(1,925)	752,473
Interest expense	117,178	1,894	119,072	183	119,256	(1,800)	117,455
Loss on disposal of assets	3,253	15	3,269		3,269		3,269
Impairment losses of assets	3,878		3,878	1	3,880		3,880
Income taxes	78,893	4,870	83,764	3,518	87,282	(4)	87,277
Increase in property, plant, and equipment and intangible assets	32,668	34,250	66,919	820	67,739		67,739

(4) Information about Services

Millions of Yen					
2020					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 46,995	¥ 59,043	¥ 33,741	¥ 25,298	¥ 165,077

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

Thousands of U.S. Dollars					
2020					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	\$ 432,496	\$543,374	\$310,525	\$232,818	\$1,519,215

(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.