



Annual Report **2019**

GUNMA BANK REPORT

Year Ended 31st March, 2019

Message from the Management



We will work to achieve changes in the management platform and the evolution of our business model to respond to customer needs through innovation of our financial services with an aim to become a regional financial group that realizes value.

I would like to express our sincere appreciation for your continued patronage towards the Gunma Bank. Since our establishment in 1932, we have been acting as a leading bank in the region where our customers are located, always wishing to contribute to the development of the regional communities, throughout many social and economic changes. In the meantime, we have strengthened the management structure and successfully established today's business foundations. This could not have been possible without your warm support, which we are very thankful for.

Looking at the recent economic situation, despite a continued moderate domestic economic recovery, overseas trade issues and other factors are resulting in growing uncertainties.

In terms of the financial environment, the management environment surrounding financial institutions is becoming much more severe, as evidenced by narrowing spreads on loans and securities management due to the prolonged Negative Interest Rate Policy and increased competition caused by the entry of new players from other industries. In addition, demographics and other aspects of Japanese society are in a transition period of significant structural change, and financial institutions such as ourselves are facing various threats and challenges.

On the other hand, recent progress in digitalization has brought dramatic changes to individual lifestyles and corporate business models, and I believe that for financial institutions the evolution of technology will increase the possibilities for innovations in financial services and drastic cost reductions, and create new opportunities.

In view of this awareness of this environment, we aim to seize opportunities for growth by steadily addressing various issues, such as leading initiatives to revitalize regional economies, the radical transformation of our profit structure, a response to emerging needs such as business succession, the utilization of digital technology, and collaboration with FinTech companies.

In the Mid-Term Business Plan, "Innovation New Dimension – Toward delivering value", the three-year business plan launched in April 2019 and ending in March 2022, based on the concept of "value-added proposals" that we have been working on for the past six years, we placed the focus on realizing this proposed value and aspire to be "a regional financial group that delivers value by meeting customer needs through financial service innovation." To become what we aspire to be, we have set forth the basic policies of "Transform our business platform through three reform initiatives" and "Deliver advanced value through business model evolution" and strategic themes for each. In accordance with these strategic themes, we will work on discontinuous changes, rather than a continuation of the conventional, and carry out high-quality consulting that meets the real needs of individual customers while broadening cooperation with group companies in an aim to achieve the radical transformation (new dimension) of our profit structure.

In addition, as various environmental and social issues become more critical, in February 2019 we formulated the "Gunma Bank Group SDGs Declaration" in an aim to contribute to the resolution of environmental and social issues through business activities based on our corporate philosophy and SDGs. By expanding on these types of initiatives and the various measures under the Mid-Term Business Plan, we will strive to realize a sustainable society and create economic value, and fulfill our responsibilities to regional communities, our customers, our employees, and each stakeholder, including shareholders and investors.

Financial institutions continue to face challenging times, laden with a variety of issues both at home and abroad. Amid these circumstances, my mission as the new President is to realize the development of regional communities and the growth of the Bank.

I believe that there is great value in facing these challenges head-on, especially in these difficult times. For business persons, the opportunity to take on many challenges is a joy, and in that sense, I feel that this is an era where we who work at regional financial institutions are blessed. We will continue to steadily overcome each issue, one by one, and take on the challenges that lead us to a new dimension.

Lastly, I would like to express my sincere gratitude for your continued warm support, and look forward to your support in the future as well.

July 2019

A handwritten signature in black ink, reading "Akihiko Fukai". The signature is written in a cursive, flowing style.

Akihiko Fukai
President

Consolidated Financial Review

Performance

The Group consists of six consolidated subsidiaries, two non-consolidated subsidiaries accounted for using the equity method and one affiliate accounted for using the equity method. Consolidated results for the fiscal year under review are as follows.

Total assets as of the consolidated fiscal year-end under review came to ¥8,140.1 billion, an increase of ¥135.3 billion compared to the previous fiscal year. The balance of total liabilities as of the fiscal year-end came to ¥7,608.1 billion, an increase of ¥139.9 billion compared to the previous fiscal year. Furthermore, the balance of total net assets as of the fiscal year-end came to ¥531.9 billion, a decrease of ¥4.6 billion compared to the previous fiscal year.

Total income amounted to ¥148,730 million, a decrease of ¥1,656 million from the previous consolidated fiscal year mainly due to a decrease in interest income.

Total expenses amounted to ¥112,945 million, an increase of ¥4,967 million from the previous consolidated

fiscal year mainly due to an increase in other expenses (provision of allowance for loan losses, etc.).

As a result, ordinary profit came to ¥35,785 million, a decrease of ¥6,623 million from the previous consolidated fiscal year. Furthermore, profit attributable to owners of parent came to ¥23,321 million, a decrease of ¥5,044 million from the previous consolidated fiscal year.

Consolidated Capital Adequacy Ratio (BIS Standards)

	As at March 31, 2018	As at March 31, 2019
1. Consolidated total capital ratio (4/7)	12.41%	12.25%
2. Consolidated Tier 1 ratio (5/7)	11.90%	11.52%
3. Consolidated Common Equity Tier 1 ratio (6/7)	11.83%	11.45%
4. Total capital (consolidated)	522	529.9
5. Tier 1 capital (consolidated)	500.5	498.4
6. Common Equity Tier 1 capital (consolidated)	497.6	495.6
7. Risk weighted assets	4,205.5	4,325.8

Billions of yen

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Assets			
Cash and due from banks (Note 16)	¥ 573,973	¥ 752,818	\$ 6,782,759
Monetary claims bought	10,353	9,965	89,783
Trading account securities	384	1,355	12,210
Money held in trust (Note 8)	6,629	5,938	53,503
Securities (Note 7 and 13)	1,763,176	1,701,356	15,328,914
Loans and bills discounted (Note 4)	5,473,444	5,512,182	49,663,777
Foreign exchanges	4,580	6,786	61,148
Lease receivables and investment assets	50,390	55,302	498,261
Other assets	67,277	46,053	414,932
Property, plant and equipment (Note 12)	67,841	68,806	619,932
Intangible assets	10,988	10,678	96,210
Net defined benefit asset	770	1,471	13,258
Deferred tax assets (Note 18)	1,390	1,498	13,497
Customers' liabilities for acceptances and guarantees	12,284	10,638	95,847
Allowance for loan losses	(38,697)	(44,716)	(402,885)
Total assets	<u>¥8,004,790</u>	<u>¥8,140,134</u>	<u>\$73,341,154</u>
Liabilities			
Deposits (Note 13)	¥6,840,005	¥6,982,055	\$62,907,067
Call money and bills sold	67	—	—
Payables under repurchase agreements	—	18,181	163,812
Payable under securities lending transactions (Note 13)	142,784	44,503	400,967
Borrowed money	343,133	417,342	3,760,181
Foreign exchanges	183	367	3,313
Bonds payable (Note 24)	20,000	30,000	270,294
Bonds with subscription rights	21,248	22,198	200,000
Borrowed money from trust account	13	1,984	17,881
Other liabilities	51,589	49,895	449,553
Provision for directors' bonuses	51	48	432
Net defined benefit liability	2,295	4,848	43,683
Provision for directors' retirement benefits	459	390	3,522
Provision for reimbursement of deposits	1,120	905	8,159
Provision for point loyalty programs	123	135	1,218
Provision for contingent loss	922	938	8,459
Reserves under special laws	0	0	2
Deferred tax liabilities	23,947	15,823	142,567
Deferred tax liabilities for land revaluation (Note 14)	7,944	7,917	71,333
Acceptances and guarantees	12,284	10,638	95,847
Total liabilities	<u>7,468,176</u>	<u>7,608,175</u>	<u>68,548,298</u>
Net assets			
Capital stock	48,652	48,652	438,347
Capital surplus	29,140	29,255	263,583
Retained earnings	363,708	376,865	3,395,486
Treasury shares	(17,538)	(16,977)	(152,960)
Total shareholders' equity	<u>423,963</u>	<u>437,795</u>	<u>3,944,457</u>
Valuation difference on available-for-sale securities	94,695	78,127	703,916
Deferred gains or losses on hedges	(122)	(179)	(1,613)
Revaluation reserve for land (Note 14)	13,990	13,929	125,499
Foreign currency translation adjustment	165	86	781
Remeasurements of defined benefit plans	(2,663)	(3,846)	(34,654)
Total accumulated other comprehensive income	<u>106,066</u>	<u>88,118</u>	<u>793,929</u>
Share subscription rights	460	510	4,602
Non-controlling interests	6,123	5,534	49,866
Total net assets	<u>536,613</u>	<u>531,959</u>	<u>4,792,856</u>
Total liabilities and net assets	<u>¥8,004,790</u>	<u>¥8,140,134</u>	<u>\$73,341,154</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Income			
Interest income:			
Interest on loans and discounts	¥ 56,082	¥ 57,540	\$ 518,428
Interest and dividends on securities	27,768	22,901	206,338
Other interest income	988	1,058	9,535
Trust fees	0	20	188
Fees and commissions	21,248	20,938	188,652
Other ordinary income	27,621	28,654	258,171
Other income	16,698	17,656	159,079
Total income	<u>150,407</u>	<u>148,770</u>	<u>1,340,394</u>
Expenses			
Interest expenses:			
Interest on deposits	2,146	2,615	23,564
Interest on call money and borrowing	374	567	5,112
Other interest expenses	5,073	4,007	36,107
Fees and commissions payments	7,462	7,765	69,970
Other ordinary expenses	27,817	27,794	250,426
General and administrative expenses	60,969	59,111	532,581
Other expenses	5,178	11,599	104,510
Total expenses	<u>109,023</u>	<u>113,462</u>	<u>1,022,272</u>
Profit before income taxes	41,384	35,308	318,121
Income taxes:			
Current	13,069	12,120	109,201
Deferred	(440)	(413)	(3,728)
Profit	<u>28,755</u>	<u>23,601</u>	<u>212,648</u>
Profit attributable to non-controlling interests	389	280	2,526
Profit attributable to owners of parent	<u>¥ 28,366</u>	<u>¥ 23,321</u>	<u>\$ 210,121</u>
	Yen		U.S. dollars
Per share amounts			
Profit – primary	¥ 65.27	¥ 54.12	\$ 0.48
Profit – fully diluted	65.14	54.00	0.48

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31,	millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Profit	¥ 28,755	¥ 23,601	\$ 212,648
Other comprehensive income (Note 11)			
Valuation difference on available-for-sale securities	(12,649)	(16,839)	(151,720)
Deferred gains or losses on hedges	17	(56)	(506)
Foreign currency translation adjustment	(137)	(79)	(712)
Remeasurements of defined benefit plans, net of tax	2,332	(1,182)	(10,658)
Share of other comprehensive income of entities accounted by the equity method	141	229	2,066
Total other comprehensive income	<u>(10,295)</u>	<u>(17,928)</u>	<u>(161,532)</u>
Comprehensive income	<u>18,460</u>	<u>5,673</u>	<u>51,115</u>
(Details)			
Comprehensive income attributable to owners of parent	18,024	5,435	48,968
Comprehensive income attributable to non-controlling interests	¥ 436	¥ 238	\$ 2,147

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2017	¥48,652	¥29,140	¥346,848	¥(21,276)	¥403,365
Changes of items during the year					
Dividends of surplus	—	—	(5,235)	—	(5,235)
Profit attributable to owners of parent	—	—	28,366	—	28,366
Purchase of treasury shares	—	—	—	(3,891)	(3,891)
Disposal of treasury shares	—	—	(27)	1,089	1,061
Retirement of treasury shares	—	—	(6,540)	6,540	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	296	—	296
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	—	16,859	3,737	20,597
Balance as of March 31, 2018	¥48,652	¥29,140	¥363,708	¥(17,538)	¥423,963

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	
Balance as of March 31, 2017	¥107,251	¥(140)	¥14,287	¥ 303	¥(4,995)	¥116,704	¥413	¥5,697	¥526,181
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,235)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	28,366
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3,891)
Disposal of treasury shares	—	—	—	—	—	—	—	—	1,061
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	296
Net changes of items other than shareholders' equity	(12,555)	17	(296)	(137)	2,332	(10,638)	47	425	(10,165)
Total changes of items during the year	(12,555)	17	(296)	(137)	2,332	(10,638)	47	425	10,431
Balance as of March 31, 2018	¥ 94,695	¥(122)	¥13,990	¥ 165	¥(2,663)	¥106,066	¥460	¥6,123	¥536,613

The accompanying notes are an integral part of these statements.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2018	¥48,652	¥29,140	¥363,708	¥(17,538)	¥423,963
Changes of items during the year					
Dividends of surplus	—	—	(5,635)	—	(5,635)
Profit attributable to owners of parent	—	—	23,321	—	23,321
Purchase of treasury shares	—	—	—	(4,101)	(4,101)
Disposal of treasury shares	—	—	(13)	84	71
Retirement of treasury shares	—	—	(4,577)	4,577	—
Changes in equity interest in consolidated subsidiaries	—	114	—	—	114
Reversal of revaluation reserve for land	—	—	61	—	61
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	114	13,156	561	13,832
Balance as of March 31, 2019	¥48,652	¥29,255	¥376,865	¥(16,977)	¥437,795

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	
Balance as of March 31, 2018	¥ 94,695	¥(122)	¥13,990	¥165	¥(2,663)	¥106,066	¥460	¥6,123	¥536,613
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,635)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	23,321
Purchase of treasury shares	—	—	—	—	—	—	—	—	(4,101)
Disposal of treasury shares	—	—	—	—	—	—	—	—	71
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	114
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	61
Net changes of items other than shareholders' equity	(16,568)	(56)	(61)	(79)	(1,182)	(17,948)	50	(589)	(18,486)
Total changes of items during the year	(16,568)	(56)	(61)	(79)	(1,182)	(17,948)	50	(589)	(4,654)
Balance as of March 31, 2019	¥ 78,127	¥(179)	¥13,929	¥ 86	¥(3,846)	¥ 88,118	¥510	¥5,534	¥531,959

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2018	\$438,347	\$262,553	\$3,276,946	\$(158,015)	\$3,819,832
Changes of items during the year					
Dividends of surplus	—	—	(50,774)	—	(50,774)
Profit attributable to owners of parent	—	—	210,121	—	210,121
Purchase of treasury shares	—	—	—	(36,955)	(36,955)
Disposal of treasury shares	—	—	(118)	765	647
Retirement of treasury shares	—	—	(41,244)	41,244	—
Changes in equity interest in consolidated subsidiaries	—	1,030	—	—	1,030
Reversal of revaluation reserve for land	—	—	557	—	557
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	1,030	118,540	5,054	124,625
Balance as of March 31, 2019	\$438,347	\$263,583	\$3,395,486	\$(152,960)	\$3,944,457

Accumulated other comprehensive income

	Valuation difference On available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Share subscripti- on rights	Non- controlling interests	Total net assets
Balance as of March 31, 2018	\$ 853,192	\$(1,107)	\$126,056	\$1,493	\$(23,995)	\$ 955,639	\$4,146	\$55,173	\$4,834,792
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(50,774)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	210,121
Purchase of treasury shares	—	—	—	—	—	—	—	—	(36,955)
Disposal of treasury shares	—	—	—	—	—	—	—	—	647
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	1,030
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	557
Net changes of items other than shareholders' equity	(149,275)	(506)	(557)	(712)	(10,658)	(161,709)	455	(5,307)	(166,561)
Total changes of items during the year	(149,275)	(506)	(557)	(712)	(10,658)	(161,709)	455	(5,307)	(41,936)
Balance as of March 31, 2019	\$ 703,916	\$(1,613)	\$125,499	\$ 781	\$(34,654)	\$ 793,929	\$4,602	\$49,866	\$4,792,856

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Cash flows from operating activities			
Profit before income taxes	¥ 41,384	¥ 35,308	\$ 318,121
Depreciation	6,325	6,761	60,922
Impairment loss	674	164	1,483
Share of (profit) loss of entities accounted for the using equity method	(84)	(569)	(5,127)
Increase (decrease) in allowance for loan losses	(322)	6,019	54,232
Increase (decrease) in provision for directors' bonuses	(6)	(3)	(27)
Increase (decrease) in net defined benefit asset	(435)	(700)	(6,312)
Increase (decrease) in net defined benefit liability	(911)	2,552	22,996
Increase (decrease) in provision for directors' retirement benefits	(58)	(69)	(621)
Increase (decrease) in provision for reimbursement of deposits	63	(214)	(1,934)
Increase (decrease) in provision for point loyalty programs	(8)	11	101
Increase (decrease) in provision for contingent loss	(68)	16	145
Gain on fund management	(84,838)	(81,500)	(734,302)
Financing expenses	7,594	7,190	64,783
Loss (gain) related to securities	(10,868)	(11,823)	(106,526)
Loss (gain) on money held in trust	(96)	47	431
Foreign exchange losses (gains)	(628)	(237)	(2,138)
Loss (gain) on disposal of non-current assets	350	312	2,814
Net decrease (increase) in trading account securities	643	(970)	(8,742)
Net decrease (increase) in loans and bills discounted	(292,155)	(38,738)	(349,027)
Net increase (decrease) in deposits	172,709	136,874	1,233,215
Net increase (decrease) in negotiable certificates of deposit	14,388	5,175	46,632
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	16,300	74,208	668,609
Net decrease (increase) in due from banks (excluding deposits placed with Bank of Japan)	2,531	(834)	(7,519)
Net decrease (increase) in call loans	2,781	388	3,502
Net increase (decrease) in call money	(12,191)	18,113	163,202
Net increase (decrease) in payables under securities lending transactions	(187,059)	(98,281)	(885,496)
Net decrease (increase) in foreign exchanges - assets	2,271	(2,206)	(19,875)
Net increase (decrease) in foreign exchanges - liabilities	(221)	183	1,657
Net decrease (increase) in lease receivables and investment assets	(3,264)	(4,911)	(44,251)
Net increase(decrease) in borrowed money from trust account	13	1,971	17,764
Interest and dividend received	84,893	82,405	742,458
Interest paid	(7,771)	(7,259)	(65,403)
Other-net	(5,126)	10,794	97,254
Subtotal	(253,195)	140,182	1,263,021
Income taxes paid	(13,097)	(13,273)	(119,594)
Net cash provided by (used in) operating activities	(266,292)	126,908	1,143,427
Cash flows from investing activities			
Purchases of securities	(388,691)	(526,549)	(4,744,114)
Proceeds from sales of securities	362,685	350,360	3,156,686
Proceeds from redemption of securities	336,619	234,298	2,110,983
Increase in money held in trust	(2,200)	—	—
Decrease in money held in trust	—	630	5,676
Purchase of property, plant and equipment	(3,272)	(4,964)	(44,725)
Purchase of intangible assets	(4,097)	(3,036)	(27,358)
Proceeds from sales of property, plant and equipment	93	112	1,010
Net cash provided by (used in) investing activities	301,136	50,850	458,157
Cash flows from financing activities			
Issuance of subordinated bonds	10,000	10,000	90,098
Cash dividends paid	(5,235)	(5,633)	(50,752)
Dividends paid to non-controlling interests	(10)	(10)	(94)
Purchase of treasury shares	(3,891)	(4,101)	(36,955)
Proceeds from sales of treasury shares	1,061	71	647
Net cash provided by (used in) financing activities	1,924	326	2,942
Effect of exchange rate change on cash and cash equivalents	(143)	(75)	(684)
Net increase (decrease) in cash and cash equivalents	36,624	178,010	1,603,843
Cash and cash equivalents at beginning of period	533,429	570,054	5,136,087
Cash and cash equivalents at end of period	¥ 570,054	¥ 748,064	\$ 6,739,931

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Gunma Bank, Ltd. (the "Bank") and consolidated subsidiaries (the "Group") have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Banking Law, the Financial Instruments and Exchange Act of Japan and other applicable rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act for the convenience of readers outside Japan. Certain prior year amounts have been reclassified to comply with the current year presentation.

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2019 is 6.

Gungin Consulting Co., Ltd. has been included in the scope of consolidation from the year ended March 31, 2019 due to new establishment.

The remaining unconsolidated subsidiaries have been excluded from the scope of consolidation because, judging from their assets, ordinary profit, net income or loss (amounts corresponding to the Bank's equity interest), retained earnings (amounts corresponding to the Bank's equity interest) and accumulated other comprehensive income (amounts corresponding to the Bank's equity interest), they do not have a material effect on the accompanying consolidated financial statements.

As of March 31, 2019, the Bank has 2 unconsolidated subsidiaries, which are accounted for by the equity method, and 1 affiliate, which is accounted for by the equity method.

In reference to the consolidated subsidiaries' closing dates, one company closes accounts at the end of December, while five others close at the end of March.

Consolidation is based on each subsidiary's respective financial statement on the respective closing dates.

For any significant transactions taking place between the consolidated closing date and each subsidiary's closing date, necessary adjustments are made.

c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the fiscal year end with its related cost of sales being determined mainly by the moving average method.

d. Securities

Securities are classified into four categories: trading, held-to-maturity bonds, equity of unconsolidated subsidiaries and affiliates or securities available for sale. Trading securities are carried at market value and held-to-maturity bonds are carried at amortized cost. Equity of unconsolidated subsidiaries and affiliates are stated at cost and accounted for by the equity method, respectively. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of net assets. Securities whose fair value is not readily determinable are stated at cost determined by the moving average method or amortized cost.

Securities comprising the trust asset in money held in trust which is solely managed primarily for the purpose of securities operations are stated at market value.

e. Derivatives

Derivatives are stated at market value.

f. Non-current assets

(1) Property, plant and equipment

Depreciation of Property, plant and equipment of the Bank are computed by the straight line method.

The estimated useful lives principally applied are as follows.

Buildings	6 to 50 years
Equipment and furniture	3 to 20 years

Depreciation of Property, plant and equipment of the consolidated subsidiaries are principally computed by the straight line method based on the estimated useful lives of the respective assets.

(2) Intangible assets

Intangible assets are depreciated using the straight line method. Software used internally is depreciated over its estimated useful life (mainly five years).

(3) Leased assets

Leased assets in "Property, plant and equipment" subject to finance lease transactions other than those under which the title of the leased equipment is transferred to the lessee are depreciated using the straight line method assuming that the lease period is equal to the useful life. If a guarantee for residual value is prescribed by the lease contract, the residual value is equal to such guaranteed residual value; otherwise, the residual value is zero.

g. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

h. Allowance for loan losses

The reserve for possible loan losses is provided in accordance with the internal policies regarding write-offs and allowance for loan losses.

For credit extended to obligors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to obligors that are effectively in similar conditions, reserves are maintained at 100% of amounts of claims net of the amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

For credit extended to obligors that are not yet legally or substantially bankrupt but who are likely to be bankrupt, reserves are maintained at the amount deemed necessary based on overall solvency analyses of the amount of claims less the amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

For credit extended to obligors with Restructured Loan as defined in Note 4 below, reserves are maintained using Discounted Cash Flow Method ("the DCF Method") if i) the exposure to the obligor exceeds a certain threshold and ii) the future cash flow from the repayment of principal and interest can be reasonably estimated. Under the DCF Method, the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate before the loan was classified as a Restructured Loan.

For credit extended to all other obligors, reserves are maintained at rates derived from default experiences for a certain period in the past, etc.

The reserve for possible loan losses is provided based on the result of self assessment on quality of assets which is performed in accordance with the Bank's internal guidelines and is independently reviewed by the internal audit unit.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and the specific reserve for certain loans at the estimated uncollectible amount based on an assessment of each borrower's ability to repay.

i. Provision for directors' bonuses

A provision is provided for the payments of bonuses to directors and Audit & Supervisory Board Member at the amount of the estimated bonus payments corresponding to the end of the fiscal year.

j. Accounting method for retirement benefits

In calculating retirement benefit obligation, the Bank uses the benefit formula basis for the purpose of attributing expected retirement benefit payment to the period up to the end of the fiscal year. In addition, the accounting method for actuarial gain and loss is as follows:

Actuarial gain and loss

Actuarial gain and loss are amortized from the year following the occurrence primarily by the straight line method over a fixed period (mainly 10 years) that is shorter than the average remaining service years of the eligible employees.

Meanwhile, certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses by the simplified method, using the amount of retirement benefit required for voluntary resignations at the end of the fiscal year as retirement benefit obligation.

k. Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and Audit & Supervisory Board Member, a reserve is provided at the amount deemed to have accrued at the end of the fiscal year (the estimated amount payable on the balance sheet date based on the bylaws) out of the estimated amount payable as retirement benefits to directors and Audit & Supervisory Board Member.

l. Provision for reimbursement of deposits

Provision for reimbursement of deposits accounts is provided for the repayment of dormant deposits which are no longer recorded as liabilities, based on the estimated reimbursement losses that may be incurred should the deposits be withdrawn.

m. Provision for point loyalty programs

Provision for point loyalty programs is provided for the future usage of points granted to credit card members at the amount estimated to be used in the future periods.

n. Provision for Contingent Loss

The provision for contingent loss is provided for the payment of charges related to the responsibility-sharing system to Credit Guarantee Corporations at the amount expected to be paid based on the past payment experience.

o. Reserves under Special Laws

Reserves under the special laws represents a reserve for financial products transaction liabilities and is provided for compensation for losses from securities-related accidents in the amount computed in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

p. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

q. Earnings Per Share

Earnings per share was computed based on the profit available for distribution to shareholders and the number of shares of common stock outstanding during the fiscal year.

r. Hedge Accounting

Hedge Accounting for Interest Rate Risks

The Bank adopted the standard treatment of the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" ("Report No. 24") issued by Japanese Institute of Certified Public Accountants ("JICPA") on February 13, 2002. Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities. Hedge effectiveness is assessed for each designated group of hedged items (such as deposits) and the corresponding group of hedging instruments (such as interest rate swaps). Both of the hedged items and hedging instruments are grouped based on their durations and compared for the testing of effectiveness.

In addition to the above, the Bank applies exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis.

Hedge Accounting for Foreign Exchange Risks

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopted the standard treatment prescribed in the Report No. 25 issued by JICPA on July 29, 2002. Under that treatment, the Bank applies the deferred method of hedge accounting. The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge's inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedging instruments that are designated to hedge foreign exchange risk of the foreign currency-denominated receivables and payables exceeds that of the hedged foreign currency-denominated receivables and payables.

In addition, for available-for-sale securities (except for bonds) denominated in foreign currencies, the Bank applies the fair value hedge accounting for a portfolio hedge on the conditions that the issues of foreign currency denominated securities as hedged items are designated in advance and that the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the amount of acquisition cost of the hedged items denominated in foreign currencies.

s. Recognition for Income and Expenses

Income and expenses associated with finance lease transactions are recognized when lease fees are receivable and payable.

t. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash and deposit with the Bank of Japan which are included in "Cash and due from banks" on the consolidated balance sheets.

2. Additional Information

The Bank has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the consolidated fiscal year under review.

3. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, truncating amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements may not always add up to the sum of the respective account balances. “—” is used to denote nil and “0” is used to denote rounding down to zero.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥110.99 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2019, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Loans and Bills Discounted

- (1) Loans and bills discounted at March 31, 2018 and 2019 included the following items:

Balance of loans to borrowers under bankruptcy procedures as of March 31, 2018 and 2019 were ¥6,499 million and ¥5,907 million (U.S.\$ 53,225 thousand), respectively.

Balance of delinquent loans as of March 31, 2018 and 2019 were ¥51,805 million and ¥59,669 million (U.S.\$537,611 thousand), respectively.

Loans to borrowers under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

- (2) Balance of loans past due for 3 months or more as of March 31, 2018 and 2019 were ¥1,732 million and ¥2,757 million (U.S.\$24,843 thousand), respectively.

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to borrowers under bankruptcy procedures and the balance of delinquent loans are not included in this category.

- (3) Balance of restructured loans as of March 31, 2018 and 2019 were ¥42,318 million and ¥39,383 million (U.S.\$354,834 thousand), respectively.

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to borrowers under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

- (4) The total balance of loans to borrowers under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2018 and 2019 were ¥102,356 million and ¥107,717 million (U.S.\$970,514 thousand), respectively.

- (5) Bills discounted are accounted for as financial transactions in accordance with JICPA industry Audit Committee Report No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2018 and 2019 were ¥36,818 million and ¥36,551 million (U.S.\$329,325 thousand), respectively.

5. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts that require the Bank to extend credit to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount relating to these contracts within the limits was ¥1,332,065 million, ¥1,325,139 million (U.S.\$11,939,267 thousand), respectively at March 31, 2018 and 2019. ¥1,271,171 million, ¥1,259,393 million (U.S.\$ 11,346,907 thousand), respectively, at March 31, 2018 and 2019 out of these unused balances were for the contracts of which original contractual term are one year or less, or unconditionally cancelable at any time.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank can refuse customers' loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

6. Financial Instruments

- (1) The financial instruments and related disclosures

a. Policy for financial instruments

The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank's derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct ALM within the Bank.

There are the Bank's consolidated subsidiaries that engage in securities business or banking business.

Also leasing operation is conducted by a consolidated subsidiary.

b. Nature and extent of risks arising from financial instruments

Financial assets held by the Group comprise mainly loans to clients, which are exposed to credit risk. The Group's financial assets also include securities such as stocks and bonds, which are exposed to credit risk of the issuing entities as well as the risk of market price fluctuations.

Assets and liabilities in the forms of loans, bonds and deposits are exposed to interest rate risk, which is partially hedged by interest rate swap transactions. Likewise foreign currency denominated loans and bonds involve foreign currency exchange fluctuation risk, which is mitigated by making it a rule to match the currency of investment and financing, or hedged by the use of currency swap transactions.

Call money and borrowed money, etc. are exposed to cash flow risk, involving inability to settle payments on due dates as a result of the unavailability of market under certain circumstances.

The Bank conducts derivative transactions including interest rate swaps and currency-swaps in an effort to accommodate clients' financial needs, and as part of the Bank's ALM effort. Besides, the Bank engages in proprietary derivative trading with the purpose to earn short-term spread, subject to risk management including the setting of certain position limits and maximum allowable losses, in an effort to prevent losses in excess of certain threshold.

The Bank applies hedge accounting, The Bank confirms that for hedges of interest rate to which exceptional treatment of interest rate swap is applied, the conditions for exceptional treatment are met and that for hedges of the foreign currency exchange fluctuation risk, foreign currency position exceeds the hedged instruments.

c. Risk management for financial instruments

The Bank has formulated the Basic Policies of Risk Management and ancillary rules concerning risks, along with the following structure to enforce adequate risk management.

1) Credit risk management

The Bank has established its credit management structure based on the internal rules concerning credit risks, including the Credit Policy and the Basic Rules for Credit Risk Management.

Provision of loans and other credit facilities involves credit risk management such as individual credit review, post-origination credit control including the utilization of Borrower Rating System and self assessment, handling of problem loans and monitoring of the credit concentration in particular sectors in loan portfolios.

Credit risks associated with securities investment and market transactions are managed by capturing fair value and credit rating.

Primary credit risk management tools such as credit rating system, self-assessment of the Bank's asset, write-off /reserve provisioning, are developed and examined by Risk Management Department which is independent of the business promotion division and the screening division, and checked by Inspection & Audit Department, for the purpose of proper check and balance. Executive Committee and the Board of Directors are updated on the latest risk situation regularly and as appropriate.

2) Market risk management

Risk management structure is in place, based on the internal rules concerning market risks including the Basic Rules of Market Risk Management.

For market transactions, the department in charge of market transactions is structured in such a way that they check each other: the Treasury & Securities Department serves as the front office department in charge of transactions, whereas the Financial Markets & International Department serves as the middle-office and back-office department in charge of risk management and administrative processing.

In addition, the Bank establishes the risk tolerance and the risk management criteria, conducts monitoring, and reports the monitored information to the ALM & Profit Management Committee via the Risk Management Department.

The principal financial instruments that expose the Bank to market risk include loans, deposits, securities and derivative transactions. In order to monitor the degree of market risk exposure of these financial instruments and financial obligations, the Bank employs the VaR technique as a uniform indicator tool.

It applies the historical-simulation method to the

computation of VaR. Its VaR model uses a 99.9% confidence level and a 5-year observation period, with various holding periods depending on the holding purposes.

The total amount of value at risk (VaR) for the Bank as of March 31, 2019 and 2018 was ¥78,900 million ¥105,600 million (U.S. \$711,595 thousand), respectively.

The Bank conducts back tests by comparing the VaR derived from its measuring model and actual gains or losses, in order to confirm that its measuring model captures the market risk with sufficient adequacy. It should be noted that the VaR represents the amount of market risk under the condition of a certain event probability which was statistically calculated based on historical market fluctuations; therefore the model may not be able to capture sufficiently the risk associated with financial instruments in market turmoil that exceeds historical levels of market fluctuations.

3) Liquidity risk management

Risk management structure is in place, based on the internal rules concerning liquidity risks including the Basic Rules of Liquidity Risk Management.

With respect to liquidity risk, the ALM & Profit Management Committee, which is convened each month, takes every precaution by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors. With respect to cash flow risk, the Bank determines the department in charge of cash flow management, which rigorously manages cash flow periodically (e.g., daily, weekly, monthly) including its overseas bases.

We have also prepared a Contingency Plan to prepare against emergencies, and are taking every precaution including developing systems that enable us to respond appropriately to a wide range of scenarios.

d. Supplementary explanations on fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if a quoted market price is available, or are measured based on the reasonably estimated value if a quoted market price is not available. Fair value of financial instruments whose quoted market price is not available is calculated based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2018 and 2019 as well as the differences between these values are described below. Financial instruments such as non-listed shares whose fair value is not readily determinable are not included in the table.

	Millions of yen		
	2018		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 573,973	¥ 573,973	¥ —
2. Securities			
Held-to-maturity bonds	10,481	10,548	66
Available-for-sale	1,746,547	1,746,547	—
3. Loans and bills discounted	5,473,444		
Allowance for loan losses	(36,288)		
	<u>5,437,155</u>	<u>5,468,387</u>	<u>31,231</u>
Total asset	<u>¥7,768,157</u>	<u>¥7,799,456</u>	<u>¥31,298</u>
1. Deposits	¥6,661,999	¥6,662,140	¥ 141
2. Negotiable certificates of deposit	178,005	178,005	(0)
3. Borrowed money	343,133	343,133	—
Total liability	<u>¥7,183,138</u>	<u>¥7,183,279</u>	<u>¥ 140</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 394	¥ 394	¥ —
Derivatives to which hedge accounting is applied	3,499	3,499	—
Total derivatives	<u>¥ 3,893</u>	<u>¥ 3,893</u>	<u>¥ —</u>
	Millions of yen		
	2019		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 752,818	¥ 752,818	¥ —
2. Securities			
Held-to-maturity bonds	8,651	8,602	(49)
Available-for-sale	1,685,710	1,685,710	—
3. Loans and bills discounted	5,512,182		
Allowance for loan losses	(41,933)		
	<u>5,470,249</u>	<u>5,503,010</u>	<u>32,761</u>
Total asset	<u>¥7,917,430</u>	<u>¥7,950,142</u>	<u>¥32,711</u>
1. Deposits	¥6,798,874	¥6,798,962	¥ 87
2. Negotiable certificates of deposit	183,181	183,181	—
3. Borrowed money	417,342	417,342	—
Total liability	<u>¥7,399,397</u>	<u>¥7,399,485</u>	<u>¥ 87</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 404	¥ 404	¥ —
Derivatives to which hedge accounting is applied	(1,246)	(1,246)	—
Total derivatives	<u>¥ (842)</u>	<u>¥ (842)</u>	<u>¥ —</u>

	Thousands of U.S. dollars		
	2019		
	Carrying Value	Market Value	Differences
1. Due from Banks	\$ 6,782,759	\$ 6,782,759	—
2. Securities			
Held-to-maturity bonds	77,950	77,508	(441)
Available-for-sale	15,187,953	15,187,953	—
3. Loans and bills discounted	49,663,777		
Allowance for loan losses	(377,814)		
	<u>49,285,963</u>	<u>49,581,134</u>	<u>295,171</u>
Total asset	<u>\$71,334,626</u>	<u>\$71,629,355</u>	<u>\$294,729</u>
1. Deposits	<u>\$61,256,639</u>	<u>\$61,257,429</u>	<u>\$ 790</u>
2. Negotiable certificates of deposit	1,650,428	1,650,428	—
3. Borrowed money	3,760,181	3,760,181	—
Total liability	<u>\$66,667,249</u>	<u>\$66,668,039</u>	<u>\$ 790</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	\$ 3,640	\$ 3,640	—
Derivatives to which hedge accounting is applied	\$ (11,229)	\$ (11,229)	—
Total derivatives	<u>\$ (7,589)</u>	<u>\$ (7,589)</u>	<u>—</u>

(Note 1)

Method of estimating fair value

Assets

1) Cash and due from banks

For due from banks without maturity, book value is reported as their fair value. Due from banks with maturity has short-term maturity (1 year or less), and thus book value is recorded as its fair value because of the proximity between the two.

2) Securities

Stocks are stated at prices quoted on stock exchanges, while bonds are stated at the reference prices for over-the-counter bond transactions (average) published by Japan Securities Dealers Association. Investment trusts are stated at the official reference price.

Privately-placed bonds with the Bank's guarantee are stated at the fair value, calculated by discounting the expected cash flows estimated to reflect the issuing entity's credit risk as of the closing date, using the market interest rate. Notes to securities by holding purpose are stated in "Securities."

3) Loans and bills discounted

Interest rates of variable interest rate loans reflect market interest rate at short intervals, and thus their fair values are stated at book value because of their proximity to fair value, unless there are significant changes of the borrowers' credit conditions. Fixed interest rate loans are stated at their fair value as calculated by discounting their cash flows, of which those with OTC interest rate are stated at fair value as calculated by discounting their scheduled cash flow using the interest rate that would be applicable to similar new loans, and are determined by category and by term. Loans not with OTC interest rate are stated at fair value as calculated for each credit rating group, by discounting their future cash flow estimated to reflect the credit risk of each such group, using market interest rate. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

In addition, receivables to borrowers that are Bankrupt borrowers, virtually bankrupt borrowers, or at Borrowers threatened with bankruptcy are stated at book value which are deemed to approximate their fair values on the consolidated balance sheets as of the consolidated closing date, minus the current amount of estimated loan losses, which are estimated based upon the current values of estimated future cash flows, collateral, guarantees, or estimated collectible amounts.

Loans undated due to their specific attributes such as loan amount being limited within the value of collateral assets, are stated at book value which are deemed to approximate their fair value in consideration of factors including estimated payment periods and interest rates conditions.

Liabilities

1) Deposits and 2) Negotiable certificates of deposits

For demand deposit, fair value is deemed to be the amount payable on demand at year end date (book value). For time deposits and negotiable certificates of deposit, fair value is calculated by discounting future cash flows, using interest rates applicable to new deposits and market interest rate, respectively. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

3) Borrowed Money

The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivative Transaction

Derivative transactions are described in "Derivative Financial Instruments Transactions."

(Note 2)

Financial instruments whose fair value is not readily determinable are as follows: These are not included in "Assets 2) Securities" of the information on the fair values of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Non-listed stocks	¥2,594	¥2,506	\$22,584
Equity of subsidiaries and affiliates	¥3,554	¥4,486	\$40,426
Total	¥6,148	¥6,993	\$63,011

(Note 3)

Redemption schedules for monetary claims and securities with maturity after the fiscal year-end

	Millions of yen					
	2018					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 520,534	—	—	—	—	—
Securities	230,336	418,557	294,325	138,363	261,438	118,510
Held-to-maturity securities	2,734	3,941	1,011	1,774	1,017	—
National government bonds	1,500	1,700	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	895	1,337	672	79	—	—
Others	339	904	339	1,695	1,017	—
Available-for-sale securities with maturity	227,601	414,616	293,314	136,589	260,421	118,510
National government bonds	53,000	149,500	103,500	2,000	—	36,000
Local government bonds	83,502	147,097	116,627	103,314	134,776	—
Corporate bonds	48,108	60,441	27,684	10,195	63,372	—
Others	42,991	57,577	45,502	21,078	62,272	82,510
Loans and bills discounted	1,406,491	911,461	638,834	386,436	505,422	1,529,263
Total	¥2,157,362	¥1,330,019	¥933,159	¥524,799	¥766,860	¥1,647,773

	Millions of yen					
	2019					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 700,450	—	—	—	—	—
Securities	189,189	373,374	254,040	121,748	407,235	91,530
Held-to-maturity securities	2,993	2,009	2,058	482	1,110	—
National government bonds	1,700	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	960	1,454	504	38	—	—
Others	333	555	1,554	444	1,110	—
Available-for-sale securities with maturity	186,196	371,365	251,981	121,265	406,125	91,530
National government bonds	65,100	140,900	27,000	—	—	46,000
Local government bonds	57,654	163,197	134,730	91,396	188,469	2,895
Corporate bonds	45,011	37,531	26,722	7,502	82,533	—
Others	18,430	29,736	63,528	22,367	135,121	42,635
Loans and bills discounted	1,291,693	923,296	686,222	404,058	484,716	1,620,880
Total	¥2,181,333	¥1,296,670	¥940,263	¥525,806	¥891,951	¥1,712,410

Thousands of U.S. dollars						
2019						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	\$ 6,310,933	—	—	—	—	—
Securities	1,704,565	3,364,038	2,288,855	1,096,934	3,669,115	824,675
Held-to-maturity securities	26,970	18,105	18,546	4,349	10,000	—
National government bonds	15,316	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	8,653	13,104	4,545	349	—	—
Others	3,000	5,000	14,001	4,000	10,000	—
Available-for-sale securities with maturity	1,677,594	3,345,933	2,270,309	1,092,584	3,659,114	824,675
National government bonds	586,539	1,269,483	243,265	—	—	414,451
Local government bonds	519,453	1,470,383	1,213,895	823,463	1,698,077	26,087
Corporate bonds	405,544	338,148	240,767	67,592	743,615	—
Others	166,056	267,918	572,380	201,529	1,217,420	384,135
Loans and bills discounted	11,637,922	8,318,732	6,182,745	3,640,490	4,367,208	14,603,839
Total	<u>\$19,653,421</u>	<u>\$11,682,771</u>	<u>\$8,471,601</u>	<u>\$4,737,425</u>	<u>\$8,036,323</u>	<u>\$15,428,514</u>

(Note 4)

Repayment schedules for deposits and other interest-bearing debt after the fiscal year-end

Millions of yen						
2018						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥6,194,182	¥423,926	¥33,061	¥5,698	¥5,130	¥—
Negotiable certificates of deposit	177,934	70	—	—	—	—
Borrowed money	341,172	947	1,014	—	—	—
Total	<u>¥6,713,288</u>	<u>¥424,945</u>	<u>¥34,075</u>	<u>¥5,698</u>	<u>¥5,130</u>	<u>¥—</u>

Millions of yen						
2019						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥6,320,488	¥437,915	¥30,902	¥6,636	¥2,931	¥—
Negotiable certificates of deposit	183,181	—	—	—	—	—
Borrowed money	415,011	1,331	1,000	—	—	—
Total	<u>¥6,918,680</u>	<u>¥439,246</u>	<u>¥31,902</u>	<u>¥6,636</u>	<u>¥2,931</u>	<u>¥—</u>

Thousands of U.S. dollars						
2019						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	\$56,946,464	\$3,945,536	\$278,427	\$59,794	\$26,416	—
Negotiable certificates of deposit	1,650,428	—	—	—	—	—
Borrowed money	3,739,175	11,996	9,009	—	—	—
Total	<u>\$62,336,068</u>	<u>\$3,957,532</u>	<u>\$287,437</u>	<u>\$59,794</u>	<u>\$26,416</u>	<u>—</u>

7. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2018 and 2019 and other related information were as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposits classified as Cash and due from banks. The same definition was applied in the following tables (a) to (g).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Valuation gain included in income for the year	¥5	¥0	\$0

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2018 and 2019 were summarized as follows.

		Millions of yen		
		2018		Differences
		Carrying Value	Market Value	
Securities of which market value exceed carrying value	National government bonds	¥ 3,200	¥ 3,208	¥ 7
	Local government bonds	—	—	—
	Corporate bonds	2,979	3,015	35
	Other securities	3,277	3,343	66
	Foreign bonds	3,277	3,343	66
	Other securities	—	—	—
	Sub total	¥ 9,457	¥ 9,567	¥109
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	5	5	—
	Other securities	5,090	5,047	(43)
	Foreign bonds	1,018	975	(43)
	Other securities	4,071	4,071	—
	Sub total	¥ 5,095	¥ 5,052	¥ (43)
	Total	¥14,552	¥14,619	¥ 66

		Millions of yen		
		2019		Differences
		Carrying Value	Market Value	
Securities of which market value exceed carrying value	National government bonds	¥ 1,700	¥ 1,702	¥ 1
	Local government bonds	—	—	—
	Corporate bonds	2,943	2,983	40
	Other securities	989	1,002	12
	Foreign bonds	989	1,002	12
	Other securities	—	—	—
	Sub total	¥ 5,632	¥ 5,688	¥ 55
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	15	15	—
	Other securities	6,646	6,542	(104)
	Foreign bonds	3,003	2,899	(104)
	Other securities	3,642	3,642	—
	Sub total	¥ 6,661	¥ 6,557	¥ (104)
	Total	¥12,294	¥12,245	¥ (49)

		Thousands of U.S. dollars		
		2019		Differences
		Carrying Value	Market Value	
Securities of which market value exceed carrying value	National government bonds	\$ 15,317	\$ 15,334	\$ 16
	Local government bonds	—	—	—
	Corporate bonds	26,518	26,883	365
	Other securities	8,914	9,030	115
	Foreign bonds	8,914	9,030	115
	Other securities	—	—	—
	Sub total	\$ 50,751	\$ 51,249	\$ 497
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	135	135	—
	Other securities	59,885	58,945	(939)
	Foreign bonds	27,063	26,124	(939)
	Other securities	32,821	32,821	—
	Sub total	\$ 60,020	\$ 59,080	\$ (939)
	Total	\$110,771	\$110,329	\$ (441)

(c) Available-for-sale securities

		Millions of yen		
		2018		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 191,938	¥ 77,085	¥114,853
	Bonds	1,060,462	1,040,658	19,803
	National government bonds	351,960	343,530	8,430
	Local government bonds	529,698	519,928	9,770
	Corporate bonds	178,802	177,200	1,602
	Other securities	205,057	198,461	6,596
	Foreign bonds	128,168	127,135	1,033
	Other securities	76,889	71,326	5,562
	Sub total	¥1,457,458	¥1,316,205	¥141,253
	Securities of which market value does not exceed cost	Stocks	¥ 7,098	¥ 7,598
Bonds		97,701	97,990	(288)
National government bonds		—	—	—
Local government bonds		65,258	65,387	(128)
Corporate bonds		32,443	32,603	(160)
Other securities		184,648	189,646	(4,998)
Foreign bonds		119,462	121,022	(1,560)
Other securities		65,185	68,623	(3,437)
Sub total		¥ 289,448	¥ 295,235	¥ (5,787)
Total		¥1,746,907	¥1,611,440	¥135,466

		Millions of yen		
		2019		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 141,271	¥ 53,507	¥ 87,764
	Bonds	1,122,451	1,104,683	17,768
	National government bonds	293,368	287,476	5,891
	Local government bonds	643,449	633,951	9,497
	Corporate bonds	185,634	183,255	2,378
	Other securities	302,391	291,671	10,719
	Foreign bonds	113,103	111,748	1,354
	Other securities	189,287	179,922	9,365
	Sub total	¥1,566,114	¥1,449,862	¥116,252
	Securities of which market value does not exceed cost	Stocks	¥ 16,031	¥ 18,280
Bonds		20,369	20,446	(77)
National government bonds		—	—	—
Local government bonds		4,388	4,388	(0)
Corporate bonds		15,980	16,058	(77)
Other securities		83,428	86,029	(2,601)
Foreign bonds		11,985	12,026	(41)
Other securities		71,443	74,003	(2,559)
Sub total		¥ 119,829	¥ 124,756	¥ (4,927)
Total		¥1,685,943	¥1,574,619	¥111,324

		Thousands of U.S. dollars		
		2019		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	\$ 1,272,830	\$ 482,092	\$ 790,738
	Bonds	10,113,088	9,953,001	160,086
	National government bonds	2,643,198	2,590,114	53,084
	Local government bonds	5,797,360	5,711,788	85,572
	Corporate bonds	1,672,529	1,651,099	21,430
	Other securities	2,724,491	2,627,906	96,585
	Foreign bonds	1,019,043	1,006,836	12,207
	Other securities	1,705,447	1,621,070	84,377
	Sub total	<u>\$14,110,410</u>	<u>\$13,062,999</u>	<u>\$1,047,410</u>
Securities of which market value does not exceed cost	Stocks	\$ 144,442	\$ 164,702	\$ (20,260)
	Bonds	183,523	184,219	(696)
	National government bonds	—	—	—
	Local government bonds	39,538	39,538	(0)
	Corporate bonds	143,984	144,680	(696)
	Other securities	751,676	775,112	(23,435)
	Foreign bonds	107,983	108,358	(374)
	Other securities	643,692	666,754	(23,061)
	Sub total	<u>\$ 1,079,642</u>	<u>\$ 1,124,035</u>	<u>\$ (44,392)</u>
	Total	<u>\$15,190,052</u>	<u>\$14,187,035</u>	<u>\$1,003,017</u>

(d) Available-for-sale securities sold

		Millions of yen		
		2018		
		Proceeds from sales	Gains	Losses
Stocks		¥ 33,933	¥11,003	¥ 218
Bonds		10,549	79	44
National government bonds		5,058	73	—
Local government bonds		2,678	—	21
Corporate bonds		2,811	6	23
Other securities		251,057	4,559	4,449
Foreign bonds		225,060	68	3,890
Other securities		25,997	4,490	558
	Total	<u>¥295,540</u>	<u>¥15,642</u>	<u>¥4,713</u>
		Millions of yen		
		2019		
		Proceeds from sales	Gains	Losses
Stocks		¥ 50,004	¥15,861	¥1,652
Bonds		79,798	549	86
National government bonds		76,112	547	85
Local government bonds		2,795	0	1
Corporate bonds		890	1	—
Other securities		170,596	382	3,226
Foreign bonds		154,781	35	3,198
Other securities		15,814	347	27
	Total	<u>¥300,399</u>	<u>¥16,793</u>	<u>¥4,965</u>

	Thousands of U.S. dollars		
	2019		
	Proceeds from sales	Gains	Losses
Stocks	\$ 450,532	\$142,905	\$14,886
Bonds	718,972	4,946	782
National government bonds	685,757	4,930	773
Local government bonds	25,187	0	9
Corporate bonds	8,027	16	—
Other securities	1,537,040	3,450	29,066
Foreign bonds	1,394,557	320	28,814
Other securities	142,483	3,129	251
Total	<u>\$2,706,546</u>	<u>\$151,303</u>	<u>\$44,735</u>

(e) *Securities whose holding purpose was reclassified* Nil

(f) *Guarantee obligations for bonds in private placement*

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of the Financial Instruments and Exchange Act) included in Corporate Bonds were ¥55,219 million and ¥54,822 million (U.S.\$493,939 thousand) as of March 31, 2018 and 2019, respectively.

8. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consolidated Balance Sheet Amount	¥4,429	¥4,368	\$39,358
Unrealized Gains Included in the Consolidated Statements of Income	(10)	(16)	(145)

Money Held in Trust for Holding Purposes..... Nil (as of March, 2018 and 2019)

Money Held in Trust for Other Purposes

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consolidated Balance Sheet Amount	¥2,200	¥1,570	\$14,145
Cost	2,200	1,570	14,145
Differences	—	—	—
Gains	—	—	—
Losses	—	—	—

9. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2018 and 2019 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Valuation Difference	¥135,466	¥111,324	\$1,003,017
Available-for-sale Securities	135,466	111,324	1,003,017
Other Purposes	—	—	—
Deferred Tax Liabilities	41,103	33,801	304,545
Valuation Difference, Net of Taxes	94,362	77,523	698,471
Amount Attributable to Non-controlling interests	122	80	727
Net Unrealized Gains on Available-for-sale Securities Owned by Affiliates, which is Attributable to the Parent	455	685	6,172
Valuation Difference on Available-for-sale Securities	94,695	78,127	703,916

10. Derivative Financial Instruments Transactions

(1) Derivatives to which hedge accounting is not applied

With respects to the derivatives to which hedge accounting is not applied, contract amount or notional amount set out in the contract, fair value, valuation gain or loss and calculation method of such fair value, by class of underlying asset at the end of the year are as described below. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

As of March 31,	Millions of yen							
	2018				2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate futures:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars

As of March 31,	2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
	Interest rate futures:			
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of March 31,	Millions of yen							
	2018				2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:								
Receipt fixed								
payments floating ..	¥37,221	¥30,396	¥ 335	¥ 340	¥31,647	¥25,993	¥ 329	¥ 334
Receipt floating								
payments fixed	37,221	30,396	(178)	(178)	31,647	25,993	(185)	(185)
	<u>¥74,442</u>	<u>¥60,792</u>	<u>¥ 156</u>	<u>¥ 161</u>	<u>¥63,294</u>	<u>¥51,986</u>	<u>¥ 144</u>	<u>¥ 149</u>

Thousands of U.S. dollars

As of March 31,	2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
	Interest rate swaps:			
Receipt fixed				
payments floating	\$285,136	\$234,195	\$ 2,971	\$ 3,014
Receipt floating				
payments fixed	285,136	234,195	(1,671)	(1,671)
	<u>\$570,273</u>	<u>\$468,390</u>	<u>\$ 1,299</u>	<u>\$ 1,343</u>

For the years ended March 31,	Millions of yen							
	2018				2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

For the year ended March 31,	Thousands of U.S. dollars			
	2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

As of March 31,	Millions of yen							
	2018				2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	¥128,371	¥119,978	¥201	¥388	¥177,277	¥169,237	¥260	¥518

As of March 31,	Thousands of U.S. dollars			
	2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	\$1,597,238	\$1,524,801	\$2,344	\$4,674

For the years ended March 31,	Millions of yen							
	2018				2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥ 6,660	¥ —	¥110	¥110	¥ 5,616	¥ —	¥(46)	¥(46)
Purchased	6,859	—	(74)	(74)	5,285	—	46	46
	<u>¥13,519</u>	<u>¥ —</u>	<u>¥36</u>	<u>¥36</u>	<u>¥10,902</u>	<u>¥ —</u>	<u>¥ (0)</u>	<u>¥ (0)</u>
Currency options:								
Written	¥ 98,793	¥ 84,022	¥(5,403)	¥2,123	¥106,909	¥ 89,444	¥(4,616)	¥ 3,160
Purchased	98,793	84,022	5,403	(988)	106,909	89,444	4,616	(1,967)
	<u>¥197,586</u>	<u>¥168,045</u>	<u>¥ —</u>	<u>¥1,134</u>	<u>¥213,818</u>	<u>¥178,888</u>	<u>¥ —</u>	<u>¥ 1,192</u>

For the year ended March 31,	Thousands of U.S. dollars			
	2019			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$50,606	\$ —	\$(419)	\$(419)
Purchased	47,624	—	416	416
	<u>\$98,231</u>	<u>\$ —</u>	<u>\$ (3)</u>	<u>\$ (3)</u>
Currency options:				
Written	\$ 963,235	\$ 805,875	\$(41,594)	\$ 28,471
Purchased	963,235	805,875	41,594	(17,729)
	<u>\$1,926,470</u>	<u>\$1,611,750</u>	<u>\$ —</u>	<u>\$ 10,741</u>

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

2. Calculations of fair value

The fair values are based on factors such as the discounted present value.

- (c) Equity Related Transactions Nil
(d) Bond Related Transactions Nil
(e) Commodity Related Transactions . Nil
(f) Credit Derivatives Nil .

(2) Derivatives to which hedge accounting is applied

With respects to the derivatives to which hedge accounting is applied, contract amount or notional amount set out in the contract and the fair value at the end of the year along with the calculation method of such fair value, by class of underlying asset and by method of hedge accounting, are as follows. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

As of March 31,		Hedged items	Millions of yen					
			2018			2019		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Interest rate futures:	—	—	—	—	—	—	—
	Interest rate options:	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—
			¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

As of March 31,		Hedged items	Thousands of U.S. dollars		
			2019		
			Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	—	\$ —	\$ —	\$ —
	Interest rate futures:	—	—	—	—
	Interest rate options:	—	—	—	—
	Others	—	—	—	—
			\$ —	\$ —	\$ —

As of March 31,		Hedged items	Millions of yen					
			2018			2019		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps: Loan	Loan	¥21,573	¥17,942		¥23,232	¥20,190	
	Receipt fixed payments floating		—	—	*note	—	—	*note
	Receipt floating payments fixed		21,573	17,942		23,232	20,190	
	Total		—	—	—	—	—	—

(Note) As the swaps that qualify for exceptional treatment for interest rate swaps are treated as one combined with hedged loans, fair value of the former is included in that of the latter in the "Financial Instruments".

As of March 31,		Hedged items	Thousands of U.S. dollars		
			2019		
			Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps: Loan	Loan	\$209,324	\$181,916	
	Receipt fixed payments floating		—	—	*note
	Receipt floating payments fixed		209,324	181,916	—
	Total		—	—	—

1. The Bank mainly treats them under the deferred method of hedge accounting based on JIPCA Industry Audit Committee Report No. 24.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

		Millions of yen						
		2018			2019			
As of March 31,	Hedged items	Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value	
Standard treatment:	Currency swaps:	Call loans, Loans,	¥90,304	¥42,496	¥ 3,537	¥88,792	¥61,044	¥(1,230)
	Forward exchange contracts:	Bonds and Foreign exchange	¥ 434	¥ —	¥ (38)	¥ 638	¥ —	¥ (15)
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total	—	—	¥ 3,499	—	—	¥(1,246)	

		Thousands of U.S. dollars			
		2019			
As of March 31,		Contract amounts	Due after 1 year	Fair Value	
Standard treatment:	Currency swaps:	Call loans, Loans,	\$800,000	\$550,000	\$(11,089)
	Forward exchange contracts:	Bonds and Foreign exchange	\$ 5,752	—	\$ (140)
Deferred method:	Currency swap:	—	—	—	—
	Forward exchange contracts:	—	—	—	—
	Total	—	—	\$(11,229)	

1. The Bank mainly applies the deferred method of hedge accounting based on JIPCA Industry Audit Committee Report No. 25.

2. Calculation of fair value

The fair values are based on the discounted present value or others.

(c) Equity Related Transactions Nil

(d) Bond Related Transactions Nil

(e) Equity Related Transactions Nil (as of March 31, 2019)

(f) Bond Related Transactions Nil (as of March 31, 2019)

11. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥ (1,548)	¥ (5,926)	\$ (53,399)
Amounts of recycling	(16,652)	(18,214)	(164,108)
Before tax effect adjustment	(18,200)	(24,141)	(217,507)
Tax effects	5,551	7,301	65,786
Net unrealized gains (losses) on securities, net of tax	(12,649)	(16,839)	(151,720)
Deferred hedge gains (losses):			0
Items recognized during the year	(1,690)	(2,522)	(22,728)
Amounts of recycling	1,715	2,441	21,999
Before tax effect adjustment	25	(80)	(729)
Tax effects	(7)	24	222
Deferred hedge gains (losses)	17	(56)	(506)
Foreign currency translation adjustments:			
Items recognized during the year	(137)	(79)	(712)
Amounts of recycling	—	—	—
Before tax effect adjustment	(137)	(79)	(712)
Tax effects	—	—	—
Foreign currency translation adjustments	(137)	(79)	(712)
Remeasurements of defined benefit plans			
Items recognized during the year	1,583	(3,144)	(28,327)
Amounts of recycling	1,772	1,441	12,991
Before tax effect adjustment	3,356	(1,702)	(15,335)
Tax effects	(1,023)	519	4,677
Remeasurements of defined benefit plans	2,332	(1,182)	(10,658)
Share of other comprehensive income of entities and affiliates accounted for using the equity method			
Items recognized during the year	141	229	2,066
Amounts of recycling	—	—	—
Before tax effect adjustment	141	229	2,066
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted for using the equity method	141	229	2,066
Total other comprehensive income	¥(10,295)	¥(17,928)	\$(161,532)

12. Property, plant and equipment

Depreciation was computed using the declining-balance method. Property, plant and equipment as of March 31, 2018 and 2019 were expressed at net of the following accumulated depreciation.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	¥66,647	¥65,992	\$594,579

Deferred gain on real estate deductible for tax purposes amounted to ¥3,897 million and ¥3,823 million (U.S. \$34,452 thousand) on March 31, 2018 and 2019, respectively.

13. Assets Pledged

Assets pledged as collateral as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Securities	¥593,824	¥564,965	\$5,090,238

Liabilities related to the above pledged assets as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deposits	¥ 77,501	¥ 75,440	\$ 679,703
Payables under repurchase agreements	—	18,181	163,812
Payables under securities lending transactions	142,784	44,503	400,967
Borrowed money	339,523	412,862	3,719,820
Other	170	207	1,873

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2018 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Securities	¥ 5,300	¥31,391	\$282,827
Other	30,299	9,972	89,848

Guarantee deposits of ¥1,385 and ¥1,430 million (U.S.\$12,891 thousand) were included in Other Assets as of March 31, 2018 and 2019, respectively.

14. Revaluation Reserve for Land

Pursuant to the Law concerning Land Revaluation, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included in Net Assets, net of income taxes.

Date of the revaluation: March 31, 1998

Revaluation method stipulated in paragraph 3, Article 3 of the Law concerning Land Revaluation Calculated by applying reasonable adjustments to the roadside values such as adjustments for the shape of the land, based on Item 4, Article 2 of the Enforcement Ordinance of the Law Concerning Land Revaluation (Enforcement Ordinance No. 119, effective March 31 1998).

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥18,640 million and ¥18,056 million (U.S.\$162,687 thousand) as of March 31, 2018 and 2019, respectively

15. Retirements Benefits

Retirement benefit plans

Retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank and its domestic consolidated subsidiaries have established defined benefit plans comprising a retirement lump-sum payment plan and defined benefit welfare pension plan (funded type), as well as defined contribution plan namely defined contribution pension plan. In addition, premium retirement benefits may be payable in certain circumstance at an employees' retirement. The Bank has a retirement benefit trust in place.

The changes in the retirement benefit obligation during the year ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥86,360	¥89,116	\$802,925
Service cost	2,099	2,187	19,707
Interest cost	588	525	4,737
Actuarial loss	1,559	3,277	29,532
Retirement benefits paid	(3,075)	(2,966)	(26,725)
Prior service cost	—	—	—
Other	1,583	(1,583)	(14,266)
Balance at the end of the year	¥89,116	¥90,557	\$815,909

(Note)

Consolidated subsidiaries use the simplified method in calculating retirement benefit obligations.

The changes in plan assets during the year ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥83,488	¥87,591	\$789,184
Expected return on plan assets	1,949	2,039	18,377
Actuarial loss	3,142	(1,449)	(13,061)
Contributions by the Bank	984	974	8,778
Retirement benefits paid	(1,973)	(1,974)	(17,793)
Other	—	—	—
Balance at the end of the year	<u>¥87,591</u>	<u>¥87,181</u>	<u>\$785,485</u>

Reconciliation of ending balances of retirement benefit obligations and plan assets, and net defined liability and net defined asset recorded on the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligation	¥ 89,116	¥ 90,557	\$ 815,909
Plan assets at fair value	(87,591)	(87,181)	(785,485)
	1,525	3,376	30,424
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	<u>1,525</u>	<u>3,376</u>	<u>30,424</u>
Net defined liability	¥ 2,295	¥ 4,848	\$ 43,683
Net defined asset	(770)	(1,471)	(13,258)
Net liability (asset) for retirement benefits in the balance sheets	<u>¥ 1,525</u>	<u>¥ 3,376</u>	<u>\$ 30,424</u>

Components of retirement benefit expense for the year ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥ 2,099	¥ 2,187	\$ 19,707
Interest cost	588	525	4,737
Expected return on plan assets	(1,949)	(2,039)	(18,377)
Amortization of actuarial loss	1,772	1,441	12,991
Amortization of prior service costs	—	—	—
Other	1,603	29	263
Retirement benefit expense associated with defined benefit plans	<u>¥ 4,115</u>	<u>¥ 2,144</u>	<u>\$ 19,322</u>

(Note)

Retirement benefit expense at consolidated subsidiaries using the simplified method is collectively included in "Service cost."

Remeasurements of defined benefit plans on other comprehensive income (before tax effect adjustment) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain	3,356	(1,702)	(15,335)
Other	—	—	—
Total	<u>¥3,356</u>	<u>¥(1,702)</u>	<u>\$(15,335)</u>

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	3,832	5,534	49,862
Other	—	—	—
Total	¥3,832	¥5,534	\$49,862

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2019 were as follows:

	2018	2019
Bonds	18.7%	18.9%
Stock	45.3%	45.0%
Life insurance company general accounts	19.0%	19.3%
Cash and due from banks	1.0%	3.4%
Other	16.0%	13.4%
Total	100.0%	100.0%

(Note)

Total plan assets included retirement benefit trust of 35.6% and 35.8% as of March 31, 2019 and 2018, respectively, which were set for corporate pension plans and retirement lump-sum payment plan.

The expected long-term return on plan assets has been estimated based on the current and anticipated allocation of plan assets and the current and expected long-term return on various assets which are the components of plan assets.

The assumptions used in accounting for the above plans were as follows:

	2018	2019
1) Discount rates		
Welfare pension plan	0.6%	0.4%
Retirement lump-sum payment plan	0.3%	0.2%
2) Expected long-term return on plan assets		
Welfare pension fund	2.5%	2.5%
Retirement benefit trust	1.8%~2.5%	1.8%~2.5%
3) Other assumptions		
Expected rate of salary raises	4.2%	4.2%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries as of March 31, 2018 and 2019 is ¥11 million and ¥11 million (U.S.\$104 thousand), respectively.

16. Cash and Cash Equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to the cash and cash equivalents as of March 31 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and Due from Banks	¥573,973	¥752,818	\$6,782,759
Interest-bearing Deposits included in Due from Banks (excluding Due from BO)	(3,918)	(4,753)	(42,828)
Cash and Cash Equivalents	¥570,054	¥748,064	\$6,739,931

17. Lease Transactions

a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
With one year	¥ 75	¥ 605	\$ 5,452
Over one year	553	1,115	10,052
Total	¥ 628	¥1,720	\$15,505

b. Lessor

Leased investment asset at March 31, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Lease receivables	¥41,046	¥43,621	\$393,025
Estimated residual value	5,848	6,672	60,120
Interest income	(4,634)	(4,838)	(43,589)
Total	¥42,260	¥45,456	\$409,555

The lease receivable amount at March 31, 2018 and 2019, and the amount of lease fees receivable on investment assets, which is scheduled to be collected after the fiscal year-end, were summarized as follows:

	Lease receivables	Lease investment assets
	Millions of yen	Millions of yen
	2018	2018
within 1 year	¥2,253	¥12,447
over 1 year and within 2 years	1,964	10,066
over 2 years and within 3 years	1,523	7,601
over 3 years and within 4 years	1,074	5,429
over 4 years and within 5 years	598	3,023
over 5 years	553	2,477

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2019	2019	2019	2019
within 1 year	¥2,740	\$24,691	¥13,116	\$118,174
over 1 year and within 2 years	2,296	20,692	10,615	95,647
over 2 years and within 3 years	1,791	16,140	8,289	74,683
over 3 years and within 4 years	1,273	11,470	5,661	51,013
over 4 years and within 5 years	691	6,227	3,258	29,356
over 5 years	766	6,906	2,680	24,150

18. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax.

Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. Deferred tax assets and liabilities as of March 31, 2018 and 2019 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Allowance for loan losses	¥ 10,411	¥ 12,073	\$ 108,783
Net defined benefit liability	4,803	4,897	44,122
Devaluation loss on securities	614	523	4,720
Depreciation	453	462	4,170
Other	7,176	7,829	70,540
Subtotal	23,458	25,787	232,337
Valuation allowance	(2,645)	(3,789)	(34,141)
Total: Deferred tax assets	20,813	21,997	198,195
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(41,103)	(33,801)	(304,545)
Retirement benefit trust	(1,805)	(2,055)	(18,521)
Other	(462)	(466)	(4,199)
Total: Deferred tax liabilities	(43,371)	(36,323)	(327,266)
Net: Deferred tax assets (liabilities)	¥(22,557)	¥(14,325)	\$(129,070)

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2018 and 2019 is as follows:

	2018	2019
Japanese statutory tax rate	—%	30.5%
(Adjustment)		
Items permanently non-deductible, including entertainment expenses	—	0.3
Items permanently excluded from profit, including dividend income	—	(0.9)
Increase (decrease) in valuation allowance	—	3.2
Other	—	0.1
Ratio of income taxes after tax effective accounting	—%	33.2%

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2018 is omitted since the difference between the Japanese statutory tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the Japanese statutory tax rate.

19. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2018 and 2019 is summarized as follows:

Year ended or as of March 31, 2018	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Total income generated from businesses with							
External customers	¥ 121,836	¥ 25,237	¥ 147,074	¥ 3,312	¥ 150,386	¥ —	¥ 150,386
Internal units	553	320	874	1,248	2,123	(2,123)	—
	122,390	25,558	147,948	4,561	152,509	(2,123)	150,386
Segment profit	38,610	1,166	39,777	2,551	42,328	80	42,409
Segment assets	7,987,793	71,550	8,059,344	32,243	8,091,587	(86,797)	8,004,790
Segment liabilities	7,473,452	59,013	7,532,466	16,128	7,548,595	(80,418)	7,468,176
Others							
Depreciation	5,503	667	6,171	118	6,290	34	6,325
Interest and dividend income	85,057	14	85,071	28	85,100	(261)	84,838
Interest expenses	7,576	269	7,846	—	7,846	(252)	7,594
Equity in earnings of unconsolidated subsidiaries and associated companies	86	—	86	—	86	(1)	84
Extraordinary profit	20	—	20	—	20	—	20
(Gains on disposal of noncurrent assets)	(20)	(—)	(20)	(—)	(20)	(—)	(20)
Extraordinary loss	1,045	—	1,045	—	1,045	—	1,045
(Loss on disposal of noncurrent assets)	(370)	(—)	(370)	(—)	(370)	(—)	(370)
(Impairment loss of fixed assets)	(674)	(—)	(674)	(—)	(674)	(—)	(674)
Tax	11,425	365	11,790	807	12,598	30	12,628
Investment of unconsolidated subsidiaries and associated companies	2,996	—	2,996	—	2,996	—	2,996
Increase of property, plant and equipment and intangible assets	6,297	759	7,057	162	7,220	149	7,370

Year ended or as of March 31, 2019	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Total income generated from businesses with							
External customers	¥ 119,150	¥ 26,253	¥ 145,404	¥ 3,326	¥ 148,730	¥ —	¥ 148,730
Internal units	587	518	1,105	1,244	2,350	(2,350)	—
	119,738	26,771	146,509	4,571	151,080	(2,350)	148,730
Segment profit	32,600	1,146	33,747	2,222	35,969	(184)	35,785
Segment assets	8,124,975	78,617	8,203,592	33,666	8,237,258	(97,124)	8,140,134
Segment liabilities	7,616,504	66,068	7,682,572	16,001	7,698,574	(90,398)	7,608,175
Others							
Depreciation	5,916	681	6,597	109	6,707	54	6,761
Interest and dividend income	81,727	24	81,751	27	81,778	(278)	81,500
Interest expenses	7,174	284	7,459	—	7,459	(268)	7,190
Equity in earnings of unconsolidated subsidiaries and associated companies	570	—	570	—	570	(1)	569
Extraordinary profit	39	—	39	—	39	—	39
(Gains on disposal of noncurrent assets)	(39)	(—)	(39)	(—)	(39)	(—)	(39)
Extraordinary loss	515	—	515	1	516	—	516
(Losses on disposal of noncurrent assets)	(350)	(—)	(350)	(1)	(352)	(—)	(352)
(Impairment losses on of fixed assets)	(164)	(—)	(164)	(—)	(164)	(—)	(164)
Tax	10,538	391	10,930	770	11,700	5	11,706
Investment of unconsolidated subsidiaries and associated companies	3,988	—	3,988	—	3,988	—	3,988
Increase of property, plant and equipment and intangible assets	6,935	872	7,808	34	7,842	157	8,000

Year ended or as of March 31, 2019	Thousands of U.S. dollars						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Total income generated from businesses with							
External customers	\$ 1,073,528	\$ 236,536	\$ 1,310,065	\$ 29,970	\$ 1,340,035	\$ —	\$ 1,340,035
Internal units	5,292	4,668	9,961	11,215	21,176	(21,176)	—
	1,078,820	241,205	1,320,026	41,186	1,361,212	(21,176)	1,340,035
Segment profit	293,728	10,332	304,061	20,021	324,082	(1,662)	322,420
Segment assets	73,204,569	708,326	73,912,896	303,329	74,216,225	(875,070)	73,341,154
Segment liabilities	68,623,339	595,261	69,218,600	144,173	69,362,774	(814,475)	68,548,298
Others							
Depreciation	53,304	6,139	59,444	990	60,435	487	60,922
Interest and dividend income	736,347	220	736,568	244	736,812	(2,509)	734,302
Interest expenses	64,642	2,562	67,205	—	67,205	(2,421)	64,783
Equity in earnings of unconsolidated subsidiaries and associated companies	5,138	—	5,138	—	5,138	(11)	5,127
Extraordinary profit	358	—	358	—	358	—	358
(Gains on disposal of noncurrent assets)	(358)	(—)	(358)	(—)	(358)	(—)	(358)
Extraordinary loss	4,642	—	4,642	14	4,657	—	4,657
(Losses on disposal of noncurrent assets)	(3,159)	(—)	(3,159)	(13)	(3,172)	(—)	(3,172)
(Impairment losses on of fixed assets)	(1,483)	(—)	(1,483)	(—)	(1,483)	(—)	(1,483)
Tax	94,950	3,527	98,478	6,945	105,423	50	105,473
Investment of unconsolidated subsidiaries and associated companies	35,933	—	35,933	—	35,933	—	35,933
Increase of property, plant and equipment and intangible assets	62,489	7,864	70,353	309	70,663	1,420	72,083

(Notes)

- Total income is presented in lieu of sales of companies in other industries.
- "Others" include business segments not included in the reportable segments, such as the delivery of goods, etc., the maintenance of ATMs and operations of securities and guarantees.
- Adjustments are as follows:
 - Adjustment for segment profit of ¥(184) million (U.S.\$(1,662) thousand) was elimination of intersegment transactions.
 - Adjustment for segment assets of ¥(97,124) million (U.S.\$(875,070) thousand) was elimination of intersegment transactions.
 - Adjustment for segment liabilities of ¥(90,398) million (U.S.\$(814,475) thousand) was elimination of intersegment transactions.
 - Adjustment for depreciation of ¥54 million (U.S.\$487 thousand) was elimination of intersegment transactions and the depreciation related to lease investment assets classified as "property, plant and equipment" and "intangible assets" on a consolidated basis.
 - Adjustment for interest and dividend income of ¥(278) million (U.S.\$(2,509) thousand), adjustment for interest expenses of ¥(268) million (U.S.\$(2,421) thousand), adjustment for equity in earnings of unconsolidated subsidiaries and associated companies of ¥(1) million (U.S.\$(11) thousand) and adjustment for tax of ¥5 million (U.S.\$50 thousand) were elimination of intersegment transactions.
 - Adjustment for increase of tangible fixed asset and intangible fixed asset of ¥157 million (U.S.\$1,420 thousand) were transferred from lease investment assets.
- Segment profit was adjusted with reference to ordinary profit as stated in the consolidated statements of income.

b. Segment information by geographical area

Segment information by geographical area has not been disclosed because the income and total assets of Japan area constituted more than 90% of the consolidated total.

c. Operating income from foreign operations

Operating income from foreign operations has not been disclosed because it constituted less than 10% of the consolidated income.

20. Earnings per Share

	Yen		U.S. Dollars
	2018	2019	2019
Net Assets per Share of Common Stock	¥1,221.04	¥1,232.16	\$11.10
Earnings per Share of Common Stock	65.27	54.12	0.48
Diluted Earnings per Share of Common Stock	65.14	54.00	0.48

1. Basis on calculating Net Assets per share was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Consolidated Net Assets	¥536,613	¥531,959	\$4,792,856
Deduction from nets assets	¥ 6,584	¥ 6,045	\$ 54,468
Less: Subscription Rights to Shares	460	510	4,602
Less: Non-controlling Interests	6,123	5,534	49,866
Consolidated Net Assets Attributable to Common Shareholders	530,029	525,913	4,738,387

	Thousands of Stocks	
	2018	2019
Number of Shares of Common Stock. Used for Calculating Net Assets per Share	434,082	426,822

2. Basis of calculating Earnings per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
	Net income	Weighted average stocks	EPS	
For the year ended March 31, 2019				
Basic EPS				
Earnings available to Common Shareholders	¥23,321	430,936	¥54.12	\$0.48
Effect of Dilutive warrants		929		
Diluted EPS	¥23,321		¥54.00	\$0.48

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
	Net income	Weighted average stocks	EPS	
For the year ended March 31, 2018				
Basic EPS				
Earnings available to Common Shareholders	¥28,366	434,578	¥65.27	\$0.61
Effect of Dilutive warrants		863		
Diluted EPS	¥28,366		¥65.14	\$0.61

*The Bank's shares held by the ESOP Trust are recognized as treasury shares, and are excluded from the weighted average number of shares during the fiscal year. The weighted average number of said treasury shares was 1,288 thousand during the fiscal year ended March 31, 2018.

21. Consumption tax

Consumption tax is excluded from transactions reported by Bank and its consolidated subsidiaries.

22. Changes in Net Assets

a. Information on type and number of shares issued and treasury shares

Type and number of shares issued and treasury shares in the year ended March 31, 2019 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	460,888	—	7,000	453,888
Total	460,888	—	7,000	453,888
Treasury shares				
Common stock	26,805	7,389	7,129	27,065
Total	26,805	7,389	7,129	27,065

Type and number of shares issued and treasury shares in the year ended March 31, 2018 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	470,888	—	10,000	460,888
Total	470,888	—	10,000	460,888
Treasury shares				
Common stock	32,938	6,002	12,135	26,805
Total	32,938	6,002	12,135	26,805

b. Information on dividends

The following dividends were paid in the year ended March 31, 2019:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of shareholders held on June 26, 2018	Common stock	¥3,038	\$27,377	¥7.0	\$0.06	March 31, 2018	June 27, 2018
Directors' meeting held on November 6, 2018	Common stock	¥2,596	\$23,397	¥6.0	\$0.05	September 30, 2018	December 6, 2018

The following dividends were paid in the year ended March 31, 2018:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen		Yen			
Annual meeting of shareholders held on June 27, 2017	Common stock	¥2,639		¥6.0		March 31, 2017	June 28, 2017
Directors' meeting held on November 8, 2017	Common stock	¥2,616		¥6.0		September 30, 2017	December 6, 2017

Dividends whose record date is attributable to the year ended March 31, 2019 but which are effective after March 31, 2019

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 25, 2019	Common stock	¥2,987	\$26,919	Retained earnings	¥7.0	\$0.06	March 31, 2019	June 26, 2019

Dividends whose record date is attributable to the year ended March 31, 2018 but which are effective after March 31, 2018

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 26, 2018	Common stock	¥3,038		Retained earnings	¥7.0		March 31, 2018	June 27, 2018

23. Stock Options

1. Line item where Stock Options is presented and the amount

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
General and administrative expenses	¥120	¥122	\$1,100

2. Details of Stock Option

(1) Outline of the Stock Option

1st equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	11
Number of stock options	Common stock	290,900
Date of grant		July 26, 2012
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 27, 2012 to July 26, 2042

2nd equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common stock	217,000
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043

3rd equity warrant		
Title and numbers of grantees	Executive Officers	11
Number of stock options	Common stock	59,900
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043

4th equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common stock	189,400
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044

5th equity warrant		
Title and numbers of grantees	Executive Officers	9
Number of stock options	Common stock	38,700
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044

6th equity warrant		
Title and numbers of grantees	Directors(Exclude outside directors)	11
Number of stock options	Common stock	109,400
Date of grant		July 29,2015
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2015 to July 29, 2045

7th equity warrant		
Title and numbers of grantees	Executive Officers	10
Number of stock options	Common stock	27,000
Date of grant		July 29,2015
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2015 to July 29, 2045

8th equity warrant		
Title and numbers of grantees	Directors(Exclude outside directors)	9
Number of stock options	Common stock	247,400
Date of grant		July 29,2016
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2016 to July 29, 2046

9th equity warrant		
Title and numbers of grantees	Executive Officers	11
Number of stock options	Common stock	69,300
Date of grant		July 29,2016
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2016 to July 29, 2046

10th equity warrant		
Title and numbers of grantees	Directors(Exclude outside directors)	7
Number of stock options	Common stock	116,800
Date of grant		July 28,2017
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2017 to July 28, 2047

11th equity warrant		
Title and numbers of grantees	Executive Officers	16
Number of stock options	Common stock	78,800
Date of grant		July 28,2017
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2017 to July 28, 2047

12th equity warrant		
Title and numbers of grantees	Directors(Exclude outside directors)	7
Number of stock options	Common stock	118,800
Date of grant		July 30,2018
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 31, 2018 to July 30, 2048

13th equity warrant		
Title and numbers of grantees	Executive Officers	17
Number of stock options	Common stock	89,000
Date of grant		July 30,2018
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 31, 2018 to July 30, 2048

(2) Size and situation of the Stock Option

(a) The number of the Stock Option

	Number of Shares						
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant
Non-vested							
As of March 31, 2018	94,300	78,400	15,300	114,600	25,800	71,400	21,600
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	10,200	9,300	8,600	5,800	10,800
Outstanding	94,300	78,400	5,100	105,300	17,200	65,600	10,800
Vested							
As of March 31, 2018	—	—	—	—	—	—	—
Vested	—	—	10,200	9,300	8,600	5,800	10,800
Exercised	—	—	10,200	9,300	8,600	5,800	10,800
Forfeited	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—

	Number of Shares					
	8th equity warrant	9th equity warrant	10th equity warrant	11th equity warrant	12th equity warrant	13th equity warrant
Non-vested						
As of March 31, 2018	202,100	69,300	116,800	78,800	—	—
Granted	—	—	—	—	118,800	89,000
Forfeited	—	—	—	—	—	—
Vested	24,400	25,200	14,100	21,200	—	—
Outstanding	177,700	44,100	102,700	57,600	118,800	89,000
Vested						
As of March 31, 2018	—	—	—	—	—	—
Vested	24,400	25,200	14,100	21,200	—	—
Exercised	24,400	25,200	14,100	21,200	—	—
Forfeited	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—

(b) Price information

	Yen						
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	—	—	¥570	¥570	¥570	¥570	¥570
Fair value at grant date	¥311	¥542	¥585	¥545	¥591	¥851	¥893

	Yen					
	8th equity warrant	9th equity warrant	10th equity warrant	11th equity warrant	12th equity warrant	13th equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	¥570	¥570	¥570	¥570	—	—
Fair value at grant date	¥363	¥396	¥609	¥632	¥582	¥595

	U.S. dollars						
	1st	2nd	3rd	4th	5th	6th	7th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Average price at exercise	\$0.00	\$0.00	\$5.13	\$5.13	\$5.13	\$5.13	\$5.13
Fair value at grant date	\$2.80	\$4.88	\$5.27	\$4.91	\$5.32	\$7.66	\$8.04

	U.S. dollars					
	8th	9th	10th	11th	12th	13th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Average price at exercise	\$5.13	\$5.13	\$5.13	\$5.13	—	—
Fair value at grant date	\$3.27	\$3.56	\$5.48	\$5.69	\$5.24	\$5.36

3. The estimations used to measure fair value of Stock Option

(1) Valuation method

The Black-Scholes option pricing model

(2) Main figures and the way of estimation

	12th equity warrant	13th equity warrant
Volatility of stock price (*1)	33.940%	30.241%
Estimated remaining outstanding period (*2)	3.1	2.1
Estimated dividend (*3)	¥13.00 per share	¥13.00 per share
Risk-free interest rate (*4)	(0.109%)	(0.115%)

*1. Volatility of stock price is calculated based on the actual stock prices of estimated remaining outstanding period.

*2. Estimated remaining outstanding period is calculated based on the average term in office of resigned directors (Exclude non executive director.)

*3. Estimated dividend is based on the actual results of the fiscal year ended March 31, 2018.

*4. Risk-free interest rate is based on bonds' yields of the estimated remaining outstanding period.

4. Estimated number of Stock Options to be vested

The actual number of forfeited stock options alone is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.

24. Corporate bonds

Corporate bonds include subordinated corporate bonds in the amount of ¥20,000 million and ¥30,000 million (U.S.\$270,294 thousand) as of March 31, 2018 and 2019, respectively.

25. Subsequent events

Issuance of Basel III-compliant Subordinated Bonds

At the Board of Directors meeting held on March 27, 2019, the Bank resolved to issue unsecured corporate bonds and the payment was completed on April 26, 2019. The outline is as follows:

- (1) Name of the corporate bonds
JPY 10,000,000,000 Subordinated Unsecured Bond due 26 April 2029
- (2) Issue price
¥100 (U.S.\$0.90) per face value ¥100 of each bond
- (3) Total amount of issue
¥10 billion (U.S.\$90,098 thousand)
- (4) Interest rate
 - (a) For the first five years (until April 26, 2024): 0.48% per annum
 - (b) Thereafter, 6-month euro Japanese yen LIBOR plus 0.48%
- (5) Collateral
These bonds are not secured by collateral or guarantee and there are no assets pledged for these bonds.
- (6) Maturity date
26 April, 2029
- (7) Use of fund raised
General working capital



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Independent Auditor's Report

The Board of Directors
The Gunma Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Gunma Bank, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

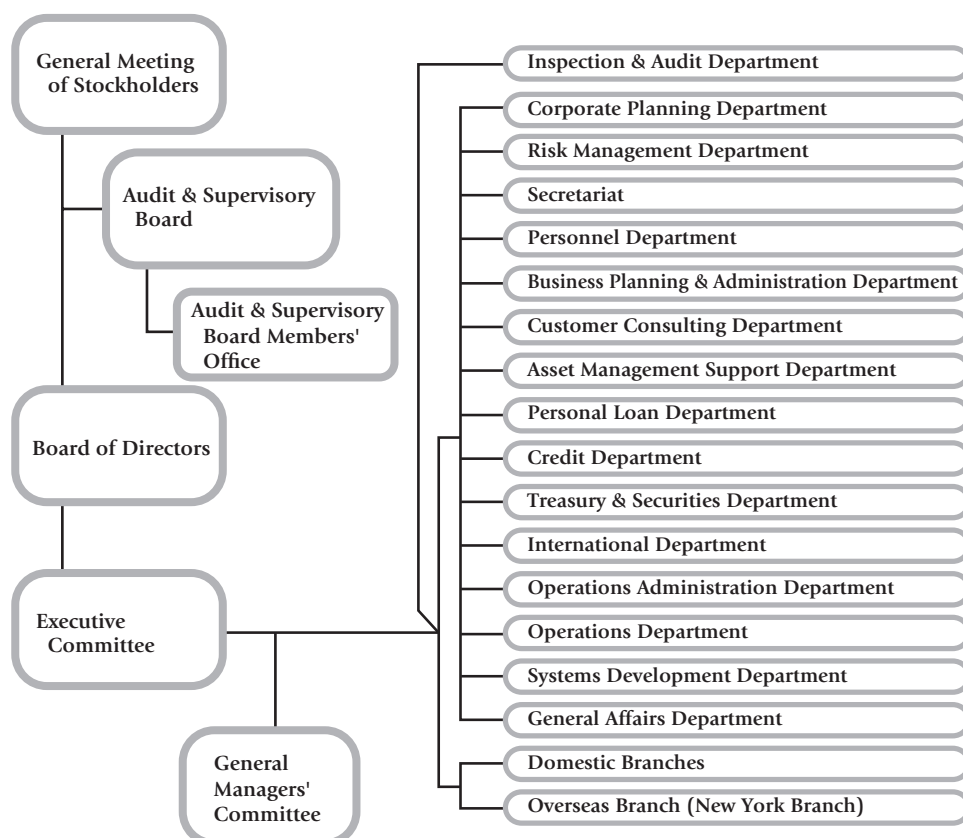
June 21, 2019

Major Shareholders

(As of 31st March, 2019)

	Number of shares held (in thousands)	%
Japan Trustee Services Bank, Ltd. (Trust Account)	19,291	4.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,344	4.06
Japan Trustee Services Bank, Ltd. (Trust Account 9)	16,051	3.76
Sumitomo Mitsui Banking Corporation	12,148	2.84
The Gunma Bank Employees' Stockholdings Association	11,983	2.80
Meiji Yasuda Life Insurance Company	11,056	2.59
Sumitomo Life Insurance Company	10,657	2.49
Japan Trustee Services Bank, Ltd. (Trust Account 4)	7,754	1.81
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,723	1.80
Nippon Life Insurance Company	7,608	1.78
Total	121,618	28.49

Organization Chart



(As of 30th June, 2019)



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