

Business Environment

During the fiscal year under review, the Japanese economy during the first half recovered though only modestly due to uncertainties in overseas situations such as U.S.-China trade friction. In the second half, export and production declined drastically due to the consumption tax increase, abnormal weather, and the COVID-19 pandemic that curbed global economic activities and the movement of people. Personal consumption, especially service consumption, decreased also reflecting the consumption tax increase and the COVID-19 outbreak that necessitated self-quarantine.

In the region of the Bank's core business, Gifu and Aichi prefectures, too, the COVID-19 pandemic caused drastic downturns in export, production and personal consumption since February 2020.

Against these backdrops, our business results for the fiscal year under review were as follows.

Performance

Ordinary income from banking operations increased by ¥104 million year on year to ¥76,655 million owing to an increase in interest income reflecting a rise in interest income on securities and an increase in fees and commissions including corporate solutions-related fees. Ordinary expenses decreased by ¥3,808 million year on year to ¥58,132 million due primarily to a decrease in operating expenses in addition to a decline in interest expense recognized on statements of income. As a result, ordinary profit increased by ¥3,913 million year on year to ¥18,523 million.

In the leasing business, ordinary income increased by ¥1,699 million year on year to ¥25,135 million, ordinary expenses increased by ¥1,378 million year on year to ¥24,149 million, and ordinary profit increased by ¥321 million year on year to ¥986 million.

In other businesses, including the credit card business and credit guarantee business, ordinary income increased by ¥1,407 million year on year to ¥7,787 million, and ordinary expenses increased by ¥1,837 million year on year to ¥7,215 million, while ordinary profit decreased by ¥429 million year on year to ¥572 million.

As a result, ordinary income on a consolidated basis increased by ¥2,480 million year on year to ¥106,860 million, and ordinary expenses decreased by ¥740 million year on year to ¥87,362 million, while ordinary profit increased by ¥3,220 million year on year to ¥19,497 million and net income attributable to owners of the parent increased by ¥2,204 million year on year to ¥12,862 million.

Financial Position

The Bank strived to provide customer-oriented quality service to fulfill its responsibility as “a financial group that is needed by customers and grows with customers.”

Our balance of deposits as of March 31, 2020 increased by ¥103.9 billion to ¥5,683.7 billion, mainly due to an increase in deposits from individuals.

Further, we offered a wide range of products including pension insurance and investment trusts and met the various needs of individual customers. As a result, our balance of individual customer assets including deposits increased by ¥112.5 billion to ¥4,656.5 billion.

With regard to loans, the Bank worked to provide customers in the local community with stable access to funds. Our balance of loans increased by ¥44.0 billion to ¥4,376.7 billion due to such factors as increases in mortgage loans and other loans for individuals.

With regard to securities, while flexibly responding to changes in market conditions, the Bank built a portfolio that maintains the risk-return balance, and managed it based on the policy of expanding total profits over the medium- to long-term. As a result, our balance of securities as of March 31, 2020 decreased by ¥87.6 billion to ¥1,262.9 billion.

Net cash provided from operating activities amounted to ¥84,244 million (¥180,626 million was provided in the previous fiscal year) mainly as a result of increases in deposits and borrowings from the Bank of Japan. Net cash provided from investing activities amounted to ¥63,122 million (¥35,608 million was used in the previous fiscal year) mainly as a result of redemption and sales of securities. Net cash used in financing activities amounted to ¥3,734 million (¥3,136 million was used in the previous fiscal year) mainly as a result of dividends paid. As a result, the closing balance of cash and cash equivalents increased by ¥143,626 million during the fiscal year under review to ¥629,152 million.

Consolidated Balance Sheet

The Juroku Bank, Ltd. and Consolidated Subsidiaries March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and due from banks (Notes 4 and 26)	¥ 632,783	¥ 487,166	\$ 5,814,417
Trading securities (Notes 5 and 26)	408	378	3,749
Money held in trust (Notes 6 and 26)	8,512	7,012	78,214
Securities (Notes 5, 11, 12 and 26)	1,251,602	1,345,422	11,500,524
Loans and bills discounted (Notes 7, 26 and 27)	4,345,574	4,304,066	39,929,927
Foreign exchanges (Notes 7 and 8)	7,979	6,456	73,316
Lease receivables and investments in leases (Note 25)	59,219	55,579	544,142
Other assets (Notes 9, 12, 26 and 28)	99,249	95,367	911,964
Premises and equipment (Note 10)	62,333	63,388	572,756
Goodwill	4,550	2,875	41,808
Intangible assets	4,075	4,361	37,444
Asset for retirement benefits for employees (Note 16)	2,332	3,890	21,428
Deferred tax assets (Note 24)	853	661	7,838
Customers' liabilities for acceptances and guarantees (Note 11)	17,028	17,303	156,464
Reserve for possible loan losses (Note 26)	(24,043)	(24,767)	(220,923)
Total Assets	¥6,472,454	¥6,369,157	\$59,473,068
LIABILITIES AND EQUITY:			
Liabilities:			
Deposits (Notes 12, 13 and 26)	¥5,610,659	¥5,492,227	\$51,554,342
Negotiable certificates of deposit (Note 26)	38,050	55,600	349,628
Payables under repurchase agreements (Notes 12 and 26)	140,754	186,071	1,293,338
Payables under securities lending transactions (Notes 12 and 26)	15,153	105,931	139,236
Borrowed money (Notes 12 and 14)	208,421	62,828	1,915,106
Foreign exchanges (Note 8)	982	966	9,023
Other liabilities (Notes 14, 15, 17, 25, 26 and 28)	53,124	49,960	488,137
Liability for retirement benefits for employees (Note 16)	6,353	6,471	58,375
Liability for retirement benefits for directors and Audit & Supervisory Board members	8	9	74
Provision required under the Special Act	2	—	19
Deferred tax liabilities (Note 24)	8,433	14,462	77,488
Deferred tax liabilities for land revaluation surplus	7,083	7,130	65,083
Acceptances and guarantees (Note 11)	17,028	17,303	156,464
Total Liabilities	6,106,050	5,998,958	56,106,313
Commitments and Contingent Liabilities (Note 27)			
Equity (Notes 18, 19 and 31):			
Common stock:			
authorized, 46,000,000 shares in 2020 and 2019;	36,839	36,839	338,500
issued, 37,924,134 shares in 2020 and 37,924,134 in 2019			
Capital surplus (Note 3)	51,435	50,190	472,618
Stock acquisition rights	161	160	1,479
Retained earnings	211,679	201,322	1,945,043
Treasury stock - at cost:			
555,674 shares in 2020 and 566,641 shares in 2019	(1,554)	(1,585)	(14,279)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)	39,918	53,699	366,792
Deferred loss on derivatives under hedge accounting	(174)	—	(1,598)
Land revaluation surplus	13,925	14,035	127,952
Defined retirement benefit plans (Note 16)	(1,997)	(431)	(18,350)
Total	350,232	354,229	3,218,157
Noncontrolling interests	16,172	15,970	148,598
Total Equity	366,404	370,199	3,366,755
Total Liabilities and Equity	¥6,472,454	¥6,369,157	\$59,473,068

See notes to consolidated financial statements.

Consolidated Statement of Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Income:			
Interest on:			
Loans and discounts	¥ 39,184	¥ 39,705	\$360,048
Securities	15,171	13,613	139,401
Other	407	445	3,740
Fees and commissions	21,447	20,181	197,068
Other operating income (Note 20)	28,562	26,178	262,446
Other income (Note 21)	2,092	4,325	19,223
Total Income	106,863	104,447	981,926
Expenses:			
Interest on:			
Deposits	657	1,003	6,037
Borrowings and re-discounts	287	369	2,637
Payables under repurchase agreements	1,940	2,457	17,826
Other	48	39	441
Fees and commissions	5,645	6,135	51,870
Other operating expenses (Note 5)	24,788	24,507	227,768
General and administrative expenses (Note 22)	48,410	50,038	444,822
Provision for possible loan losses	3,683	2,122	33,842
Impairment loss on long-lived assets	133	189	1,222
Other expenses (Note 23)	1,997	1,524	18,350
Total Expenses	87,588	88,383	804,815
Income before Income Taxes	19,275	16,064	177,111
Income Taxes (Note 24):			
Current	6,072	4,336	55,793
Deferred	(13)	553	(119)
Total Income Taxes	6,059	4,889	55,674
Net Income	13,216	11,175	121,437
Net Income Attributable to Noncontrolling Interests	354	517	3,253
Net Income Attributable to Owners of the Parent	¥ 12,862	¥ 10,658	\$118,184

	Yen		U.S. Dollars
	2020	2019	2020
Per Share of Common Stock (Notes 2.v and 30):			
Basic net income	¥344.22	¥285.29	\$3.16
Diluted net income	343.70	284.92	3.16
Cash dividends applicable to the year			
Common stock	70.00	70.00	0.64

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Net income	¥ 13,216	¥ 11,175	\$121,437
Other Comprehensive (Loss) Income (Note 29):			
Unrealized (loss) gain on available-for-sale securities	(13,864)	768	(127,391)
Deferred loss on derivatives under hedge accounting	(174)	—	(1,599)
Defined retirement benefit plans	(1,566)	37	(14,389)
Total other comprehensive (loss) income	(15,604)	805	(143,379)
Comprehensive (Loss) Income	¥ (2,388)	¥ 11,980	\$ (21,942)
Total Comprehensive (Loss) Income Attributable to:			
Owners of the parent	¥ (2,659)	¥ 11,671	\$ (24,432)
Noncontrolling interests	271	309	2,490

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Thousands Outstanding Number of Shares of Common Stock	Millions of Yen										Total	Noncon- trolling Interests	Total Equity
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income							
							Unrealized Gain on Available -for-sale Securities	Deferred loss on derivatives under hedge accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans				
Balance at April 1, 2018	37,362	¥36,839	¥48,282	¥130	¥192,824	¥(1,574)	¥52,723	—	¥14,490	¥ (468)	¥343,246	¥18,007	¥361,253	
Purchase of shares of consolidated subsidiaries		—	1,908	—	—	—	—	—	—	—	1,908	—	1,908	
Net income attributable to owners of the parent		—	—	—	10,658	—	—	—	—	—	10,658	—	10,658	
Cash dividends, ¥70.00 per share on common stock		—	—	—	(2,615)	—	—	—	—	—	(2,615)	—	(2,615)	
Transfer of land revaluation surplus		—	—	—	455	—	—	—	—	—	455	—	455	
Purchase of treasury stock	(8)	—	—	—	—	(20)	—	—	—	—	(20)	—	(20)	
Disposal of treasury stock	3	—	—	—	—	9	—	—	—	—	9	—	9	
Net change in the year	—	—	—	30	—	—	976	—	(455)	37	588	(2,037)	(1,449)	
Balance at April 1, 2019	37,357	36,839	50,190	160	201,322	(1,585)	53,699	—	14,035	(431)	354,229	15,970	370,199	
Purchase of shares of consolidated subsidiaries		—	1,244	—	—	—	—	—	—	—	1,244	—	1,244	
Net income attributable to owners of the parent		—	—	—	12,862	—	—	—	—	—	12,862	—	12,862	
Cash dividends, ¥70.00 per share on common stock		—	—	—	(2,615)	—	—	—	—	—	(2,615)	—	(2,615)	
Transfer of land revaluation surplus		—	—	—	110	—	—	—	—	—	110	—	110	
Purchase of treasury stock	(2)	—	—	—	—	(4)	—	—	—	—	(4)	—	(4)	
Disposal of treasury stock	13	—	1	—	—	35	—	—	—	—	36	—	36	
Net change in the year	—	—	—	1	—	—	(13,781)	(174)	(110)	(1,566)	(15,630)	202	(15,428)	
Balance at March 31, 2020	37,368	¥36,839	¥51,435	¥161	¥211,679	¥(1,554)	¥39,918	¥(174)	¥13,925	¥(1,997)	¥350,232	¥16,172	¥366,404	

	Thousands of U.S. Dollars (Note 1)											Total	Noncon- trolling Interests	Total Equity
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income								
						Unrealized Gain on Available -for-sale Securities	Deferred loss on derivatives under hedge accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans					
Balance at April 1, 2019	\$338,500	\$461,178	\$1,470	\$1,849,876	\$(14,564)	\$493,421	—	\$128,963	\$ (3,960)	\$3,254,884	\$146,742	\$3,401,626		
Purchase of shares of consolidated subsidiaries	—	11,431	—	—	—	—	—	—	—	—	11,431	—	11,431	
Net income attributable to owners of the parent	—	—	—	118,184	—	—	—	—	—	—	118,184	—	118,184	
Cash dividends, \$0.64 per share on common stock	—	—	—	(24,028)	—	—	—	—	—	—	(24,028)	—	(24,028)	
Transfer of land revaluation surplus	—	—	—	1,011	—	—	—	—	—	—	1,011	—	1,011	
Purchase of treasury stock	—	—	—	—	(37)	—	—	—	—	—	(37)	—	(37)	
Disposal of treasury stock	—	9	—	—	322	—	—	—	—	—	331	—	331	
Net change in the year	—	—	—	9	—	(126,629)	(1,598)	(1,011)	(14,390)	(143,619)	1,856	(141,763)		
Balance at March 31, 2020	\$338,500	\$472,618	\$1,479	\$1,945,043	\$(14,279)	\$366,792	\$(1,598)	\$127,952	\$(18,350)	\$3,218,157	\$148,598	\$3,366,755		

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Operating Activities:			
Income before income taxes	¥ 19,275	¥ 16,064	\$ 177,111
Adjustments for:			
Income taxes - paid	(5,313)	(4,404)	(48,819)
Income taxes - refund	2	16	18
Depreciation	3,923	3,922	36,047
Impairment loss on long-lived assets	133	189	1,222
Interest income recognized on statements of income	(54,762)	(53,764)	(503,189)
Interest expense recognized on statements of income	2,932	3,868	26,941
Net gain on securities	(1,091)	(2,365)	(10,024)
Unrealized (gain) loss on derivatives	(287)	122	(2,637)
Net decrease in reserve for possible loan losses	(724)	(412)	(6,653)
Net increase in asset for retirement benefits for employees	(745)	(503)	(6,845)
Net decrease in liability for retirement benefits for employees	(50)	(43)	(459)
Net (decrease) increase in liability for retirement benefits for directors and Audit & Supervisory Board members	(1)	3	(9)
Net increase in provision required under the Special Act	2	—	18
Net increase in loans	(41,335)	(88,635)	(379,813)
Net increase in deposits	118,432	49,253	1,088,230
Net (decrease) increase in negotiable certificates of deposit	(17,549)	6,000	(161,251)
Net increase in borrowed money (excluding subordinated loans)	145,419	15,054	1,336,203
Net decrease (increase) in due from banks (excluding cash equivalents)	2,025	(870)	18,607
Net decrease in call loans and others	—	1,000	—
Net (decrease) increase in call money and others	(45,317)	87,198	(416,402)
Net (decrease) increase in payables under securities lending transactions	(90,778)	105,931	(834,127)
Net increase in lease receivables and investments in leases	(3,640)	(4,079)	(33,447)
Interest income - cash basis	55,915	54,420	513,783
Interest expense - cash basis	(3,863)	(4,177)	(35,496)
Other - net	1,641	(3,161)	15,079
Total adjustments	64,969	164,563	596,977
Net cash provided by operating activities	84,244	180,627	774,088
Investing Activities:			
Purchases of securities	(439,772)	(599,926)	(4,040,908)
Proceeds from sales of securities	215,077	351,862	1,976,266
Proceeds from maturities of securities	295,175	213,452	2,712,258
Purchases of premises and equipment	(1,208)	(928)	(11,100)
Purchases of intangible assets	(785)	(686)	(7,213)
Proceeds from sales of premises and equipment	149	671	1,369
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation (Note 3)	(5,465)	—	(50,216)
Other - net	(49)	(54)	(450)
Net cash provided by (used in) investing activities	63,122	(35,609)	580,006
Financing Activities:			
Proceeds from sales of treasury stock	0	1	0
Acquisition of treasury stock	(3)	(20)	(28)
Acquisition of treasury stock of subsidiaries	(558)	—	(5,127)
Dividends paid	(2,814)	(2,623)	(25,857)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Note 3)	(359)	(494)	(3,299)
Net cash used in financing activities	(3,734)	(3,136)	(34,311)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(5)	3	(46)
Net Increase in Cash and Cash Equivalents	143,627	141,885	1,319,737
Cash and Cash Equivalents, Beginning of Year	485,525	343,640	4,461,316
Cash and Cash Equivalents, End of Year (Note 4)	¥629,152	¥485,525	\$5,781,053

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Juroku Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2020, include the accounts of the Bank and its seven (six in 2019) significant subsidiaries, including Juroku Business Service Co., Ltd., Juroku Research Institute Co., Ltd., Juroku Card Co., Ltd., Juroku Lease Co., Ltd., Juroku Computer Service Co., Ltd., Juroku Credit Guarantee Co., Ltd., and Juroku Tokai Tokyo Securities Co., Ltd. ("Juroku TT Securities") (together, the "Group").

The Bank has underwritten a capital increase by Juroku TT Securities, which is a joint venture between the Bank and Tokai Tokyo Financial Holdings, Inc., on June 3, 2019 and Juroku TT Securities has been included in the scope of consolidation from the year ended March 31, 2020.

Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in seven (six in 2019) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

The balance sheet date for all consolidated subsidiaries is the end of March for each year, which is consistent with the balance sheet date of the Group.

b. Business Combination

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair

value of the consideration received or paid and the amount by which the noncontrolling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading securities

Trading securities are stated at fair value and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

e. Securities

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows: 1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and 2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value with unrealized gains and losses, net of applicable taxes, and are reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings. Securities included in money held in trust for other purposes are accounted for by the same method as the above 2) available-for-sale securities.

f. Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank, except for leased assets, is computed using the declining-balance method over the estimated useful lives of the assets.

The range of useful lives is principally from 15 to 50 years for buildings and from 4 to 20 years for other premises and equipment.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

Under certain conditions, such as exchanges of premises and equipment for similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The deferred gain on premises and equipment resulting from the reduction of the cost of the assets acquired, which is taxable for tax purposes in the future, was ¥989 million (\$9,088 thousand) and ¥989 million as of March 31, 2020 and 2019, respectively.

g. Long-lived assets

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

b. Land revaluation

Under the "Law of Land Revaluation," the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥14,081 million (\$129,385 thousand) and ¥16,139 million as of March 31, 2020 and 2019, respectively.

i. Intangible assets

Amortization of intangible assets is calculated using the straight-line method.

Amortization cost of software for internal use is calculated using the straight-line method over the estimated useful life, principally, 5 years.

j. Reserve for possible loan losses

The Bank implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which the customers are classified into five categories such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." The credit rating system is used for the self-assessment of asset quality.

With respect to loans to customers who are likely to become bankrupt or to be closely monitored, which are classified within normal and caution loans, the reserve for possible loan losses is calculated based on the projected future losses for the following three years, whilst for other loans, for the following one year. The projected future losses are calculated based on the loss ratios, which are based on the average of actual past loss ratios for the past three years or one year, respectively. For loans such as possible bankruptcy, the reserve for possible loan losses is calculated based on an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the reserve for possible loan losses is calculated based upon the loan amount after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers and customers who are likely to become bankrupt or to be closely monitored, if the exposure to a customer, after deducting the estimated value of the collateral or guaranteed amount, exceeds a certain amount, the discounted cash flow method is applied to calculate the loss provision. In these circumstances, the reserve is determined as the difference between the book value of the loan and the present value of future cash flows, which are discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

Reserve for possible loan losses of consolidated subsidiaries is provided based on historical loan loss experience and estimated collectability of specific claims.

(Additional Information)

Although the effect of the spread of the new coronavirus disease on the economy is expected to converge moderately over the next fiscal year, and the extent of the effect is expected to vary by debtor, the debtor classification and the reserve for possible loan losses are recorded based on the assumption that the credit risk for loans originating from the Bank and its consolidated subsidiaries will be affected within the range of the above assumptions.

There are uncertainties in the above assumptions, and the amount of loss may increase or decrease depending on the situation of the new coronavirus disease and its effect on the economy.

k. Liability for retirement benefits

The Bank has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that should be paid if employees retired at the consolidated balance sheet date.

The liability for retirement benefits is based on projected benefit obligations and plan assets at the end of the fiscal year. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees, starting in the fiscal year following the occurrence of such differences.

Retirement benefits to directors and Audit & Supervisory Board members of consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date based on internal policies.

l. Stock option

The cost of employee stock options is measured based at fair value on the date of grant and is recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

m. Leases

In regard to finance leases, sales and cost of sales are recognized when lease payments are received.

All other leases are accounted for as operating leases.

n. Bonuses to directors and Audit & Supervisory Board members

Bonuses to directors and Audit & Supervisory Board members of consolidated subsidiaries are accrued at the end of the year to which such bonuses are attributable.

o. Provision for losses from reimbursement of inactive accounts

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

p. Provision for contingent losses

The Bank provides a provision for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

q. Provision required under the Special Act

The provision required under the Special Act is a financial instruments transaction liability reserve for consolidated subsidiaries engaged in financial instruments business, and is provided to prepare for losses arising from operational incidents incurred in relation to trading and other securities transactions. The amount of the provision is calculated pursuant to the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Order on Financial Instruments Business.

r. Income taxes

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

s. Foreign currency transactions

Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

t. Derivatives and hedging activities

The Bank uses a variety of derivative financial instruments.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The Bank applies the deferral method of hedge accounting to hedges of interest rate risk associated with financial assets and liabilities in accordance with "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24) issued by the Japanese Institute of Certified Public Accountants. Under JICPA Industry Audit Committee Report No. 24, hedges to offset changes in fair value of fixed rate instruments (such as securities) ("fair value hedges") are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

u. Consumption taxes

The Bank and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method.

v. Per share information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year, not retroactively adjusted for a reverse stock split.

w. New Accounting Pronouncements

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue will be recognized based on the following five steps.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations under the contract
- Step 5: Recognize revenue when (or as) the performance obligation is satisfied

(2) Application date

The Bank will apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Impact of adoption

The Bank is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

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

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

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to increase the international comparability of accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as the “Fair Value Measurement Standards, etc.”) were developed, and guidance and other rules were established with regard to the method for fair value measurement. Fair Value Measurement Standards, etc. will be applicable for the fair values of the following items.

- Financial instruments defined in “Accounting Standard for Financial Instruments”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to include notes regarding the breakdown by level of fair values of financial instruments.

(2) Application date

The Bank will apply the standards and guidance from the beginning of the year ending March 31, 2022.

(3) Impact of adoption

The Bank is currently assessing the impact of adopting the Fair Value Measurement Standards, etc. on the consolidated financial statements.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The purpose of this accounting standard is to disclose information that will facilitate the understanding of the users of the financial statements, regarding items of accounting estimates recorded in the financial statements for the current fiscal year that have the risk of significantly impacting the financial statements for the following fiscal year.

(2) Application date

The Bank will apply the above standard from the end of the year ending March 31, 2021.

x. Changes in Presentation

(Consolidated Statement of Income)

For dividend income from group credit life insurance and others, which was previously included in “Other Income,” the Bank has reviewed its accounting method in consideration of the revisions to the contracts related to insurance premiums and dividend income for certain group credit life insurance policies as well as the prospect of an increase in such insurance policies. Accordingly, the Bank has determined that it will be more appropriate to record the net amount of insurance premiums after deducting dividend income, from the viewpoint of disclosing the actual amount of insurance premiums to be borne. As a result, from the year ended March 31, 2020, the above dividend income has been included in “Fees and Commissions” and “General and Administrative Expenses.”

In order to reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2019 have been reclassified. As a result, ¥5,031 million in “Other Income,” ¥6,780 million in “Fees and Commissions” and ¥50,099 million in “General and Administrative Expenses” in the consolidated statement of income for the year ended March 31, 2019 have been reclassified as “Other Income” of ¥4,325 million, “Fees and Commissions” of ¥6,135 million and “General and Administrative Expenses” of ¥50,038 million.

3. BUSINESS COMBINATIONS

For the year ended March 31, 2020

Merger by Acquisition

(1) Summary of the transaction

1) Name of acquiree and description of its business

Acquiree	Description of its business
Juroku Tokai Tokyo Securities Co., Ltd.	Type I financial instruments trading

2) Main purpose of the business combination

By making full use of the expertise and functions accumulated by the Tokai Tokyo Financial Holdings Group within the broad network in the Bank's sales areas, the Bank will provide diverse, quality financial services tailored to the needs of its customers and contribute to the growth and development of customers and the local economy as a securities company rooted in the region.

3) Date of business combination

June 3, 2019

4) Legal form of business combination

Acquisition of shares

5) Name of the entity after business combination

No change

6) Percentage of voting rights acquired

60%

7) Main reasons for determining the acquirer

The Bank has been determined to be the acquirer since the company is a company invested by the Bank and it accounts for the largest percentage of voting rights of the company after the acquisition.

(2) Period of operating results of the acquiree included in the consolidated financial statements

Since June 30, 2019 is the deemed acquisition date, the operating results for the period from July 1, 2019 to March 31, 2020 is included.

(3) Cost incurred by the acquiree and description of the cost

	Millions of Yen	Thousands of U.S. dollars
Consideration for acquisition	Cash ¥5,465	\$50,216
Acquisition cost	¥5,465	\$50,216

(4) Details and amount of major acquisition-related costs
Fees and commissions for financial and legal due diligence: ¥15 million (\$138 thousand)

(5) Amount of goodwill recognized, reason for recognition, and method and period of amortization

1) Amount of goodwill recognized
¥2,076 million (\$19,076 thousand)

The amount of goodwill has been finalized following the completion of allocation of the acquisition costs.

2) Reason for recognition

Goodwill was recognized due to the difference between the Bank's equity interests in the acquiree and the acquisition cost.

3) Method and period of amortization

Amortized using the straight-line method over a period of ten years

(6) Amount allocated to intangible assets other than goodwill and amortization period

1) Amount allocated to intangible assets

Customer-related assets: ¥295 million (\$2,711 thousand)

2) Amortization period

Ten years

(7) Amount of assets acquired and liabilities assumed at the date of business combination and its major breakdown

	Millions of Yen	Thousands of U.S. Dollars
Assets	¥6,887	\$63,282
Cash	4,016	36,902
Liabilities	1,237	11,366
Other liabilities	976	8,968

While the Bank conducted a provisional accounting for the allocation of acquisition costs in the first quarter of the year ended March 31, 2020 based on reasonable information available at the time of the preparation of the quarterly consolidated financial statements, the allocation of acquisition costs has been finalized in the fourth quarter of the year ended March 31, 2020. As a result, the amount of goodwill decreased by ¥124 million (\$1,139 thousand) from the provisionally calculated amount.

The changes in the amounts of assets acquired and liabilities assumed from the provisionally calculated amounts were an increase of ¥295 million (\$2,711 thousand) in customer-related assets and an increase of ¥88 million (\$809 thousand) in deferred tax liabilities.

(8) Approximate amount of impact on the consolidated statement of income for the year ended March 31, 2020 and the method of calculation of such amount assuming that the business combination was completed at the beginning of the year ended March 31, 2020

The impact is minimal.

Acquisition of Additional Shares of a Subsidiary

On September 27, 2019, the Bank has acquired part of the shares of Juroku Computer Service Co., Ltd., which is a consolidated subsidiary, owned by noncontrolling interests, in exchange for cash in the amount of ¥359 million (\$3,299 thousand). This transaction was made to strengthen the governance of the Bank. The transaction was accounted for as a transaction with noncontrolling interests under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures." As a result, the Bank's voting rights ratio in Juroku Computer Service Co., Ltd. has increased to 43.03% (26.79% prior to acquisition). The Bank has recognized an increase of capital surplus in the amount of ¥231 million (\$2,123 thousand) for the year ended March 31, 2020.

Acquisition of Treasury Stock by a Consolidated Subsidiary

On December 3, 2019, Juroku Credit Guarantee Co., Ltd., which is a consolidated subsidiary, acquired part of treasury stock owned by noncontrolling interests and other subsidiaries, in exchange for cash in the amount of ¥558 million (\$5,127 thousand). This amount is related to transactions with noncontrolling interests and the entire amount of the transactions among consolidated subsidiaries is eliminated. This transaction was made to execute capital measures flexibly in response to changes in the business environment and to strengthen the governance and profitability of the Bank. The transaction was accounted for as a transaction with noncontrolling interests under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures." The Bank has recognized an increase of capital surplus in the amount of ¥1,012 million (\$9,299 thousand) for the year ended March 31, 2020.

4. CASH AND DUE FROM BANKS

Cash and due from banks as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash	¥ 67,439	¥ 62,514	\$ 619,673
Due from banks	565,344	424,652	5,194,744
Total	¥632,783	¥487,166	\$5,814,417

A reconciliation between the cash and due from banks in the consolidated balance sheet and the cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and due from banks	¥632,783	¥487,166	\$5,814,417
Due from banks other than the Bank of Japan	(3,631)	(1,641)	(33,364)
Cash and cash equivalents	¥629,152	¥485,525	\$5,781,053

Major breakdown of assets and liabilities of the company, which became a consolidated subsidiary as a result of acquisition of shares

The major breakdown of assets and liabilities at the start of consolidation of Juroku TT Securities due to acquisition of shares, as well as the relationship between the acquisition value of Juroku TT Securities' shares and the expenditure for the acquisition of Juroku TT Securities' shares, were as follows.

	Millions of Yen	Thousands of U.S. Dollars
Assets	¥6,887	\$63,282
Cash	4,016	36,902
Liabilities	(1,237)	(11,366)
Other liabilities	(976)	(8,968)
Noncontrolling interests	(2,261)	(20,776)
Goodwill	2,076	19,076
Acquisition value of Juroku TT Securities' shares	5,465	50,216
Expenditure for acquisition of Juroku TT Securities' shares	5,465	50,216

5. TRADING SECURITIES AND SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Japanese government bonds	¥372	¥308	\$3,418
Japanese local government bonds	36	70	331
	¥408	¥378	\$3,749

The Bank records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2020 and 2019, the Bank recorded net valuation losses of ¥6 million (\$5 thousand) and ¥6 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Equity securities	¥ 118,933	¥ 132,812	\$ 1,092,833
Japanese government bonds	181,970	350,146	1,672,057
Japanese local government bonds	334,349	265,973	3,072,214
Japanese corporate bonds	219,332	188,928	2,015,363
Other securities	397,018	407,563	3,648,057
Total	¥1,251,602	¥1,345,422	\$11,500,524

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥55,693 million (\$511,743 thousand) and ¥45,413 million as of March 31, 2020 and 2019, were included in Japanese government bonds, respectively.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2020 and 2019, was as follows:

March 31, 2020	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 56,499	¥58,907	¥2,974	¥112,432
Debt securities	681,062	3,414	1,894	682,582
Other	377,161	7,419	7,784	376,796
Held-to-maturity:				
Debt securities	53,069	337	148	53,258

March 31, 2019	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 56,452	¥72,559	¥2,728	¥126,283
Debt securities	756,839	6,506	667	762,678
Other	388,451	4,825	3,887	389,389
Held-to-maturity:				
Debt securities	42,368	274	165	42,477

March 31, 2020	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 519,149	\$541,275	\$27,327	\$1,033,097
Debt securities	6,258,035	31,370	17,403	6,272,002
Other	3,465,598	68,171	71,525	3,462,244
Held-to-maturity:				
Debt securities	487,632	3,097	1,360	489,369

Proceeds from sales of available-for-sale securities for the years ended March 31, 2020 and 2019, consisted of the following:

March 31, 2020	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 4,107	¥1,607	¥ 305
Debt securities:			
Japanese government bonds	39,682	182	692
Japanese corporate bonds	1,907	7	—
Other	132,130	2,834	894
Total	¥177,826	¥4,630	¥1,891

March 31, 2019	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 9,072	¥2,504	¥ 643
Debt securities:			
Japanese government bonds	15,307	96	89
Japanese local government bonds	42,418	293	5
Other	271,963	3,143	2,882
Total	¥338,760	¥6,036	¥3,619

March 31, 2020	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Equity securities	\$ 37,738	\$14,766	\$ 2,802
Debt securities:			
Japanese government bonds	364,624	1,672	6,359
Japanese local government bonds	17,523	64	—
Other	1,214,095	26,041	8,215
Total	\$1,633,980	\$42,543	\$17,376

In addition, held-to-maturity securities amounting to ¥170 million (\$1,562 thousand) and ¥79 million were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2020 and 2019. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

Securities other than trading securities (excluding those securities whose fair value cannot be reliably determined) whose fair value significantly declined below the acquisition cost and is considered not likely to be recovered are written down to their respective fair value, which is recorded as the carrying amount on the consolidated balance sheets.

The fair value is deemed to have significantly declined if the year-end fair value declined by 30% or more from the acquisition cost for securities issued by bankrupt borrowers, virtually bankrupt borrowers, potentially bankrupt borrowers, and borrowers who are likely to become bankrupt or to be closely monitored, and if the fair value declined by 50% or more from the acquisition cost for securities issued by normal borrowers.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2020, was ¥1,204 million (\$11,063 thousand), which consisted of ¥1,090 million (\$10,016 thousand) of equity securities and ¥114 million (\$1,047 thousand) of debt securities.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2019, was ¥9 million, which consisted of ¥9 million of debt securities.

Unrealized gain on available-for-sale securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gain before deferred tax on:			
Available-for-sale securities	¥57,038	¥76,500	\$524,102
Money held in trust-other	11	11	101
Deferred tax liabilities	(16,944)	(22,543)	(155,692)
Unrealized gain on available-for-sale securities before interest adjustments	40,105	53,968	368,511
Noncontrolling interests	(187)	(269)	(1,719)
Unrealized gain on available-for-sale securities	¥39,918	¥53,699	\$366,792

Unrealized gain before deferred tax on available-for-sale securities includes ¥117 million (\$1,075 thousand) and ¥43 million of revaluation gain on available-for-sale securities as of March 31, 2020 and 2019, respectively, which are held by an investment limited partnership and similar groups.

Investments in and advances to subsidiaries and associated companies as of March 31, 2020 and 2019, were ¥646 million (\$5,936 thousand) and ¥642 million, respectively.

6. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2020 and 2019, was as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Money held in trust classified as trading purpose	¥6,000	¥6,000	\$55,132
Money held in trust-other	2,512	1,012	23,082
Total	¥8,512	¥7,012	\$78,214

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
	Bills discounted	¥ 20,085	¥ 29,354
Loans on bills	123,376	129,537	1,133,658
Loans on deeds	3,809,349	3,744,550	35,002,747
Overdrafts	388,685	397,480	3,571,488
Others	4,079	3,145	37,480
Total	¥4,345,574	¥4,304,066	\$39,929,927

“Nonaccrual loans,” which include loans to borrowers in bankruptcy and past due loans, are defined as loans upon which the Bank has discontinued the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to the ultimate collectability of either the principal or interest and if the loans are past due for a certain period of time or for other reasons.

“Loans to borrowers in bankruptcy” represent nonaccrual loans to debtors who are legally bankrupt, which is defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporate Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2020 and 2019, were ¥3,943 million (\$36,231 thousand) and ¥3,921 million, respectively.

“Past due loans” are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of a debtor in financial difficulty. Past due loans as of March 31, 2020 and 2019, were ¥58,876 million (\$540,990 thousand) and ¥60,351 million, respectively.

“Accruing loans past due three months or more” are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded from accruing loans past due three months or more. Accruing loans past due three months or more as of March 31, 2020 and 2019, were ¥99 million (\$910 thousand) and ¥162 million, respectively.

“Restructured loans” are defined as loans in which the Group is providing financial support to a borrower by a reduction of interest rates, deferral of interest payments, extension of maturity dates, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans and accruing loans past due three months or more are excluded from restructured loans. Restructured loans as of March 31, 2020 and 2019, were ¥1,958 million (\$17,991 thousand) and ¥2,224 million, respectively.

The total amount of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2020 and 2019, were ¥64,876 million (\$596,122 thousand) and ¥66,658 million, respectively.

Bills discounted are accounted for as financing transactions in accordance with “Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24) issued by the Japanese Institute of Certified Public Accountants. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions. The total fair value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2020 and 2019, were ¥20,918 million (\$192,208 thousand) and ¥30,419 million, respectively.

8. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
	Assets:		
Due from foreign correspondent account	¥6,779	¥4,646	\$62,290
Foreign bills of exchange bought	834	1,065	7,663
Foreign bills of exchange receivable	366	745	3,363
Total	¥7,979	¥6,456	\$73,316
Liabilities:			
Due to foreign correspondent account	¥ 805	¥ 752	\$ 7,397
Foreign bills of exchange payable	177	214	1,626
Total	¥ 982	¥ 966	\$ 9,023

9. OTHER ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
	Accrued income	¥ 4,446	¥ 4,587
Accounts receivable	10,558	10,486	97,014
Installment receivables	15,353	15,127	141,073
Derivative assets	6,624	5,746	60,866
Other	62,268	59,421	572,158
Total	¥99,249	¥95,367	\$911,964

10. PREMISES AND EQUIPMENT

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
	Land	¥45,784	¥45,919
Building	11,730	12,522	107,783
Construction in progress	2	—	18
Other	4,817	4,947	44,262
Total	¥62,333	¥63,388	\$572,756

The accumulated depreciation of premises and equipment as of March 31, 2020 and 2019, amounted to ¥61,936 million (\$569,108 thousand) and ¥61,294 million, respectively.

11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007, and effective from the fiscal years beginning on and after April 1, 2006. The Bank offsets customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥53,242 million (\$489,222 thousand) and ¥42,528 million arising from guarantees of private placement securities as of March 31, 2020 and 2019, respectively.

12. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets pledged as collateral:			
Securities	¥407,966	¥402,821	\$3,748,654
Other assets	73	56	671
Total	¥408,039	¥402,877	\$3,749,325
Relevant liabilities to above assets:			
Deposits	¥ 97,893	¥ 74,260	\$ 899,504
Payables under repurchase agreements	140,754	186,071	1,293,338
Payables under securities lending transactions	15,153	105,931	139,236
Borrowed money	186,470	41,543	1,713,406
Total	¥440,270	¥407,805	\$4,045,484

In addition, the following assets were pledged or deposited with respect to foreign exchange settlements and derivatives as of March 31, 2020 and 2019:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Securities	¥—	¥23,797	\$—

Additionally, initial margins of futures markets, cash collateral received for financial instruments liabilities, guarantee deposits and initial margins of Central Counterparty included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Initial margins of future markets	¥ 507	¥ 547	\$ 4,659
Cash collateral received for financial instruments liabilities	242	280	2,224
Guarantee deposits	2,181	1,980	20,040
Initial margins of Central Counterparty	53,350	48,050	490,214
Total	¥56,280	¥50,857	\$517,137

13. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current deposits	¥ 363,391	¥ 362,357	\$ 3,339,070
Ordinary deposits	2,982,591	2,787,601	27,405,964
Deposits at notice	92,737	91,787	852,127
Savings deposits	35,040	31,682	321,970
Time deposits	2,052,819	2,159,990	18,862,621
Other deposits	84,081	58,810	772,590
Total	¥5,610,659	¥5,492,227	\$51,554,342

14. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Borrowings due serially to February 2025 with weighted average interest rates of 0.16% in 2020 and 0.62% in 2019	¥208,421	¥62,828	\$1,915,106
Lease obligation	0	—	0

Weighted average interest rates of lease obligation are not represented because the lease obligation is disclosed on the balance sheet without deducting the interest portion which is included in the amount of the lease obligation.

Annual maturities of borrowings as of March 31, 2020 and 2019, were as follows:

As of March 31, 2020, for the years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 98,222	\$ 902,527
2022	5,208	47,855
2023	32,978	303,023
2024	71,513	657,107
2025	500	4,594
2026 and thereafter	—	—
Total	¥208,421	\$1,915,106

As of March 31, 2019, for the years ending March 31	Millions of Yen
2020	¥51,764
2021	5,453
2022	3,783
2023	1,553
2024	275
2025 and thereafter	—
Total	¥62,828

Annual maturities of lease obligation as of March 31, 2020 were as follows:

As of March 31, 2020, for the years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 0	\$ 0
2022	—	—
2023	—	—
2024	—	—
2025	—	—
2026 and thereafter	—	—
Total	¥ 0	\$ 0

There was no lease obligation as of March 31, 2019.

15. OTHER LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Domestic exchange settlement account, credit (*)	¥ 139	¥ —	\$ 1,277
Income taxes payable	3,557	2,728	32,684
Accrued expenses	1,900	2,769	17,458
Deferred income	16,543	15,462	152,007
Employees' deposits	2,571	2,729	23,624
Derivative liabilities	6,253	5,773	57,457
Accounts payable	8,491	8,444	78,021
Other	13,670	12,055	125,609
Total	¥53,124	¥49,960	\$488,137

(*) The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks, which have not been settled.

16. RETIREMENT AND PENSION PLANS

The Bank has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date. The Bank contributed certain assets to the employee retirement benefit trust for the Bank's contributory funded defined benefit pension plan and the assets in this trust are qualified as plan assets.

(1) The changes in defined benefit obligation for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥46,583	¥47,350	\$428,035
Current service cost	1,974	1,962	18,138
Interest cost	158	161	1,452
Actuarial losses (gains)	114	(557)	1,047
Benefits paid	(2,286)	(2,333)	(21,005)
Balance at end of year	¥46,543	¥46,583	\$427,667

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥44,002	¥44,171	\$404,319
Expected return on plan assets	1,320	1,097	12,129
Actuarial losses	(1,914)	(1,009)	(17,587)
Contributions from the employer	788	1,458	7,241
Benefits paid	(1,674)	(1,715)	(15,382)
Balance at end of year	¥42,522	¥44,002	\$390,720

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligation	¥40,190	¥40,112	\$369,292
Plan assets	(42,522)	(44,002)	(390,720)
	(2,332)	(3,890)	(21,428)
Unfunded defined benefit obligation	6,353	6,471	58,375
Net liability arising from defined benefit obligation	¥ 4,021	¥ 2,581	\$ 36,947

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for retirement benefits for employees	¥6,353	¥6,471	\$58,375
Asset for retirement benefits for employees	(2,332)	(3,890)	(21,428)
Net liability arising from defined benefit obligation	¥4,021	¥2,581	\$36,947

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥1,974	¥1,962	\$18,138
Interest cost	158	161	1,452
Expected return on plan assets	(1,320)	(1,097)	(12,129)
Recognized actuarial (gains) losses	(207)	504	(1,902)
Net periodic benefit costs	¥ 605	¥1,530	\$ 5,559

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial (losses) gains	¥(2,235)	¥53	\$(20,537)
Total	¥(2,235)	¥53	\$(20,537)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial losses	¥2,850	¥615	\$26,188
Total	¥2,850	¥615	\$26,188

(7) Plan assets

(a) Components of plan assets

Plan assets consisted of the following:

	2020	2019
Debt investments	26%	32%
Equity investments	34	38
General account for life insurance	22	21
Others	18	9
Total	100%	100%

(*1) The retirement benefit trust that contributed to the pension plan is included in the plan assets and constitutes 16% and 16% of the total plan assets as of March 31, 2020 and 2019.

(b) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the current and future asset portfolio and the long-term rates of return which are expected currently and in the future from the variety of plan assets in the asset portfolio.

(8) Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate:		
Lump-sum payment	0.084%	0.084%
Pension plan	0.382%	0.382%
Expected rate of return on plan assets	3.000%	3.000%

The amount to be paid to defined contribution pension plan was ¥367 million (\$3,372 thousand) and ¥367 million for the years ended March 31, 2020 and 2019.

17. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

Asset retirement obligations are calculated based on the estimated available periods of 4 to 47 years depending on the expected useful lives of buildings using discount rates from 0.000% to 2.461%.

The changes in asset retirement obligations, which are included in other liabilities, for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥216	¥197	\$1,985
Reconciliation associated with passage of time	3	4	27
Other increase of asset retirement obligations	—	15	—
Balance at end of year	¥219	¥216	\$2,012

18. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year, in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet the criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Treasury stock and treasury stock acquisition rights

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

Japanese Banking Law also provides that an amount equal to at least 20% of the aggregate amount of cash dividends and certain other cash payments, which are made as an appropriation of retained earnings applicable to each fiscal period, shall be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve that exceeds 100% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Bank’s legal reserve amount, which is included in retained earnings, totals ¥20,155 million (\$185,197 thousand) and ¥20,155 million as of March 31, 2020 and 2019, respectively.

19. STOCK OPTIONS

The stock options outstanding as of March 31, 2020, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option	11 directors	12,620 shares	2013.7.23	¥1 (\$0.01)	From July 24, 2013 to July 23, 2043
2014 Stock Option	11 directors	15,550 shares	2014.7.23	¥1 (\$0.01)	From July 24, 2014 to July 23, 2044
2015 Stock Option	10 directors	9,600 shares	2015.7.23	¥1 (\$0.01)	From July 24, 2015 to July 23, 2045
2016 Stock Option	7 directors 8 executive officers	16,350 shares	2016.7.22	¥1 (\$0.01)	From July 23, 2016 to July 22, 2046
2017 Stock Option	7 directors 8 executive officers	12,350 shares	2017.7.21	¥1 (\$0.01)	From July 22, 2017 to July 21, 2047
2018 Stock Option	7 directors 9 executive officers	14,230 shares	2018.7.23	¥1 (\$0.01)	From July 24, 2018 to July 23, 2048
2019 Stock Option	7 directors 9 executive officers	18,410 shares	2019.7.23	¥1 (\$0.01)	From July 24, 2019 to July 23, 2049

The stock option activity is as follows:

Year Ended March 31, 2020	2013	2014	2015	2016	2017	2018	2019
	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option
<u>Non-vested</u>							
March 31, 2019—Outstanding	—	—	—	—	—	3,557.5	—
Granted	—	—	—	—	—	—	18,410
Canceled	—	—	—	—	—	—	550
Vested	—	—	—	—	—	3,557.5	13,495
March 31, 2020—Outstanding	—	—	—	—	—	—	4,365
<u>Vested</u>							
March 31, 2019—Outstanding	4,260	9,020	5,580	10,960	11,250	10,672.5	—
Vested	—	—	—	—	—	3,557.5	13,495
Exercised	740	1,260	900	3,460	2,640	2,920	400
Canceled	—	—	—	—	—	—	—
March 31, 2020—Outstanding	3,520	7,760	4,680	7,500	8,610	11,310	13,095
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥2,268 (\$20.84)	¥2,268 (\$20.84)	¥2,268 (\$20.84)	¥2,265 (\$20.81)	¥2,279 (\$20.94)	¥2,280 (\$20.95)	¥2,502 (\$22.99)
Fair value price at grant date	¥3,650 (\$33.54)	¥3,200 (\$29.40)	¥4,640 (\$42.64)	¥2,390 (\$21.96)	¥3,170 (\$29.13)	¥2,587 (\$23.77)	¥2,068 (\$19.00)

Note: Effective October 1, 2017, the Bank implemented a 1-for-10 reverse stock split of common stock, and the number of shares, average stock price at exercise and fair value price at grant date are presented on a post-reverse stock split basis.

The Assumptions Used to Measure the Fair Value of the 2019 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	32.063%
Estimated remaining outstanding period:	4.2 years
Estimated dividend:	¥70 (\$0.64) per share
Risk free interest rate:	(0.229)%

20. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gains on sales of Japanese government bonds and other	¥ 2,984	¥ 2,636	\$ 27,419
Income on lease transaction and installment receivables	23,434	21,857	215,327
Other	2,144	1,685	19,700
Total	¥28,562	¥26,178	\$262,446

21. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gain on sales of stock and other securities	¥1,647	¥3,400	\$15,134
Other	445	925	4,089
Total	¥2,092	¥4,325	\$19,223

22. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Salaries and wages	¥19,379	¥20,185	\$178,067
Other	29,031	29,853	266,755
Total	¥48,410	¥50,038	\$444,822

23. OTHER EXPENSE

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loss on sales of stock and other securities	¥ 326	¥ 956	\$ 2,995
Write-down of stock and other securities	1,090	—	10,016
Other	581	568	5,339
Total	¥1,997	¥1,524	\$18,350

24. INCOME TAXES

The Bank and its subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.92% for the years ended March 31, 2020 and 2019.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Reserve for possible loan losses	¥ 5,885	¥ 5,879	\$ 54,075
Liability for retirement benefits for employees	3,159	2,546	29,027
Write-down of securities	1,918	1,964	17,624
Depreciation	1,328	1,277	12,203
Tax loss carry forward	43	—	395
Other	2,233	2,176	20,518
Less: Valuation allowance	(3,701)	(3,536)	(34,007)
Total	10,865	10,306	99,835
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(16,944)	(22,543)	(155,693)
Gain on contribution of available-for-sale securities to employees' retirement benefit trusts	(955)	(1,018)	(8,775)
Other	(546)	(546)	(5,017)
Total	(18,445)	(24,107)	(169,485)
Net deferred tax assets	¥ (7,580)	¥(13,801)	\$ (69,650)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019, was as follows:

	2020	2019
Normal effective statutory tax rate	29.92%	29.92%
Expenses not deductible for income tax purposes	0.48	0.55
Income not taxable for income tax purposes	(1.71)	(1.39)
Per capita tax	0.37	0.42
Net change in valuation allowance	0.55	0.50
Other – net	1.82	0.43
Actual effective tax rate	31.43%	30.43%

25. LEASES

Finance leases

(Lessee)

A subsidiary leases certain premises.

There was no rental expense including lease payments under the finance leases for the years ended March 31, 2020 and 2019.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gross lease receivables	¥57,530	¥53,153	\$528,623
Unguaranteed residual values	1,561	1,607	14,343
Deferred interest income	(5,115)	(4,202)	(47,000)
Total	¥53,976	¥50,558	\$495,966

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

As of March 31, 2020, for the years ending March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
2021	¥1,572	¥ 295	\$ 14,445
2022	1,291	2,457	11,862
2023	984	2,752	9,042
2024	783	2,903	7,195
2025	488	2,469	4,484
2026 and thereafter	494	2,282	4,539
Total	¥5,612	¥2,752	\$51,567

As of March 31, 2019, for the years ending March 31	Millions of Yen	
	2020	2019
2020	¥1,268	1,826
2021	1,233	969
2022	988	697
2023	697	533
2024	533	736
2025 and thereafter	736	455
Total	¥5,455	¥5,455

Maturities of investment in leases for finance leases that were deemed not to transfer ownership of the leased assets to the lessee are as follows:

As of March 31, 2020, for the years ending March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
2021	¥14,726	¥ 295	\$135,312
2022	12,685	2,457	116,558
2023	10,558	2,903	97,013
2024	7,965	2,188	73,188
2025	5,203	4,709	47,809
2026 and thereafter	6,393	5,743	58,743
Total	¥57,530	¥28,623	\$528,623

As of March 31, 2019, for the years ending March 31	Millions of Yen	
	2020	2019
2020	¥13,790	11,826
2021	11,826	9,669
2022	9,669	7,503
2023	7,503	4,992
2024	4,992	5,373
2025 and thereafter	5,373	1,513
Total	¥53,153	¥53,153

Operating leases

(Lessee)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 282	¥ 295	\$ 2,591
Due after one year	2,175	2,457	19,985
Total	¥2,457	¥2,752	\$22,576

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 527	¥ 529	\$ 4,842
Due after one year	815	903	7,489
Total	¥1,342	¥1,432	\$12,331

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group provides banking services and comprehensive financial services including a leasing business. The Group meets the needs of local business through providing various products and services in the banking services, lending services, trading of securities, securities investments and other financial services such as a derivatives business. The Group has aligned its operations with local personnel and businesses and raises funds from deposits from customers, which are low cost and stable. The Group also raises funds by borrowing.

As for loans and bills discounted in the money management system, the Group finances local companies based on their capital demands and individuals mainly for home mortgages. As its main resources are bank deposits from customers, the Group aims to ensure the soundness of the assets through appropriate credit decisions and credit rating by understanding the current credit status and managing the credit portfolio to prevent concentrations in specific customers or industries. In marketable securities, considering the nature that it is engaged in excess fund management relating to lending services and its responsibility as a bank to provide settlement services, the Group focuses on running a fund based on public bonds, which is superior in security and liquidity. To build up a portfolio that is less subject to rising interest rates, the Group invests in risk assets, such as securities whose values are expected to be less correlated with bonds.

The Group executes derivative transactions to fund and invest capital to meet the various needs of its customers as well as to meet its own needs. In trading transactions, the Group avoids excessive risk by restricting the type of transactions and limiting the volume of transactions. Also, the Group will not trade a particular investment if its fair value is volatile compared to that of the underlying assets (i.e. high leverage-effect transaction).

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

The loans and bills discounted are to general business enterprises, individuals, and local public bodies, and there is a risk (credit risk) that the value of loaned money is reduced by financial deterioration of the borrower and a risk (interest risk) of losses due to changes in interest rates.

In securities, the Group holds domestic bonds, foreign securities, stocks, investment trusts, and investment partnerships and so forth for investment purposes. Also, the Group holds certain domestic bonds for held-to-maturity purposes. In trading securities, the Group holds domestic bonds for trading. These items have interest risk, risk of changes in price, credit risk, and market liquidity risk. Market liquidity risk represents the risk that market trades cannot be performed due to market turmoil and that the Group may suffer losses due to significantly unfavorable financing conditions.

Deposits and borrowed money hold interest risk and cash flow risk (liquidity risk). Cash flow risk refers to the risk that securing necessary financing becomes difficult or significant unfavorable financing conditions result in recording of loss due to a mismatch of periods between operations and financing and unexpected outflows of money. Derivative transactions related to interest are comprised of interest-rate swap agreements, cap agreements, floor agreements, and interest futures.

Derivative transactions related to currency are comprised of exchange contracts, non-deliverable forwards (NDF), currency swap agreements, and currency option contracts. Derivative transactions related to securities are comprised of bond futures, options on bond futures, OTC bond options, stock index futures, options on stock index futures, and individual security options.

The Group utilizes derivative transactions to meet customer needs and to control risk so that interest risk, risk of changes in prices, and foreign currency exchange risk are not excessive. In trading transactions, the Group utilizes derivative transactions to earn a profit and to accumulate the know-how related to the transactions and understand market trends.

The derivative transactions the Group utilizes are exposed to interest risk, currency exchange risk, the risk of change in prices, and credit risk. In utilizing derivative transactions, the Group performs effective covering of transactions to meet customers' needs, and in trading transactions, the Group preliminarily establishes a risk limit to avoid exposing the Group to an excessive degree of market risk. Transactions such as listed futures are exposed to limited credit risk and OTC transactions such as interest swaps are assumed to have low risk since the counterparties are comprised of highly credible financial institutions and companies.

Certain derivatives utilized to mitigate risks from securities are recorded on the basis of hedge accounting in accordance with "Practical Guideline for Accounting for Financial Instruments" (JICPA Accounting Practice Committee Report No. 14). Such derivatives are interest rate swaps that are utilized to control the risks from securities. The Bank reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

(3) Risk management for financial instruments

Integrated Risk

The Group defines integrated risk management policies and regulations, and strengthens integrated risk management to ensure the soundness of management.

The Group monitors various risks holistically including measurement by statistical methods and aims to control risks within the range of management vitality. Specifically, the Group allocates risk capital to credit risk, market risk, and operational risk based on Value at Risk ("VaR") calculations according to assumptions about the market fluctuation rate and its half year business plan. In each operational division, the Group aims to control risk and obtain returns within the range of risk capital. Integrated risk is managed by the Risk Management Division and is reported monthly to the Integrated Risk Management Council and semiannually to the Board of Directors meetings. Necessary actions such as risk control are taken promptly.

Credit Risk Management

The Group defines credit risk management policy and rules such as credit risk management regulation to understand, manage and take actions on credit risk appropriately.

In screening requests for loans, the Group clearly separates the credit department from the operating department and the Group performs strict examination by the type of business. Also, the Group analyzes if repayment resources are ensured and reasonably secured on individual loans based on the purpose of the loan, business plans and investment effects.

For credit portfolio management, the Group aims to prevent concentrations in particular customers or industries and ensure profits to meet credit costs.

In addition, in order to improve credit risk, the Group seeks to implement management and business restructuring for customers experiencing difficult business conditions.

Regarding credit risk management, the Group defines a credit rating system where the Group evaluates the degree of credit risk by an integrated scale objectively and makes arrangements to reevaluate credit ratings close to fiscal year end or when there are any changes in credit status.

As for the level of credit risk and degree of concentration of credit granting, the Risk Management Division manages credit risk, reports monthly to the Integrated Risk Management Council and quarterly to management and discusses necessary actions.

Market risk management (foreign exchange risk and interest rate risk)

The Group considers interest rate risk, currency risk and the risk of change in prices as the main market risks and institutes a market risk management policy to manage the risks properly to avoid a reduction in the value of assets and losing credit. The Group also institutes market risk management regulations according to the market risk management policy to clarify the identification of market risk, the role of the department in charge, the method of evaluation and monitoring and the methods for controlling and reducing market risk.

Under integrated risk management, the Group allocates risk capital to each business (deposit, loan, investment securities and other securities) and establishes a cap on the investment amount and a maximum loss amount and matters to be discussed (level of loss to be re-examined). The Group handles market transactions within these risk limits expeditiously and effectively. With regard to these risks, the Risk Management

Division manages and reports monthly to the Integrated Risk Management Council and semiannually to the Board of Directors meetings and discusses necessary actions.

Regarding derivative transactions, the Group follows internal regulations and policies. The market-risk-management department (middle office) and office-work department (back office) manage and monitor the balance, fair value, profit and loss and measurement of risk of the transactions and report to top-management regularly to ensure mutual supervision of risks. Especially in trading transactions, the market-risk-management department (middle office) manages the positions, measurement of risk and application for loss cut rule closely.

The Group holds financial instruments which are exposed to market risks (e.g. interest-rate risk, price-volatility risk and exchange risk) such as loans and bills discounted, securities, deposits, negotiable deposits, borrowed money and corporate bonds. To manage these market risks, the Group calculates VaR, which is used for quantitative analysis.

The Group calculates VaR of private placement bonds, borrowed money and corporate bonds that are exposed to interest-rate risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥36,025 million (\$331,021 thousand) and ¥15,066 million in aggregate as of March 31, 2020 and 2019, respectively.

The Group calculates VaR of investment securities that are exposed to price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥32,969 million (\$302,940 thousand) and ¥30,853 million in aggregate as of March 31, 2020 and 2019, respectively.

In addition, the Group calculates VaR of securities, excluding investment securities, which are exposed to interest-rate risk or the price volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥71,542 million (\$657,374 thousand) and ¥29,501 million in aggregate as of March 31, 2020 and 2019, respectively.

The Group compares VaR calculated by the formula with the actual fluctuation of realized gains and losses to verify that the calculated VaR reflects market risks with a high degree of accuracy.

However, VaR might not reflect market risks in circumstances such as unforeseen wide fluctuations in market circumstances because VaR reflects a certain amount of market risks calculated statistically based on historical fluctuation.

Liquidity risk management

As to liquidity risk, the Group defines liquidity risk management policies and liquidity risk management regulations, and aims to manage stable cash flows. Also, to be prepared for unforeseeable circumstances, the Group defines a contingency plan for liquidity risks and addresses them in a timely manner.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 28 for the details of the fair value of derivatives. Fair values are calculated based on certain assumptions; therefore, fair values may vary according to the assumptions used.

(a) Fair value of financial instruments

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 632,783	¥ 632,783	—
Trading securities	408	408	—
Money held in trust	8,512	8,512	—
Securities			
Held-to-maturity securities	53,069	53,258	¥ 189
Available-for-sale securities	1,171,810	1,171,810	—
Loans and bills discounted	4,345,574		
Less: Reserve for possible loan losses	(22,484)		
Loans and bills discounted – net	4,323,090	4,342,129	19,039
Total	¥6,189,672	¥6,208,900	¥19,228
Deposits	¥5,610,659	¥5,610,686	¥ 27
Negotiable certificates of deposit	38,050	38,050	—
Payables under repurchase agreements	140,754	140,754	—
Payables under securities lending transactions	15,153	15,153	—
Borrowed money	208,421	208,413	(8)
Total	¥6,013,037	¥6,013,056	¥ 19
Derivatives to which hedge accounting is not applied	¥ 620	¥ 620	—
Derivatives to which hedge accounting is applied	¥ (249)	¥ (249)	—

March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 487,166	¥ 487,166	—
Trading securities	378	378	—
Money held in trust	7,012	7,012	—
Securities			
Held-to-maturity securities	42,368	42,477	¥ 109
Available-for-sale securities	1,278,350	1,278,350	—
Loans and bills discounted	4,304,066		
Less: Reserve for possible loan losses	(23,283)		
Loans and bills discounted – net	4,280,783	4,295,634	14,851
Total	¥6,096,057	¥6,111,017	¥14,960
Deposits	¥5,492,227	¥5,492,447	¥ 220
Negotiable certificates of deposit	55,600	55,600	—
Payables under repurchase agreements	186,071	186,071	—
Payables under securities lending transactions	105,931	105,931	—
Borrowed money	62,828	62,867	39
Total	¥5,902,657	¥5,902,916	¥ 259
Derivatives to which hedge accounting is not applied	¥ (27)	¥ (27)	—
Derivatives to which hedge accounting is applied	¥ —	¥ —	—

March 31, 2020	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	\$ 5,814,417	\$ 5,814,417	—
Trading securities	3,749	3,749	—
Money held in trust	78,214	78,214	—
Securities			
Held-to-maturity securities	487,632	489,369	\$ 1,737
Available-for-sale securities	10,767,343	10,767,343	—
Loans and bills discounted	39,929,927		
Less: Reserve for possible loan losses	(206,597)		
Loans and bills discounted – net	39,723,330	39,898,273	174,943
Total	\$56,874,685	\$57,051,365	\$ 176,680
Deposits	\$51,554,342	\$51,554,590	\$ 248
Negotiable certificates of deposit	349,628	349,628	—
Payables under repurchase agreements	1,293,338	1,293,338	—
Payables under securities lending transactions	139,236	139,236	—
Borrowed money	1,915,106	1,915,032	(74)
Total	\$55,251,650	\$55,251,824	\$ 174
Derivatives to which hedge accounting is not applied	\$ 5,697	\$ 5,697	—
Derivatives to which hedge accounting is applied	\$ (2,288)	\$ (2,288)	—

Assets

Cash and due from banks

The carrying amount of cash and due from banks with no maturities represents the fair value because the fair value approximates such carrying amount.

Trading securities

For securities such as bonds that are held for trading, the fair value is determined based on the prices quoted by the exchange or the financial institutions from which these securities are purchased.

Money held in trust

For securities and bonds independently managed in monetary trust, the fair value of equity securities is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased.

Also, trusts for cash segregated as deposits for customers of consolidated subsidiaries engaged in the financial instruments exchange business are based on the prices quoted by the financial institutions from which they are purchased.

Information on money held in trust by classification is included in Note 6, "Money Held in Trust."

Securities

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

For privately placed guaranteed bonds held by the Bank, the fair value is based on the present value of expected future cash flows, which are adjusted to reflect default risk, amounts to be collected from collateral, guarantees and guarantee fees, and discounted at the market interest rate as of the date of evaluation.

Information on securities by classification is included in Note 5, "Trading securities and Securities."

Loans and bills discounted

For loans with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term as long as the credit status of the borrower has not changed significantly. For loans with fixed interest rates, the fair value is calculated by bundling the type of loans and the internal credit rating using the expected future cash flows, which are discounted by the risk free rate and certain management costs. Certain consumer loans, such as home mortgages, fair value is calculated by discounting the total loan principal with the same rate as a similar loan. For consumer loans that mature within one year, the fair value approximates the carrying value due to their short-term maturities. In addition, as for loans to legally bankrupt borrowers, virtually bankrupt borrowers, and potentially bankrupt borrowers, the fair value is calculated by deducting the allowance, which is calculated based on the present value of the estimated future cash flow or the estimated collection of cash from collateral and guarantee, from the balance in the consolidated balance sheet date. Therefore, the book value approximates the fair value. Regarding loans that do not have repayment terms because the outstanding amount of the loan is limited to the value of collateral assets, the fair value approximates the carrying value because of the estimated repayment periods and conditions of interest.

Liabilities

Deposits and negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits are grouped by maturity lengths and their fair value is calculated by discounting future cash flows with the same interest rate as that of accepted new deposits. For the deposits and negotiable certificates of deposits with the repayment period within one year, the fair value approximates the carrying value due to their short-term maturities.

Payables under repurchase agreements and payables under securities lending transactions

The contract terms of payables under repurchase agreements and payables under securities lending transactions are short (within one year). Therefore, the fair value approximates the carrying value due to their short-term maturities.

Borrowed money

For borrowed money with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term and the credit status of the Bank and its consolidated subsidiaries has not changed significantly since inception.

For borrowed money with fixed interest rates, the fair value is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the credit risk of the Bank and its consolidated subsidiaries for each classification based on the type and duration of the borrowed money. Also, for borrowed money that mature within one year, the fair value approximates the carrying value due to its short-term maturities.

Derivatives

Information regarding the fair value for derivatives is included in Note 28.

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

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unlisted equity securities	¥ 6,501	¥ 6,528	\$ 59,736
Investments in unconsolidated subsidiaries	640	637	5,881
Others	19,582	17,539	179,932
Total	¥26,723	¥24,704	\$245,549

Since the fair values of unlisted stocks cannot be reliably determined, their fair values are not disclosed.

(5) Maturity analysis for financial assets, securities and financial liabilities with contractual maturities

March 31, 2020	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	¥ 565,344	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Japanese corporate bonds	9,205	¥ 35,674	¥ 7,916	¥ 274
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	49,800	45,400	55,000	30,000
Japanese local government bonds	25,502	39,254	268,051	950
Japanese corporate bonds	7,543	29,811	24,247	100,784
Other	10,904	78,047	155,295	122,375
Loans and bills discounted (*1)	874,200	1,220,656	862,053	1,304,329
Total	¥1,542,498	¥1,448,842	¥1,372,562	¥1,558,712

March 31, 2020	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	¥5,137,444	¥473,210	¥5	—
Negotiable certificates of deposit	38,050	—	—	—
Payables under repurchase agreements	140,754	—	—	—
Payables under securities lending transactions	15,153	—	—	—
Borrowed money	98,222	110,199	—	—
Total	¥5,429,623	¥583,409	¥5	—

March 31, 2019	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	¥ 424,652	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Japanese corporate bonds	7,740	¥ 28,848	¥ 5,440	¥ 340
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	192,100	93,200	55,000	5,000
Japanese local government bonds	32,977	42,801	186,543	1,221
Japanese corporate bonds	16,145	26,032	16,054	83,290
Other	8,683	79,877	130,051	155,972
Loans and bills discounted (*1)	902,330	1,245,147	843,676	1,224,681
Total	¥1,584,627	¥1,515,905	¥1,236,764	¥1,470,504

March 31, 2019	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	¥4,979,674	¥512,549	¥4	—
Negotiable certificates of deposit	55,600	—	—	—
Payables under repurchase agreements	186,071	—	—	—
Payables under securities lending transactions	105,931	—	—	—
Borrowed money	51,764	11,064	—	—
Total	¥5,379,040	¥523,613	¥4	—

March 31, 2020	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	\$ 5,194,744	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Japanese corporate bonds	84,581	\$ 327,796	\$ 72,737	\$ 2,518
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	457,594	417,164	505,376	275,660
Japanese local government bonds	234,329	360,691	2,463,025	8,729
Japanese corporate bonds	69,310	273,923	222,797	926,068
Other	100,193	717,146	1,426,950	1,124,460
Loans and bills discounted (*1)	8,032,712	11,216,172	7,921,097	11,985,013
Total	\$14,173,463	\$13,312,892	\$12,611,982	\$14,322,448

March 31, 2020	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	\$47,206,138	\$4,348,158	\$46	—
Negotiable certificates of deposit	349,628	—	—	—
Payables under repurchase agreements	1,293,338	—	—	—
Payables under securities lending transactions	139,236	—	—	—
Borrowed money	902,527	1,012,579	—	—
Total	\$49,890,867	\$5,360,737	\$46	—

(*1) Loans and bills discounted whose cash flows cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans amounting to ¥60,566 million (\$556,519 thousand) and ¥62,104 million as of March 31, 2020 and 2019, respectively, and loans and bills discounted with no contractual maturities, amounting to ¥23,770 million (\$218,414 thousand) and ¥26,128 million as of March 31, 2020 and 2019, respectively, are not included.

Please see Note 14 for annual maturities of borrowed money.

27. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount, as long as there is no violation of any condition in the contracts.

The total amounts of unused open commitments as of March 31, 2020 and 2019, were ¥1,359,616 million (\$12,493,026 thousand) and ¥1,412,428 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2020 and 2019, were ¥577,274 million (\$5,304,365 thousand) and ¥606,165 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2020 and 2019, were ¥1,327,570 million (\$12,198,567 thousand) and ¥1,382,374 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries can request the customers to pledge collateral such as premises and securities at the execution of the contracts. After execution, the Bank and certain subsidiaries periodically evaluate the customers' financial position based upon the Bank's internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

28. DERIVATIVE INFORMATION

The Bank enters into swaps related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, over-the-counter bond options and stock index options contracts related to securities.

Derivative transactions to which hedge accounting is not applied as of March 31, 2020 and 2019

March 31, 2020	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 3,687	¥ 3,687	¥ 182	¥ 182
Variable rate receipt, fixed rate payment	3,687	3,687	(62)	(62)
Over-the-counter				
Currency-related contracts:				
Currency swap	209,188	158,773	675	1,181
Foreign exchange forward:				
Sell	27,732	109	(362)	(362)
Buy	12,426	—	176	176
Currency option:				
Sell	121,539	84,206	(5,208)	2,458
Buy	121,986	84,812	5,219	(1,223)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—
Listed				
Stock-related contracts:				
Index option:				
Sell	—	—	—	—
Buy	—	—	—	—
Over-the-counter				
Bond-related contracts:				
Bond option:				
Sell	—	—	—	—

March 31, 2019	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 1,327	¥ 1,327	¥ 86	¥ 86
Variable rate receipt, fixed rate payment	1,327	1,327	(18)	(18)
Over-the-counter				
Currency-related contracts:				
Currency swap	142,702	116,638	(175)	82
Foreign exchange forward:				
Sell	36,425	67	(24)	(24)
Buy	15,515	—	108	108
Currency option:				
Sell	114,715	77,777	(5,131)	1,942
Buy	116,284	78,663	5,127	(850)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—
Listed				
Stock-related contracts:				
Index option:				
Sell	—	—	—	—
Buy	—	—	—	—
Over-the-counter				
Bond-related contracts:				
Bond option:				
Sell	—	—	—	—

March 31, 2020	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	\$ 33,879	\$ 33,879	\$ 1,672	\$ 1,672
Variable rate receipt, fixed rate payment	33,879	33,879	(570)	(570)
Over-the-counter				
Currency-related contracts:				
Currency swap	1,922,154	1,458,908	6,202	10,852
Foreign exchange forward:				
Sell	254,819	1,002	(3,326)	(3,326)
Buy	114,178	—	1,617	1,617
Currency option:				
Sell	1,116,778	773,739	(47,854)	22,586
Buy	1,120,886	779,307	47,956	(11,238)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—
Listed				
Stock-related contracts:				
Index option:				
Sell	—	—	—	—
Buy	—	—	—	—
Over-the-counter				
Bond-related contracts:				
Bond option:				
Sell	—	—	—	—

Notes:

- Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.
- Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Futures Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.

Derivative transactions to which hedge accounting is applied as of March 31, 2020 and 2019

2020	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due After One Year	Fair Value
Principal method				
Interest rate swap	Securities			
Receive float/ Pay fixed		¥15,000	¥15,000	¥(249)

2020	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due After One Year	Fair Value
Principal method				
Interest rate swap	Securities			
Receive float/ Pay fixed		\$137,830	\$137,830	\$(2,288)

There were no derivative transactions to which hedge accounting was applied as of March 31, 2019.

Notes:

- Deferred hedge accounting is applied principally in accordance with “Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24) issued by the Japanese Institute of Certified Public Accountants.
- Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Futures Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.

29. COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥(17,795)	¥2,230	\$(163,512)
Reclassification adjustments to profit or loss	(1,668)	(902)	(15,327)
Amount before income tax effect	(19,463)	1,328	(178,839)
Income tax effect	5,599	(560)	51,448
Total	(13,864)	768	(127,391)
Deferred losses on hedges:			
Adjustments arising during the year	(249)	—	(2,288)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(249)	—	(2,288)
Income tax effect	75	—	689
Total	(174)	—	(1,599)
Defined retirement benefit plans:			
Adjustments arising during the year	(2,028)	(451)	(18,635)
Reclassification adjustments to profit or loss	(207)	504	(1,902)
Amount before income tax effect	(2,235)	53	(20,537)
Income tax effect	669	(16)	6,148
Total	(1,566)	37	(14,389)
Total other comprehensive (loss) income	¥(15,604)	¥ 805	\$(143,379)

30. PER SHARE INFORMATION

1. Net income per share

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net income attributable to owners of parent	Weighted Average Shares	EPS	
For the year ended March 31, 2020:				
Net income attributable to owners of parent	¥12,862			
Amount not attributable to common shareholders	—			
Basic EPS—Net income available to common shareholders	12,862	37,366	¥344.22	\$3.16
Effect of dilutive securities:				
Stock acquisition rights		56		
		56		
Diluted EPS—Net income for computation	¥12,862	37,422	¥343.71	\$3.16

	Millions of Yen	Thousands of Shares	Yen	
	Net income attributable to owners of parent	Weighted Average Shares	EPS	
For the year ended March 31, 2019:				
Net income attributable to owners of parent	¥10,658			
Amount not attributable to common shareholders	—			
Basic EPS—Net income available to common shareholders	10,658	37,358	¥285.29	
Effect of dilutive securities:				
Stock acquisition rights		49		
		49		
Diluted EPS—Net income for computation	¥10,658	37,407	¥284.92	

2. Net assets per share

Net assets per share as of March 31, 2020 and 2019, were ¥9,368.09 (\$86.08) and ¥9,477.86, respectively.

Net assets per share of common stock as of March 31, 2020 and 2019, were calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Total net assets	¥366,404	¥370,199	\$3,366,755
Deductions from total net assets:			
Stock acquisition rights	161	160	1,479
Noncontrolling interests	16,172	15,970	148,598
Net assets attributable to common stock at the end of the fiscal year	350,071	354,069	3,216,678
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares in thousands)	37,368	37,357	

31. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On June 19 2020, the Bank’s shareholders authorized an appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends:		
¥45.00 (\$0.41) per share on common stock	¥1,682	\$15,455

Revisions to Retirement and Pension Plans

The Bank plans to revise its contributory funded defined benefit pension plan on October 1, 2020. These revisions include lowering the interest rate used to calculate benefits. As of July 10, 2020, the relevant parties have been made aware of the changes to rules and regulations pursuant to these revisions.

Regarding the accounting treatment of these revisions, the Bank intends to apply “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1, December 16, 2016) and “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (Practical Issues Task Force (PITF) No. 2, February 7, 2007), and is currently evaluating the amount of financial impact of this treatment.

32. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

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

The Group consists of the Bank and seven (six in 2019) consolidated subsidiaries. The Group provides banking services-based comprehensive financial services and leasing business. The Group operates its business by units which consists of some branches located in a certain range. However, the Group discloses these units as a segment of the Banking business because their economic nature is similar to each other. Therefore, the Group consists of two reportable segments: banking business and lease business.

The Banking business is operated by the Bank and provides various services such as deposit-taking and lending services, trading securities, securities investment, domestic exchange, foreign exchange, managing bonds, a derivatives business and other related businesses at headquarters and branches of the Bank.

The Lease business is operated by Juroku Lease Co., Ltd. It provides leasing business to meet local customers' needs.

Juroku TT Securities Co., Ltd., which has been included in the scope of consolidation from the year ended March 31, 2020, is included in "Other" in the segment information.

2. Methods of measurement for the amounts of income, profit, assets and other items for each reportable segment

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

As noted in "Changes in Presentation," in the Banking Business, a portion of insurance-related dividend income, which was previously presented as "Other Income," has been presented as "Fees and Commissions" and "General and Administrative Expense" from the year ended March 31, 2020, and the segment information for the year ended March 31, 2019 has been reclassified accordingly.

3. Information about income, profit, assets, liabilities and other items

2020	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 75,843	¥24,460	¥ 100,303	¥ 6,557	¥ 106,860	—	¥ 106,860
(2) Intersegment transactions	813	675	1,488	1,231	2,719	¥ (2,719)	—
Total	¥ 76,656	¥25,135	¥ 101,791	¥ 7,788	¥ 109,579	¥ (2,719)	¥ 106,860
Segment profit	18,524	986	19,510	573	20,083	(586)	19,497
Segment assets	6,418,957	84,448	6,503,405	54,058	6,557,463	(85,009)	6,472,454
Other:							
Depreciation	¥ 3,066	¥ 549	¥ 3,615	¥ 177	¥ 3,792	¥ 131	¥ 3,923
Amortization of goodwill	245	—	245	155	400	—	400
Interest income	54,820	179	54,999	189	55,188	(426)	54,762
Interest expense	2,853	201	3,054	15	3,069	(137)	2,932
Provision (reversal) for possible loan losses	3,140	(21)	3,119	564	3,683	—	3,683
Increase in premises and equipment and intangible assets	1,326	516	1,842	52	1,894	195	2,089

2019	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 75,997	¥23,169	¥ 99,166	¥ 5,214	¥ 104,380	—	¥ 104,380
(2) Intersegment transactions	554	268	822	1,166	1,988	¥ (1,988)	—
Total	¥ 76,551	¥23,437	¥ 99,988	¥ 6,380	¥ 106,368	¥ (1,988)	¥ 104,380
Segment profit	14,611	665	15,276	1,001	16,277	1	16,278
Segment assets	6,316,693	79,555	6,396,248	45,666	6,441,914	(72,757)	6,369,157
Other:							
Depreciation	¥ 3,204	¥ 507	¥ 3,711	¥ 82	¥ 3,793	¥ 129	¥ 3,922
Amortization of goodwill	245	—	245	—	245	—	245
Interest income	53,615	70	53,685	210	53,895	(132)	53,763
Interest expense	3,780	188	3,968	16	3,984	(116)	3,868
Provision (reversal) for possible loan losses	1,898	(79)	1,819	303	2,122	—	2,122
Increase in premises and equipment and intangible assets	850	552	1,402	157	1,559	72	1,631

	Thousands of U.S. Dollars						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
2020							
Ordinary income:							
(1) Outside customers	\$ 696,894	\$ 224,754	\$ 921,648	\$ 60,250	\$ 981,898	—	\$ 981,898
(2) Intersegment transactions	7,471	6,202	13,673	11,311	24,984	\$ (24,984)	—
Total	\$ 704,365	\$ 230,956	\$ 935,321	\$ 71,561	\$ 1,006,882	\$ (24,984)	\$ 981,898
Segment profit	170,210	9,060	179,270	5,265	184,535	(5,385)	179,150
Segment assets	58,981,503	775,963	59,757,466	496,720	60,254,186	(781,118)	59,473,068
Other:							
Depreciation	\$ 28,172	\$ 5,045	\$ 33,217	\$ 1,626	\$ 34,843	\$ 1,204	\$ 36,047
Amortization of goodwill	2,251	—	2,251	1,424	3,675	—	3,675
Interest income	503,721	1,645	505,366	1,737	507,103	(3,914)	503,189
Interest expense	26,215	1,847	28,062	138	28,200	(1,259)	26,941
Provision (reversal) for possible loan losses	28,852	(193)	28,659	5,183	33,842	—	33,842
Increase in premises and equipment and intangible assets	12,184	4,741	16,925	478	17,403	1,792	19,195

Notes:

- Ordinary income represents total income less certain extraordinary income included in "Other income" in the accompanying consolidated statement of income.
- "Other" includes business segments of financial instruments business, credit cards, computer services and credit guarantees.
- Reconciliations mainly represent elimination of intra-segment transactions.
- Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.

4. Associated Information

(1) Information about services

	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
2020					
Ordinary income:					
Outside customers	¥40,780	¥19,842	¥24,300	¥21,938	¥106,860

	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
2019					
Ordinary income:					
Outside customers	¥40,854	¥19,653	¥22,737	¥21,136	¥104,380

	Thousands of U.S. Dollars				
	Lending Service	Securities Services	Leasing	Other	Total
2020					
Ordinary income:					
Outside customers	\$374,713	\$182,321	\$223,284	\$201,580	\$981,898

(2) Geographical information

(a) Operating revenues

This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

(b) Property and equipment

This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(3) Information by major customer

This information is not presented because there are no customers for which income account for more than 10% of revenues in the consolidated statement of income.

(4) Information about impairment loss by reportable segment

	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
2020					
Impairment loss on long-lived assets	¥133	—	—	—	¥133

	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
2019					
Impairment loss on long-lived assets	¥189	—	—	—	¥189

	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
2020					
Impairment loss on long-lived assets	\$1,222	—	—	—	\$1,222

(5) Information about goodwill and negative goodwill by reportable segment

2020	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	¥ 155	—	¥ 400
Goodwill at March 31, 2020	2,630	—	1,920	—	4,550
Gain on negative goodwill	—	—	—	—	—

2019	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	—	—	¥ 245
Goodwill at March 31, 2019	2,875	—	—	—	2,875
Gain on negative goodwill	—	—	—	—	—

2020	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	\$ 2,251	—	\$ 1,424	—	\$ 3,675
Goodwill at March 31, 2020	24,166	—	17,642	—	41,808
Gain on negative goodwill	—	—	—	—	—

Note: "Other" represents goodwill on a consolidated basis recognized due to the acquisition of Juroku TT Securities, Co., Ltd. Please see Note 3. for details.