

A Snapshot of Juroku Bank **Now and future**

JUROKU BANK

ANNUAL REPORT 2019



Advertisement mascot
Takumi Ukai



Advertisement mascot
Ayumi Itou



PROFILE

The Juroku Bank, Ltd., has its business base in Gifu and Aichi prefectures, the industrial center of the Chubu region of Japan. During the over 140 years since its founding in 1877, it has played a pivotal role as a leading financial institution in its area.

We will continue to follow our philosophy of “serving our community by fulfilling our social mission as a financial institution.” We will also pursue reforms by staying open-minded, managing our operations rationally and steadily, creating a strong management style through stronger earnings power, and improving our personnel and organization.

The head office of the Bank is located in Gifu prefecture. The Bank has 162 domestic branch offices, mainly in Gifu and Aichi prefectures, as well as representative offices in Shanghai, Singapore, Bangkok and Hanoi. On a consolidated basis, as of the end of March 2019, the Bank had total deposits of ¥5,492.2 bil (US\$49,484 mil), total assets of ¥6,369.2 bil (US\$57,385 mil), and a capital ratio of 9.08% based on domestic standards.



Head Office

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Forward-Looking Statement

This annual report contains certain forward-looking statements. Those forward-looking statements are subject to risks and uncertainties, and Juroku Bank’s actual results may differ from those described in the forward-looking statements. We are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise.

Financial Highlights (Consolidated)

The Juroku Bank, Ltd. and Subsidiaries *Year Ended March 31, 2019*

	Millions of Yen		Thousands of U.S.Dollars
	2019	2018	2019
For the Fiscal Year			
Total income	¥ 105,153	¥ 104,744	\$ 947,410
Total expenses	89,089	91,133	802,676
Net Income Attributable to Owners of the Parent	10,658	9,901	96,027
Cash dividends	(2,615)	2,990	(23,561)
At Year-End			
Total assets	¥6,369,157	¥6,096,568	\$57,384,963
Loans and bills discounted	4,304,066	4,215,431	38,778,863
Securities	1,345,422	1,300,663	12,122,011
Deposits	5,492,227	5,442,974	49,483,981
Total equity	370,199	361,253	3,335,427
Cash Flows			
Net cash provided by (used in) operating activities	¥ 180,627	¥ (178,680)	\$1,627,417
Net cash (used in) provided by investing activities	(35,609)	49,526	(320,831)
Net cash used in financing activities	(3,136)	(13,223)	(28,255)
Cash and cash equivalents, end of year	485,525	343,640	4,374,493

Note: Amounts stated in United States dollars have been computed, solely for convenience, at the rate of ¥110.99 = US\$1, the approximate rate of exchange at March 31, 2019.

We will further accelerate our “engagement first” initiatives, and work on “regional co-creation activities” to create local vitality, together with our customers.


Looking at the operating environment for regional financial institutions, the harsh business environment continues, including intensifying competition across business formats and a prolonged low interest rate environment. In addition, local economies face challenges such as economic contraction, lack of successors for businesses, and labor shortages due to a declining population.

With these circumstances as the backdrop, regional financial institutions are greatly needed to contribute to the realization of sustainable local communities by supporting the growth of customers.

To meet this challenge, we commenced “‘The 14th Medium-Term Management Plan’ All for Your Smile: Providing Wholehearted Services ~ 2nd Stage ~” in April 2017. In this plan, we aim to be “a financial group that is needed by customers and grows with customers,” and, with “engagement first” as our cornerstone activity, we will transform our business model to create a positive cycle of contribution to the growth of customers and local economies and a revenue structure with stability and permanency to support local communities.

Taking this turning point as an opportunity, we will further accelerate the “sales reforms” and “business reforms” that we have been pursuing thus far. In order to continue to be a bank that customers can rely on in the new Japanese era of “Reiwa” and into the future, we are committed to striving to further improve our corporate value by engaging in “regional co-creation activities” together with our customers to create local vitality.

I look forward to receiving the continued support and encouragement of all of our stakeholders.

July 2019
Yukio Murase
President and CEO




The 14th Medium-term Management Plan

In April of 2017, we commenced “‘The 14th Medium-Term Management Plan’ All For Your Smile: Providing Wholehearted Services ~ 2nd Stage ~” which will run for three years from FY2017 to FY2019. In this management plan, with “engagement first” as our cornerstone activity, we will transform our business model to create a positive cycle of “contribution to the growth of customers and local economies” and a “revenue structure with stability and permanency to support local communities” by implementing the six basic strategies of “expanding contact points with customers and offering solutions above and beyond expectations,” “actively getting involved in community tasks,” “building strategies by region,” “improving fund management capacity,” “improving management efficiency to survive competition,” and “helping each employee improve performance.”

FY2019 Year-end Targets

Earning capability	Growth potential (customer base)	Financial soundness
Net income (consolidated)	Community presence (daily-average deposits + daily-average loans)	Equity ratio (consolidated) Full implementation basis
¥10 billion	¥10,000 billion	Around 8.7%

Long-term targets

Earning capability
ROE (consolidated)
5%+

- Net income (consolidated) = Net Income Attributable to Owners of the Parent
- Core capital ratio (full implementation basis) = $\frac{\text{Core capital (before transitional arrangement)}}{\text{Risk assets (before transitional arrangement)}}$

Through these initiatives, we aim to become “a financial group that is needed by customers and grows with customers.”

We will be committed to implementing the following basic strategies under the management plan, in an effort to appropriately address the challenges that surround the Group.

Basic Strategies

- **Expanding contact points with customers and offering solutions above and beyond expectations**
We will develop a sales stance of sincerely tackling the diverse needs and tasks of our customers, while demonstrating our comprehensive strength as a Group.
Business customers
We will take risks appropriately and perform financial intermediary functions mainly through business performance evaluations, as well as work to solve our customers’ issues by providing support according to their growth stage.
Individual customers
We will promote comprehensive transactions by providing goods and services according to customers’ life stages to explore their needs. In addition, we will work to improve channel functions through region-specific branch operations and the expansion of non-face-to-face channels.
- **Actively getting involved in community tasks**
The Group will support local governments’ “comprehensive strategy for vitalizing towns, people, and jobs,” while fulfilling its responsibilities to regions through initiatives such as actively participating in regional development projects.
- **Building strategies by region**
In Gifu Prefecture, we will establish an absolute operational base mainly by demonstrating regional financial intermediary functions backed by an extensive branch network and a substantial volume of information.
In Aichi Prefecture, we will further demonstrate our presence including leveraging the growth potential of the market and enhancing our business base, in addition to focusing on business resources.
- **Improving fund management capacity**
In addition to improving our capacity to manage marketable securities primarily by diversifying investments to flexibly respond to changes in the market environment, we will work to utilize various financial techniques.
- **Improving management efficiency to survive competition**
In addition to accelerating business reforms, we are working to streamline branch operations in view of demographics.
We will also strive to further optimize our personnel allocation and workforce, including streamlining of the head office organization.
- **Helping each employee improve performance**
We will focus on developing human resources that can contribute to customers and regions, using the Bank as a means to do so. We will also carry out work style reform, such as considering mechanisms to encourage employees to take on challenges.



Looking Back

In April 2017, the Bank commenced its 14th Medium-Term Management Plan. One year earlier, in April 2016, in addition to abolishing short-term numerical targets, we began trials of an activity evaluation system to evaluate the sales activity process itself, and implemented the system in full scale in conjunction with the start of the Medium-Term Management Plan in April 2017.

In addition, we have developed a sales branch reform project to efficiently leverage our sales personnel and business hours, by centralizing sales branch administration and streamlining the head office organization.

As a result of these “sales reforms” and “business reforms,” in the past two years we have increased fees and commissions by ¥3.4 billion and reduced expenses by ¥6.8 billion, achieving effects totaling over ¥10.0 billion.

Future Management Strategy

While FY2019 will be the final fiscal year of the Medium-Term Management Plan, in the year ended March 31, 2019, we achieved a net income (consolidated) of ¥10.6 billion and an equity ratio (consolidated) of 8.71%, reaching our targets a year early.

As the environment surrounding financial institutions has changed significantly, and the needs of our regional customers have become increasingly sophisticated and diverse, we have pushed forward with an alliance strategy for business alliances and cooperation that is not restricted by traditional concepts. This represents a rational management strategy for coming face to face with our customers and responding to their needs.

As a result, we have developed a framework for the one-stop delivery of sophisticated and diverse financial services.

Going forward, we will continue to accelerate our “sales reforms” and “business reforms” initiatives in the Medium-Term



Management Plan, as we seek to connect these efforts to a positive cycle of regional economic development, to which we can contribute by enhancing our profit structure.

Main Measures and Initiatives Implemented During the Medium-Term Management Plan

14th Medium-Term Management Plan (April 2017 to March 2020)



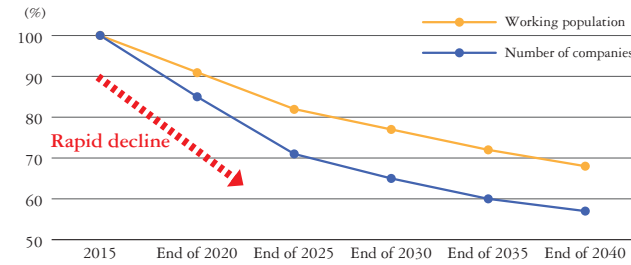
*Core profit: Average loan balance × Interest rate difference in deposits and loans + Fees and commissions - General and administrative expenses

Regional Problems

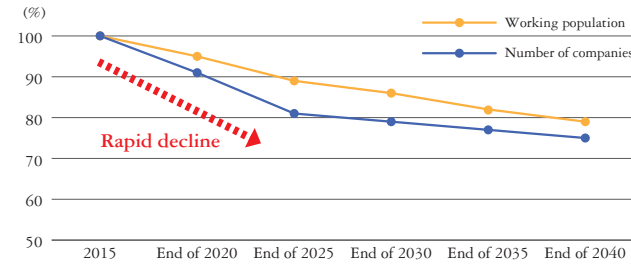
According to future estimations by the Ministry of Finance, the numbers of Japanese businesses and employees are expected to decrease by 27% (1,069,000 companies) and 21% (12,476,000 persons), respectively, from 2015 to 2040*.

In Gifu prefecture, which is the “motherland” of the Bank, the rates of reduction are even higher than the national average, at 43% (33,000 companies) and 32% (284,000 persons) for companies and employees, respectively. In addition, in Aichi Prefecture, decreases of 25% (57,000 companies) and 21% (790,000 persons) are expected for companies and employees, respectively. For the number of companies in particular, sharp declines of 29%

Population dynamics in Gifu

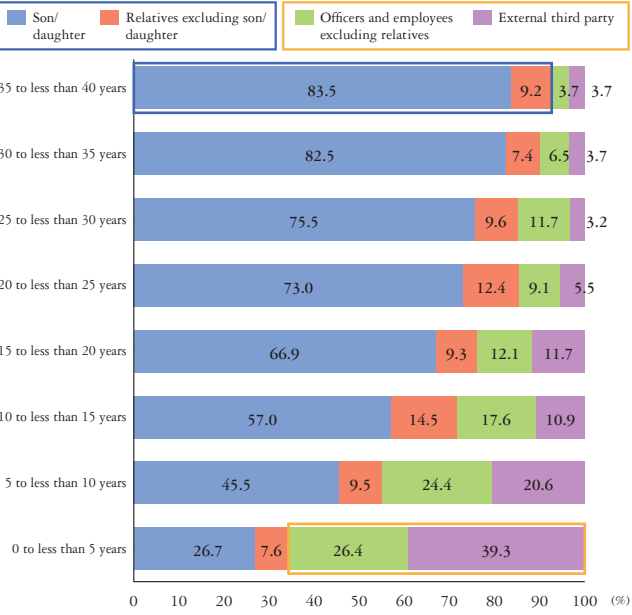


Population dynamics in Aichi



Source: “Financial View” No. 3 of 2017 (No. 131), Policy Research Institute, Ministry of Finance, Japan
June 2017, Future Estimates of Numbers of Companies by Region / Yoshiaki Murakami, Naomi Kodama, Yoshio Higuchi

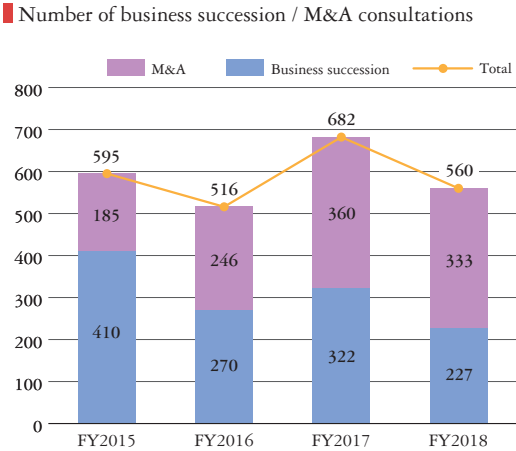
Relationship between the current and previous management by the tenure of the management



Source: “Survey on financing for SMEs” commissioned by The Small and Medium Enterprise Agency
(December 2015, Mizuho Research Institute Ltd.) (Re-edited and processed)

In recent years, while many corporate managers has had to pass on the baton, it has become difficult to hand business over to the next generation due to the large costs associated with the succession of the company's shares or the absence of successors.

While the government has been supporting smooth business succession, such as through the establishment of “Special Measures under the Business Succession Taxation Scheme,” in addition to asset succession, by which shares and real estate are transferred to the next generation, the “how and to whom” issues of business succession have become a substantial concern for corporate management.



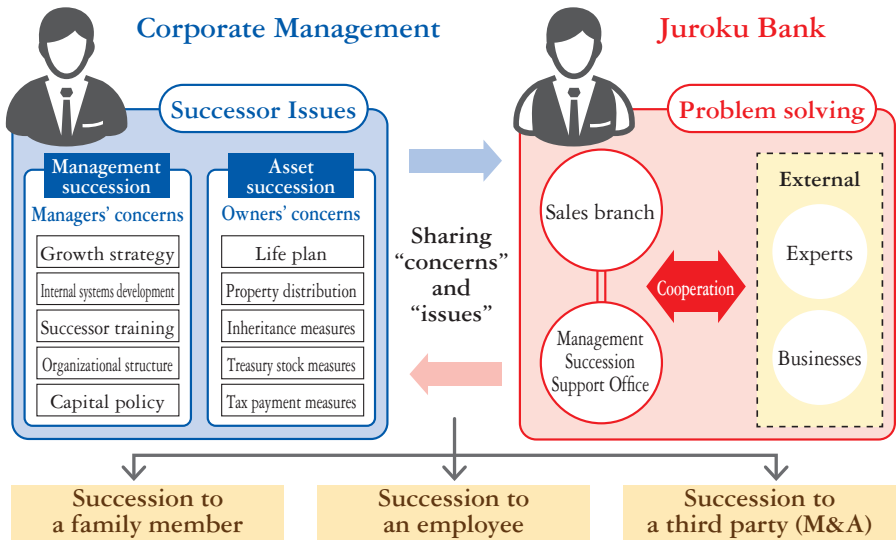
Initiatives Towards Resolution

● Establishment of “Management Succession Support Office”

Assigning dedicated employees in the Corporate Business Group within the Corporate Business Division, we have worked on supporting business succession and M&A since approximately 20 years ago. Along with changes in the environment surrounding management, forms of business succession have become more diversified, and the worries of corporate management have become more complex.

In the next few years, regional companies will reach the time for business succession all at once. Accordingly, we newly established the “Management Succession Support Office” within the

Corporate Business Division on March 1, 2019. With eight experienced members of staff, including four with branch manager experience, the Office will establish a system that allows each sales division and branch employee to empathize and understand the concerns of corporate management. By supporting “management that responds to changes in the external environment” and “passing the baton to successors at the appropriate time,” this system will contribute to the creation of sustainable regional communities.



● Establishment of the “Management Succession Fund”

The Bank, along with Tokai Tokyo Investment Co., Ltd., the wholly-owned subsidiary of Tokai Tokyo Financial Holdings Inc., as a limited partner, and Juroku Lease Co., Ltd. and Yamada Consulting Group Co., Ltd. as general partners, established the Management Succession Fund in April 2019 of approximately ¥1.0 billion.

Through utilizing the Fund, we will also be able to respond to the increasing momentum of industry reorganization of long-established local companies.

● Human Resource Development

In order to acquire the knowledge needed to resolve the issues faced by corporate management, all customer-facing employees aim to pass the “Financial Services Level 2 - Business Succession and M&A Course” of the Financial Services Ability Test, and we are working towards establishing a system in which all employees at all branches can help corporate management (as of March 31, 2019, 1,472 employees have passed).

Not only by obtaining qualifications, but also through lecturers and seminars by outside lecturers for branch managers and OJT training for young employees, we continually develop human resources that can handle business succession and M&A support.



SDGs



SDGs:
Sustainable Development Goals

SDGs, an action plan adopted by the UN Sustainable Development Summit held in September 2015, consist of 17 goals, such as “no poverty,” “quality education” and “decent work and economic growth,” and further 169 specific targets relating to the goals, under the slogan of “Leave No One Behind.” As activities on a global scale expand, in recent times there has been a rapid increase of companies implementing initiatives aimed at the SDGs in Japan, and there are expectations over corporate participation and contribution to achieving these goals by 2030.

Since joining the “Regional Revitalization SDGs Public-Private Platform” established by the Cabinet Office of Japan in August 2018, the Bank has worked to promote and spread the SDGs through activities such as starting to handle the SDG private placement bond “Tsunagaru Kokoro” and performing training on the SDGs for new employees in cooperation with JICA Chubu.

The Bank believes that its goal set in the 14th Medium-Term Management Plan, which is the business model “to create a positive cycle of contribution to the growth of customers and local economies and a revenue structure with stability and permanency to support local communities with engagement first as our cornerstone activity,” and the lesson that “if the bottom prospers, then the top will also prosper” contained within the Bank’s basic policy “10 Employee Rules,” which we have

inherited since the Meiji Era in the late 19th Century, are comparable with the SDGs.

While many companies, including the Bank, have worked to increase their awareness of environmental issues, and to coexist with and contribute to local communities through CSR (or Corporate Social Responsibility) activities, such CSR activities, if anything, may be regarded as being “passive.”

However, SDG initiatives are not “passive,” and we can recapture them as “proactive initiatives” that utilize the SDGs by placing responding to environmental and social issues as strategic CSR activities for reducing company risks and creating new business opportunities.

Moreover, SDG initiatives are not only for large companies that represent Japan on the world stage. While the non-utilization of SDGs could result in business risks to regional companies, the utilization of SDGs could lead to an opportunity to create new business opportunities.

Going forward, the Bank will continue to perform initiatives that utilize SDGs, and conduct further activities to promote and spread the SDGs, with an aim to create sustainable regional societies in cooperation with our regional customers.



Corporate Governance

Basic Policy

At Juroku Bank, we believe that retaining the trust of our stakeholders by conducting all of our activities in a sound manner is vital to our role as a financial institution. Therefore, we place the highest priority on building a solid organizational structure and establishing systems that continually reinforce corporate governance.

In association with the entry into effect of the Companies Act, we established a Basic Policy related to the Establishment of an Internal Control System at a meeting of the Board of Directors held on May 24, 2006. Since that time, we have revised this basic policy as necessary and in a timely manner, and have endeavored to develop and continuously refine the system to ensure the appropriate execution of business at the Bank and the corporate group comprising the Bank and its subsidiaries. Under this basic policy, we will pursue initiatives to enhance corporate governance.

Progress Thus Far

The Board of Directors comprises nine members including two Outside Directors (as of June 21, 2019) and it is held at least once a month, in principle, to deliberate and decide matters stipulated in laws and regulations and important management issues, and it also monitors directors' conduct of business operations by having each director report his/her own execution of duties at least once every three months, pursuant to Article 363, Paragraph 2 of the Companies Act. Additionally, in order to further ensure the transparency and fairness of the Board of Directors' decision-making activities, a Management Advisory Council has been established as an advisory body to the Board of Directors.

The Bank has adopted the executive officer system and ensures that executive officers appointed by the Board of Directors responsibly execute the business operations of the sections in their charge. The adoption of the executive officer system allows the Board of Directors to take on the functions of management supervision in a more effective manner, while also enabling quick decision making by the management team. In terms of important matters affecting the daily conduct of business operations, a Management Council, comprising the president and CEO, deputy president and director and managing executive officers, has been established to enable quick and bold decision making.

Furthermore, an Operational Audit Committee has been established to enhance the supervisory functions of the Board of Directors on the execution of business operations, thereby further enhancing the corporate governance system.

The Audit & Supervisory Board comprises four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members and two Standing Audit & Supervisory Board Members (as of June 21, 2019). To support the Audit & Supervisory Board Members, we have established the Audit & Supervisory Board Members' Office, which monitors the execution of business operations objectively and ensures appropriate auditing functions. The Audit & Supervisory Board is held at least once a month, in principle.

With regard to internal controls, the Audit & Inspection Division conducts internal audits, and at least once per year The Bank seeks outside opinions regarding the development and management of the internal control system.

Based on these objective opinions, we work to further improve the internal control system. Moreover, to reinforce the compliance system, we have established a whistle-blower system and have improved the effectiveness of the system by using an external lawyer as the point of contact.

With respect to the risk control system, we have established the Integrated Risk Management Council, Operational Risk Management Council and Compliance Council. These committees discuss risk management issues both on a regular basis and when necessary. At these meetings, the appropriateness of operations is reviewed and risk management is applied to minimize loss due to unforeseen circumstances. The Compliance Council is held as necessary, while the Compliance Committee, its subordinate body, meets once per month, in principle. In addition, the Integrated Risk Management Council meets once per month, in principle, and the Operational Risk Management Council meets at least once every 6 months, in principle. We have also signed consultation agreements with six lawyers, who provide advice on legal matters and perform a variety of legal checks when necessary.

The Bank's accounts are audited by the independent auditing firm Deloitte Touche Tohmatsu LLC (as of June 30, 2019). This firm provides accurate audits on the basis of appropriate information disclosure.

Going forward, we will work to further enhance our corporate governance standards and ensure the soundness of our ethical conduct and financial position.

Basic Policy on Strengthening Internal Control System

We are currently making efforts to build an internal control system based on the policies described below.

1. System to ensure that the execution of duties by directors of the Bank and its affiliates comply with all relevant laws, ordinances, regulations, and the Bank's Articles of Incorporation

(1) Our Basic Policy establishes the Bank's commitment to serve local communities by fulfilling its mission as a financial institution, and to seek business growth through sound practices founded on a broad and rational perspective.

(2) To implement this policy, directors and executive officers of the Bank are responsible for the establishment of various standards including the Code of Ethics and Compliance Policy, and for ensuring that business is conducted in accordance with these standards and that laws, ordinances, and the Articles of Incorporation are adhered to. In addition, directors are responsible for steadfastly confronting any anti-social forces that pose a threat to social order and safety; thereby directors consolidate a system to sever all ties to these forces.

(3) The Bank's affiliates make best efforts to pursue legitimate and fair business practices that respond to social obligations, based on their own basic policy and management philosophy that are adequate for the nature and scale of their business. In addition, the affiliates are responsible for the establishment of the Code of Ethics and Compliance Policy to ensure that business is conducted in accordance with laws and ordinances as well as social norms.

2. System for storage and management of information related to the execution of duties by directors of the Bank

To ensure efficient verification of proper business practices, regulations will be created and followed on the handling and control of information and documents related to business operations (including electronic records); adherence to these regulations will be monitored, and regulations will be revised when necessary.

In addition, a system will be established to enable directors and Audit & Supervisory Board Members to view this information and the relevant documents when necessary.

3. Risk management regulations and other structures related to risk of loss at the Bank and its affiliates

(1) The Bank positions the risk management as an important duty to ensure the soundness and safety of business, and regulations related to each type of risk, including a Comprehensive Risk Management Regulation, will be established in order to manage risks associated with the business of the Bank and its affiliates in an exhaustive and comprehensive manner. Efforts will be made to appropriately improve the measurement, evaluation, and management of risk by following these regulations.

An independent third party will regularly evaluate the Bank's management of major risks, and the Bank will continually work to improve risk management level evaluations.

(2) In addition to designating one department to comprehensively manage risk, individual departments will be made specifically responsible for each category of risk, ensuring effective risk management. In addition, an organizational structure will be established, including the Integrated Risk Management Council chaired by the president and CEO and the Operational Risk Management Council chaired by the director in charge of the department responsible for comprehensive risk management. Risk management reports will be made to the Board of Directors on a regular basis, or as necessary.

(3) The following are risks to be managed at the Bank. When new risks arise, a department to handle them will be promptly established by the Board of Directors.

1) credit risk, 2) market risk, 3) liquidity risk, 4) operational risk, and 5) other risks that could have a serious impact on the Bank's business.

(4) In addition to establishing a Risk Management Council, the Bank's affiliates will manage risks in a proper and comprehensive manner, and set up a system to report any issues related to risk management to the Bank. The Internal Audit Department of the Bank conducts auditing of the Bank's affiliates to assess their risk management.

4. System to ensure the efficient execution of duties by directors of the Bank and its affiliates

(1) Duties of the Bank will be executed centered on the Basic Policy and an Action Plan. A Management Plan will be created, and guidelines based on this plan will be established for each six-month period.

(2) Progress made in implementing these plans will be reported to the Board of Directors in a timely manner, and steps will be taken in response as needed.

(3) Items that should be taken up by the Board of Directors of the Bank will be clearly stated in regulations such as the Board of Directors Regulations, and important items will be discussed as necessary by the Management Council, which comprises managing directors or above and other related personnel, to ensure that issues are sufficiently examined. In addition, Regulations on Decision-Making Authority Related to Operations will stipulate the appropriate delegation of authority to subordinates based on such factors as the importance of the operation, making the directors' execution of duties more efficient.

(4) The Bank will reinforce collaboration with its affiliates and facilitate information sharing. In addition, the management of the Bank and representatives of its affiliates will exchange opinions on a regular basis in order to resolve various issues efficiently.

(5) The Bank will establish regulations for top management, organizations, risk management and others, and provide its affiliates with necessary information in order to have them create their own systems efficiently in compliance with these regulations.

5. System to ensure that the execution of duties by employees of the Bank and its affiliates complies with laws, ordinances, and the Articles of Incorporation

(1) In addition to positioning compliance with laws and ordinances as one of our most important business responsibilities and establishing regulations such as the Code of Ethics and Compliance Policy, the Bank will establish a department to provide overall control. In addition, a Compliance Council, chaired by the president and CEO, will be created, and this council will be tasked with handling compliance-related issues.

(2) In addition to establishing a Compliance Council, the Bank's affiliates will manage and operate in-house compliance system appropriately and set up a system to report any compliance violation to the Bank. The Internal Audit Department of the Bank conducts auditing of the Bank's affiliates regarding their compliance with laws, ordinances, and others.

(3) At the Bank and its affiliates, an in-house system will be created for reporting violations of laws and ordinances and other compliance-related issues, and a whistle-blower system that employs an independent lawyer to receive reports will be maintained. Efforts will be made to prevent or promptly detect problems such as violations of laws.

6. System to ensure appropriate operations of the corporate group, which is composed of the Bank and its affiliates

(1) An internal auditing agreement will be concluded with the Bank's affiliates, and operations are audited by the Internal Audit Department of the Bank to ensure proper business operations by the corporate group, which is centered on the Bank. Operations at affiliates will be audited through various activities, including appointing officers or employees of the Bank as officers of affiliates and having them attend the meeting of the Board of Directors of the affiliates.

(2) The management of the Bank and representatives of its affiliates will exchange opinions on a regular basis to prevent problems such as inappropriate transactions between the Bank and its affiliates.

(3) When engaging in transactions with the Bank's affiliates and other entities, steps will be taken to verify that the terms of the transaction conform to the arms-length principle.

(4) A whistle-blower system will be established at the Bank and all affiliates, making it possible for parties such as affiliate employees to make reports or seek advice.

(5) A system will be created to ensure the reliability of the financial reporting of the Group, centered on the Bank.

7. System to report matters related to the execution of duties by directors of the Bank's affiliates to the Bank

(1) By having officers of the Bank dispatched to its affiliates, the Bank will receive reports related to the execution of duties by directors of its affiliates at the meeting of the Board of Directors of the affiliates.

(2) The Bank will deliberate or request reports, on a regular basis or as necessary, to accurately understand business operation of its affiliates, pursuant to the Group Companies Management Regulation established by the Bank.

(3) The department undertaking overall control of the Bank's affiliates and individual departments responsible for each affiliate will monitor the status of affiliates in a timely and appropriate manner, and promptly report any matters deemed important to the management of the Bank, while taking necessary steps.

8. Items related to employees whose assignment to assist Audit & Supervisory Board Members of the Bank in their duties is requested by them

An Audit & Supervisory Board Members' Office will be created to assist the Audit & Supervisory Board Members in the performance of their duties, and at least one full-time employee will be assigned to work in that office. Upon obtaining the opinions of the Audit & Supervisory Board, decisions will be made on the positions and qualifications of employees to be assigned to engage in this work, and a roster of such employees will be created.

9. Ensuring the independence of the above employees from directors and the effectiveness of instructions given to those employees

The appointment, transfer, and evaluation of employees who assist the Audit & Supervisory Board Members in their duties will be subject to the approval of the Audit & Supervisory Board. The said employees will solely comply with instructions and orders given by the Audit & Supervisory Board Members.

10. System for officers and employees of the Bank and its affiliates to report to Audit & Supervisory Board Members of the Bank and a system for other reports to Audit & Supervisory Board Members

Officers and employees of the Bank and its affiliates and persons who received reports from them shall submit reports and provide information in response to requests from the Audit & Supervisory Board or individual Audit & Supervisory Board Members. The following are the main topics of the reports and information to be provided.

(1) Department activities related to creating the Bank's internal control system

(2) Activities of the Bank's affiliates

(3) Matters that may inflict a significant loss on the Bank and its affiliates

(4) Significant accounting policies and standards and changes to them

(5) Content of disclosed earnings, projections, and other important disclosure materials

(6) Serious violations of the laws and ordinances

(7) Operation of the whistle-blower system and notifications

(8) Circulation of documents such as draft proposals and the minutes of important conference/committee meetings

(9) Other items deemed necessary by the Audit & Supervisory Board Members

11. System to ensure that a person who made a report in accordance with the preceding paragraph does not receive unfair treatment on the grounds of making such report

The Bank and its affiliates prohibit a dismissal or any other disadvantageous treatment of the person who made a report in accordance with the preceding paragraph on the grounds of making such report, etc. and take appropriate steps to ensure that such person will not receive unfair treatment.

12. Matters related to treatment of expenses incurred in the execution of duties by Audit & Supervisory Board Members

In the event that Audit & Supervisory Board Members made a request for reimbursement of expenses incurred in the execution of their duties, it will be granted unless the expenses are proved to be unnecessary to the execution of their duties.

13. System to ensure effective audits by Audit & Supervisory Board Members

The representative director will regularly meet and cooperate with the Audit & Supervisory Board Members to ensure the effectiveness of audits, and will regularly exchange opinions on management problems and progress in auditing to ensure high accuracy.

Compliance System

Recognizing that the survival of financial institutions depends on trust, we put top priority on earning the firm trust of the general public.

We are further strengthening our compliance system under our 14th Medium-Term Management Plan through our policy which is designed to “promote awareness of the crucial importance of compliance among our staff.”

1) Earn the firm trust of the general public through the maintenance of high corporate ethical standards and awareness of the importance of legal compliance;

2) Promote awareness of the crucial importance of compliance among our staff; and

3) Raise standards of compliance rigor still higher.

To further enhance the compliance system that we have built to date, we formulate and implement a compliance program each fiscal year. Specifically, all departments regularly hold study meetings on compliance, and we have implemented curriculums related to compliance for various training programs in order to boost the awareness of compliance and ingrain a compliance-oriented corporate culture.

Organizational Structure
<div>Compliance Council</div> <div>Chaired by the president and CEO, consisting of managing directors and the general managers from relevant divisions, the Compliance Council examines, discusses, and issues directives concerning matters of compliance.</div>
<div>Compliance Office (Risk Management Division)</div> <div>As the entity responsible for overseeing compliance, the Compliance Office promotes compliance programs and serves as the secretariat for the Compliance Council.</div>
<div>Inspection Section (Internal Audit Division)</div> <div>The section conducts audits and other investigations related to the compliance conditions in each division.</div>
<div>Compliance at Each Division</div> <div>Compliance officers are appointed in each of the divisions to check the day-to-day compliance of those divisions.</div>

Customer Protection Management System

The Bank set up a Customer Protection Management Policy in September 2007 to develop and establish a system to ensure customer protection. Under the Customer Protection Management Policy, we have clearly stated protection measures that we had taken as part of compliance and risk management. We are focusing more heavily on customer-oriented management. The purpose of the policy is to improve the protection and convenience of customers through the following initiatives:

- (i) Providing appropriate information and explanations on products and services for customers
- (ii) Responding properly to requests, consultation, inquiries and complaints from customers
- (iii) Appropriately managing customer information
- (iv) Properly managing outsourced operations
- (v) Properly managing of conflicts of interest so avoid unfair detriment to the interests of our customers

Information Security, Management of Customer Information

In line with the top priority that we assign to ensuring the confidentiality of our customers' personal data, information security risk is addressed by the Bank's Information Security Management Rules. We have publicly announced our Declaration of Personal Information Protection (Privacy Policy).

As stipulated in the aforementioned Security Management Rules, we have also appointed a chief information officer at the Bank's headquarters and an information officer in each department and branch. We are making every effort to educate employees to bolster their awareness of security issues so that we can ensure the maximum degree of protection for customer data in daily operations.

Money Laundering and Terrorist Financing Risk Management Framework

Towards a more enhanced management framework for money laundering and terrorist financing risks

There is a strong international pressure for financial institutions to prevent money laundering and terrorist financing (hereinafter, "Money Laundering, etc."), amid increasing threats of international terrorism and the internationalization and expansion of fund transfers by criminal groups and terrorists.

The Bank has placed the prevention of Money Laundering, etc. as one of its most important management issues, and will aim to further enhance such risk management by constructing an effective risk management framework.

Organizational Structure

Anti-Money Laundering Council	Chaired by the president and CEO, consisting of managing directors and the general managers from relevant divisions, the Anti-Money Laundering Council reports on problematic cases relating to the prevention of Money Laundering, etc., discusses policies on necessary responses, and issues directives to the divisions in charge.
First Line (Business Divisions and Branches)	Fully understanding policies, procedures, and plans, etc. related to countermeasures for Money Laundering, etc., the First Line accurately implements reduction measures commensurate with the risks.
Second Line (Risk Management Division, Operations Administration Division)	Checks the autonomous risk management of the First Line, while concurrently providing information and answering questions.
Third Line (Internal Audit Division)	Regularly performs audits from an independent position regarding the effectiveness of measures to prevent Money Laundering, etc. and the proper functioning of the First and Second Lines.

Risk-Based Approach

The risk-based approach for Money Laundering, etc. countermeasures involves identification and evaluation of Money Laundering, etc. risks as well as implementation of effective measures to reduce such risks. At the Bank, we compile a risk evaluation document regarding the risk reduction measures formulated by applying the risk-based approach, and use it as a guideline for when each of the sales division and branch conducts business. The various products and services of the Bank that we provide to our sound customers should never be abused by criminals. The Bank aims to further enhance its risk management framework towards preventing Money Laundering, etc., thereby fulfilling social responsibility.

Risk Management

The importance of risk management has grown as the risks confronting financial institutions have become more complex and diverse. Recognizing risk management as crucial for safe and sound operations, we have established a Comprehensive Risk Management Policy and other policies and rules relating to risk management that enable an appropriate and prompt response to various types of risk.

We have established the Risk Management Division to step up our commitment in this area. We aim to further strengthen our risk management system through use of the PDCA cycle, by laying down policy (planning), creating internal rules and organizations (doing), assessing results of these measures (checking) and making improvements where needed (acting).

In addition, to ensure that our risk management mechanisms function effectively with regard to sections within the Group subject to auditing (the Bank's head office divisions, branches and consolidated affiliates), regular, planned, on-site audits of such departments are carried out by staff of the Internal Audit Division, which is independent from business operation departments. In this way the Bank verifies the effectiveness of its risk management systems.

Comprehensive Risk

The Bank has formulated a comprehensive risk management framework by determining a Comprehensive Risk Management Policy and Rules.

The Bank's risk management does not stop at managing various risks individually, but extends a step ahead to control the total amount of risks to keep it within the range of distributable capital, which is defined as "core capital (full implementation basis) less allowance for doubtful accounts," through the risk quantification using statistical methods, thereby enforcing a comprehensive risk management aiming at ensuring soundness of management.

We adopt a flexible approach to required responses by getting the current state of such comprehensive risks checked by the Integrated Risk Management Council and Committee, which meet regularly and report directly to the Board of Directors, etc.

Credit Risk

To appropriately adapt to changes in the credit risk in relation to assets held by the Bank, and to ensure stable profitability and maintain sound operations, we conduct management appropriately with reference to our Credit Risk Management Policies and Credit Risk Management Rules.

In order to objectively determine a borrower company's credit state and its capacity to repay loans, we perform a credit rating system in a timely manner and reflect the result of the credit rating in our credit risk management. More specifically, we endeavor to maintain a sound asset base by implementing our own assessment of loan assets and by making appropriate provision for possible loan losses and write-offs based on the credit rating system.

Meanwhile, the credit rating system enables a quantification of the credit risk, controls concentration of risk with particular borrowers or industries, and further ensures profits that are balanced by credit costs, and thereby enables the Bank to improve its credit portfolio.

Regarding examination of loan applications, we have clearly separated the sales promotion and credit screening functions and undertake strict reviews and management under a policy of screening by borrower business sector. Individual cases are screened by verifying various aspects including the use of funds, income and expenditure plans, and investment outcomes, and by carefully examining a borrower's resources and plans for repayment.

Market Risk

For market risk, the Market Risk Management Rules have been established, which stipulates the policies for monitoring, control and mitigation of the risk, along with specific arrangements.

The Risk Management Division manages interest rate risk related to deposits and loans, as well as the risk associated with securities, derivatives and other markets. Our current positions,

unrealized gains/losses and risk indicators such as BPV and VaR are measured and evaluated on a daily or monthly basis and reported to management. From the perspective of managing assets and liabilities together, we hold monthly Integrated Risk Management Council meetings, forecast interest rates, stock prices and exchange rates, as a set of measures to enable an appropriate response to risk.

Liquidity Risk

We manage liquidity risk through our Liquidity Risk Management Policies and Liquidity Risk Management Rules and regard stable cash flows as the primary objective. Moreover, we have in place a system (Liquidity Risk Contingency Plan) that can respond to a wide variety of circumstances promptly and appropriately.

Operational Risk

We have drawn up an Operational Risk Management Policies and Operational Risk Management Rules, with separate provisions for administrative risk, system risk, legal risk, personnel risk, fixed asset risk and reputational risk. We implement necessary measures for required responses by getting the current management status of such risks checked regularly by the Operational Risk Management Council and reported to the Board of Directors. For the important categories of administrative and system risk, we have drawn up the following sub-policies and procedures.

[Administrative Risk]

We manage administrative risk through our own Administrative Risk Management Policies and Administrative Risk Management Rules. While adapting to the growing diversification and complexity of banking operations, our administration has become more rigorous in an effort to retain and strengthen the trust of our customers.

[System Risk]

System risk refers to the risk of incurring a loss due to computer system failure, malfunction and other errors or system flaws and other deficiencies, as well as the risk of incurring a loss due to the improper use of computers. This includes "cyber security risk" that threatens the safety of computer systems and computer networks as a result of cyber attacks. We have established a framework that swiftly responds to system failure through our Computer System Failure Action Rules and Center Failure Rules.

To prepare for contingencies that cannot be dealt with using our conventional risk management mechanisms, we have compiled a Business Continuity Plan, and have taken measures that would enable us to continue major business operations even under emergency conditions.

At Juroku Bank, we recognize the importance of integrated risk management, and we will continue working to enhance the sophistication of our risk management system.

Non-Performing Loans

The Bank provides information about the status of its assets in three different ways. First, we conduct self assessment to calculate appropriate write-offs and reserves by classifying borrowers according to their financial soundness. Second, disclosure based on “The Financial Reconstruction Law” is used to classify prob-

lem assets. Third, we disclose the value of Risk-Monitored Loans based on the Banking Law, which excludes non-loan assets such as foreign exchange, accrued interest and advance payments.

Asset Self-Assessment / Assets Disclosed under the Financial Reconstruction Law / Risk-Monitored Loans under the Banking Law (as of March 31, 2019)

(Non-consolidated)					Billions of Yen			
Asset Self-Assessment For all assets					Assets disclosed under the Financial Reconstruction Law and coverage of the claims For all claims			
Borrower category	Classification				Classification	Portion of claims secured*2	Reserves	Coverage ratio
Balances of credits	I	II	III	IV	Balances of claims			
Legally bankrupt borrowers 3.2 [0.8]	2.8	0.4	— (0.1)	— (2.5)	Bankrupt and quasi-bankrupt assets 14.1 [5.3]	4.3	9.8	100.0%
Virtually bankrupt borrowers 10.9 [4.6]	8.6	2.2	— (1.0)	— (6.3)	Doubtful assets 48.1	32.8	7.3	83.4%
Potentially bankrupt borrowers 48.1	29.0	11.2	8.0 (7.3)		Substandard loans*3 2.4	1.5	0.2	67.9%
Borrowers requiring caution					Sub-total 64.6 [55.9]	38.6	17.3	86.5%
Substandard borrowers 2.6	0.2	2.5			Normal assets 4,331.8	Ratio of disclosed claims under the Financial Reconstruction Law (subtotal) to total credits Figures in brackets are those after application of partial charge-offs (direct deduction). 1.4% [1.2%]		
Others*1 372.4	101.8	270.6						
Normal borrowers 3,959.1	3,959.1				Total 4,396.4 [4,387.6]	Ratio of risk-monitored loans to total loans Figures in brackets are those after application of partial charge-offs (direct deduction). 1.4% [1.2%]		
Total 4,396.4 [4,387.6]	4,101.5	286.9	8.0 (8.4)	— (8.8)				

*1 Borrowers requiring caution, excluding substandard borrowers
*2 Portion of claims secured by collateral or guarantees
*3 Substandard claims consist of loans only.

Notes:

- Amounts in asset self-assessment and claims disclosed under the Financial Reconstruction Law and the coverage of claims are rounded to the nearest 100 million yen. Amounts in risk-monitored loans are rounded down to the nearest 100 million yen. Figures for ratios are rounded down to the first decimal place.
- All credit items = Loans + Customers' liabilities for acceptances and guarantees + Bonds issued through private placements covered by guarantees of the Bank + Foreign exchanges + Suspense payments with a similar nature to loans + Accrued interest.

- Amounts in asset self-assessment are those after deduction of specific reserves for possible loan losses, and the amounts in parentheses are specific reserves for each classification.
- The Bank does not implement partial charge-offs (direct deduction). If partial charge-offs were implemented, relevant figures would decline to the figures shown in brackets.

Contribution to the Regional Economy and Community

Activities to Revitalize the Regional Economy

Juroku Bank's Support for Overseas Business Development

At Juroku Bank, utilizing our overseas network of four representative offices and 15 overseas cooperating financial institutions, we will capture new business opportunities together with our regional customers through proactive support towards expanding overseas sales channels and overseas local production.

Hanoi Representative Office Activity Report ~ One Year since Establishment ~

In March 2018, the Bank opened the Hanoi Representative Office, the first for a regional bank. In FY2018, over 100 corporate customers from Japan visited our Hanoi Representative Office throughout the year, and the Office introduced the ever-changing local trends as well as precautions for when expanding into Vietnam through activities such as accompanying the customers on industrial park inspection tours.

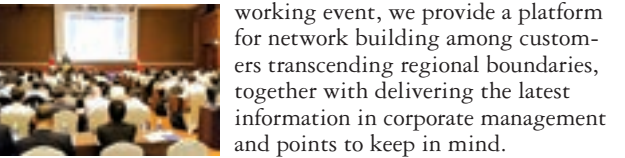
Going forward, we will continue to further enhance our initiatives to connect regional companies in Japan with local companies in Vietnam, where regional companies are expected to continue expanding into.

■ The Bank's original "Vietnam Outlook," gathering together the latest information on Vietnam



Strengthening Cooperation with Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)

In April 2019, we held a seminar and networking event in Hanoi sponsored by BIDV. This year's event was the 6th event held, and saw the participation of a record total of 30 people from 28 companies, mainly customers with business in Hanoi or those considering expansion into Vietnam. At the seminar and net-



Holding of the "Juroku: Latest Asian Situation Report Meeting ~ Overseas Representative Report ~"

We periodically hold the "Juroku: Latest Asian Situation Report Meeting ~ Overseas Representative Report ~" with lectures from the heads of our overseas representative offices.

At the meeting held in October 2018, reports on the latest topics and trends in China and Vietnam were given by the head of the Shanghai Representative Office and the head of the Hanoi Representative Office. In addition, together with representatives from the Japan External Trade Organization (JETRO) Gifu Office and the Japan International Cooperation Agency (JICA) Chubu, we held a panel discussion in the form of a Q&A session on matters regarding overseas business.

At the meeting held in April 2019, reports on the latest topics and trends in Singapore, Bangkok and Indonesia were given by the head of the Singapore Representative Office, the head of the Bangkok Representative Office, and a trainee who is currently at the Bank Negara Indonesia. In addition, a special talk entitled "The Current Situation and Challenges in Hong Kong" was given by Yoshinori Go, Chairman of TOKAI TOKYO SECURITIES (ASIA). At the networking event held following the report meeting, lively exchanges of information and opinions were held among the speakers and our customers.

Going forward, we will continue to strive to provide our customers with information useful for their overseas business developments.



Cooperating Financial Institutions

Location	Bank Name
China	Bank of Communications, Bank of China, Industrial and Commercial Bank of China
South Korea	Shinhan Bank Japan (Shinhan Bank Group)
Vietnam	Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), Australia and New Zealand Banking Group (one trainee sent to BIDV)
Thailand	KASIKORNBANK (one trainee sent to KASIKORNBANK)
Indonesia	Bank Negara Indonesia (one trainee sent to Bank Negara Indonesia)
India	State Bank of India
Myanmar	Ayeyarwady Bank
Philippines	BDO Unibank
Malaysia	CIMB Bank Berhad, CIMB Investment Bank Berhad
Mexico	Banamex
Brazil	Banco do Brasil S.A.

■ In FY2018, a total of 211 local companies used the Bank's overseas locations (cases of visiting our overseas locations on business trips or inspection tours).

Example of Support for Overseas Sales Channel Development Triggered by Seminar

In March 2019, we held the "Hong Kong/Singapore Overseas Food Sales Channel Development Seminar." The Bank invited the organizers of the Hong Kong Food Expo and the Singapore-based Food Japan expo, at which the Bank has previously provided various types of support to those exhibiting, to speak at the seminar.

Following the seminar, we provided consultations regarding overseas sales channel development to several customers who participated, and supported them through market research that utilized the network of the Singapore Representative Office and on-site inspection visits.

The Bank will hold events that capture the overseas business needs of its customers, and continue to provide information on overseas local market trends to those customers who are attempting to develop overseas sales channels for the first time, providing consistent support up to the start of exports.



Attending overseas Japanese food section

CSR Activities

Funding for Traditional Folk House Renovation Business

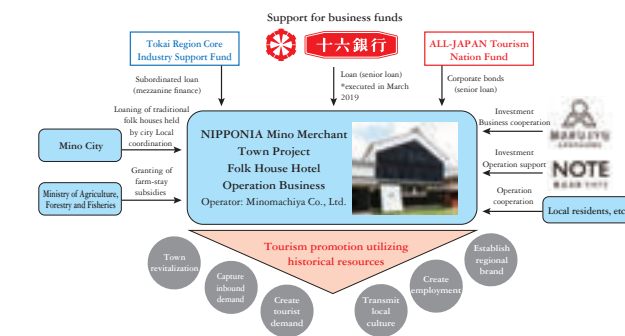
The Bank, the Tokai Region Core Industry Support Investment Limited Partnership and Regional Revitalization Solution, Inc. worked together to support the funding of Minomachiya Co., Ltd., a company that seeks to create new tourism demand by renovating 100-year old traditional folk houses that exist in Mino City, through senior loans, mezzanine finance and underwriting corporate bonds.

This case is an initiative that utilizes the tourist resource of Mino washi paper, a UNESCO intangible cultural heritage, in the city of Mino, known as the “washi and udsu town.” It aims to create demand for stay-type and experience-type tourism in Mino City by renovating 100-year residences formerly of old paper merchants held by the city into washi paper showrooms and accommodation facilities. The Juroku Bank, the Tokai Region Core Industry Support Investment Limited Partnership and Regional Revitalization Solution, Inc. will work together to support this from a funding perspective.

This will not only protect traditional Japanese crafts but also aim to create new tourist demand by making the regional cities

of Mino City and Gifu prefecture known throughout the country. We believe it will significantly contribute to the achieving of the government's “Japan Revitalization Strategy,” and we will continue contributing to regional revitalization through similar initiatives going forward.

Diagram of the Scheme



Contributions to the Community by the JUROKU FOUNDATION FOR REGIONAL PROMOTION

In November 2018, the “Clara Saal Juroku Music Hall” celebrated its third anniversary. In the past three years, 14 special concerts have been held, delivering various music to local people, and more than 100 groups have used the music hall rental service. We will continue to meet the expectations of people in local communities through art and culture.

<Kiyoshi Shomura Guitar Recital>

In March 2019, Kiyoshi Shomura, a native of Gifu prefecture and one of Japan's best-known guitarists, was invited to perform in a concert. Celebrating 50 years since his debut, the Clara Saal concert was the first stop on Mr. Shomura's nationwide tour, and the hall was impressed by his delicate yet powerful guitar performance.



Juroku Bank aims to realize sustainable local communities by proactively pursuing initiatives to address ESG (Environment, Social and Governance) issues. Through such initiatives, we will become actively involved in community tasks with a view to creating a positive cycle where local economies and Juroku Bank grow together.

Environment

Forest Protection Activities

-Forest protection through cooperation with government-Agreement on forest protection “Juroku Bank's Forest MITAKE”

In September 2017, we agreed to conduct forest protection activities through cooperation with Mitake Town and Gifu Prefecture, and entered into an agreement on forest protection “Juroku Bank's Forest MITAKE” with Gifu Prefecture and Mitake Town. Following this, we started forest protection activities in November 2017.

In May 2018, 120 people, including new employees, learned about the initiatives of Mitake Town, an environmental model city, as well as implemented forest protection activities. Going forward, Juroku Bank will make efforts to preserve the rich nature and continue to contribute to the realization of a sustainable society as part of social contribution activities.



Society

Activities to Improve Labor Environment of Local Community

Initiatives for Promoting Women's Participation and Advancement ~ Aiming for workplaces in which women can work relaxed with peace of mind ~

Following the proposals of the “Shine Nadeshiko Project,” which aims to promote women's participation and advancement in the workplace, the first in-house childcare facility at a regional bank in the three prefectures of the Tokai region called the “Juroku Smile Room” has been used by many employees since its opening, and is supporting the lifestyles of women who balance childcare and work.

In addition, by spreading systems women can utilize according to their diverse working styles, such as the “childcare leave system,” “shorter working hours for childcare” and “exemptions from overtime,” a working environment that supports women who work actively, including 12 female branch managers, has spread throughout the Bank.

Going beyond balancing childcare and work, we aim to further spread our initiatives for promoting women's participation and advancement in the workplace.



Initiatives for a Good Work-Life Balance

At the Bank, we are working to promote work-life balance throughout the Bank for furthering the active roles of our employees.

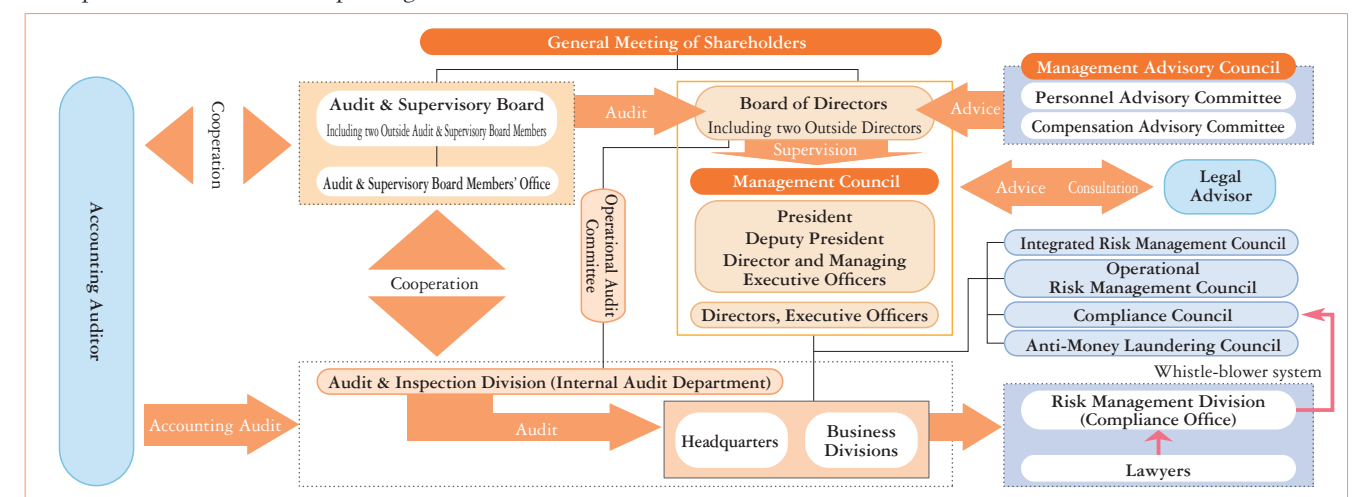
The percentage of employees who take the “spouse maternity leave,” which was introduced in April 2017 with the aim of encouraging men to participate in childcare, stands at 92.5%.

Moreover, by promoting the use of leave systems and implementing “fresh up weeks” that encourage leaving the office on time for one week in a row every month, we have reduced overtime hours, and are working to enhance the leisure time of each employee and balance their work and family lives.

Governance

We have realized fair and transparent decision-making through the establishment of an appropriate corporate governance system.

Implementation status of corporate governance measures



New Topic

Juroku Tokai Tokyo Securities Launched on June 3!

Juroku Tokai Tokyo Securities, a joint-investment of 60% by the Bank and 40% by Tokai Tokyo Financial Holdings, began its operations on June 3, 2019, upon succeeding the four branches of Tokai Tokyo Securities within Gifu prefecture.

Juroku Tokai Tokyo Securities has an assortment of asset management services, such as mutual fund wraps, in addition to a diverse range of high-quality financial products, and will carefully respond to the asset management needs of its customers. Moreover, it will also respond to the needs of customers for transferring assets to the next generation, such as inheritance, in cooperation with the Bank.

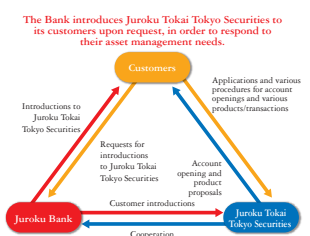
Juroku Tokai Tokyo Securities will provide a “new form of asset management” as a securities company rooted in the local region.

Out of the four Juroku Tokai Tokyo Securities branches, the Ogaki Branch is the first bank-securities joint branch in Gifu prefecture. Going forward, we will consider expanding bank-securities joint branches so that our customers can use the comprehensive financial services of the Juroku Bank Group all in one place.

Launching with 10,000 accounts and deposits of ¥100 billion, Juroku Tokai Tokyo Securities aims to double the balance of deposits in three to four years' time, demonstrating its presence as a leading regional securities company.



Ribbon cutting ceremony



Ogaki Branch, our first bank-securities joint branch

Board of Directors and Audit & Supervisory Board Members

The Juroku Bank, Ltd. (as of June 30, 2018)

President and CEO
Yukio Murase
Deputy President
Naoki Ikeda
Director and Managing Executive Officers
Kimio Hirose
Kazuhito Akiba
Yukiyasu Shiraki
Director and Executive Officer
Akihide Ishiguro
Shin Mishima
Outside Directors
Yuji Kume
Kikuo Asano
Managing Executive Officers
Yoshinobu Takahashi
Koichi Tokoro
Executive Officers
Katsuhiko Okuda
Shigeki Fujii
Etsuro Ono
Hiroaki Sugino
Akito Yamashita
Tsutomu Niimi
Hirokazu Kusui
Standing Audit & Supervisory Board Members
Koji Iwata
Naohiko Ishikawa
Outside Audit & Supervisory Board Members
Hideo Kono
Shinji Ishihara



Yukio Murase
President and CEO



Naoki Ikeda
Deputy President



Kimio Hirose
Director and Managing
Executive Officer



Kazuhito Akiba
Director and Managing
Executive Officer



Yukiyasu Shiraki
Director and Managing
Executive Officer

Financial Review

Business Environment

During the fiscal year under review, the Japanese economy showed a slowdown in exports and production mainly due to the U.S.-China trade friction and the Brexit issue. While some weakness was seen, there were signs of a moderate recovery as strong corporate capital investment and personal consumption supported the economy.

In the region of the Bank's core business, Gifu and Aichi prefectures, exports remained flat while production and capital investment continued to be strong in the corporate sector. In the household sector, moderate growth continued overall due to steady personal consumption backed by favorable labor and income environment.

Performance

Ordinary income from banking operations decreased by ¥1,309 million to ¥77,257 million, mainly due to a decrease in gain on sales of stock and other securities, despite an increase in interest income. Ordinary expenses decreased by ¥3,677 million to ¥62,646 million, due primarily to a decrease in general and administrative expenses. As a result, ordinary profit increased by ¥2,368 million to ¥14,610 million.

In the leasing business, ordinary income increased by ¥1,130 million to ¥23,436 million, while ordinary expenses increased by ¥1,077 million to ¥22,771 million, and ordinary profit increased by ¥54 million to ¥665 million.

In other businesses, including the credit card business and credit guarantee business, ordinary income increased by ¥541 million to ¥6,380 million, ordinary expenses increased by ¥630 million to ¥5,378 million, while ordinary profit decreased by ¥89 million to ¥1,001 million.

As a result, ordinary income on a consolidated basis increased by ¥342 million to ¥105,086 million and ordinary expenses decreased by ¥2,002 million to ¥88,808 million, while ordinary profit increased by ¥2,343 million to ¥16,277 million and net income attributable to owners of the parent increased by ¥757 million to ¥10,658 million.

Financial Position

In relation to balance of deposits, from the perspective of procuring low-cost, stable, and long-term funds, the Bank actively pursues sales activities in close cooperation with local communities, and increased deposits particularly among individuals. In addition, as a result of our efforts to accurately respond to growing and diversifying asset management needs, we saw an increase in individual customer assets, in particular pension insurance and whole life insurance. As a result, our balance of deposits as of March 31, 2019 increased by ¥56.1 billion to ¥5,579.8 billion, mainly due to an increase in deposits from individuals. Furthermore, the balance of individual customer assets increased by ¥102.2 billion to ¥4,544.0 billion.

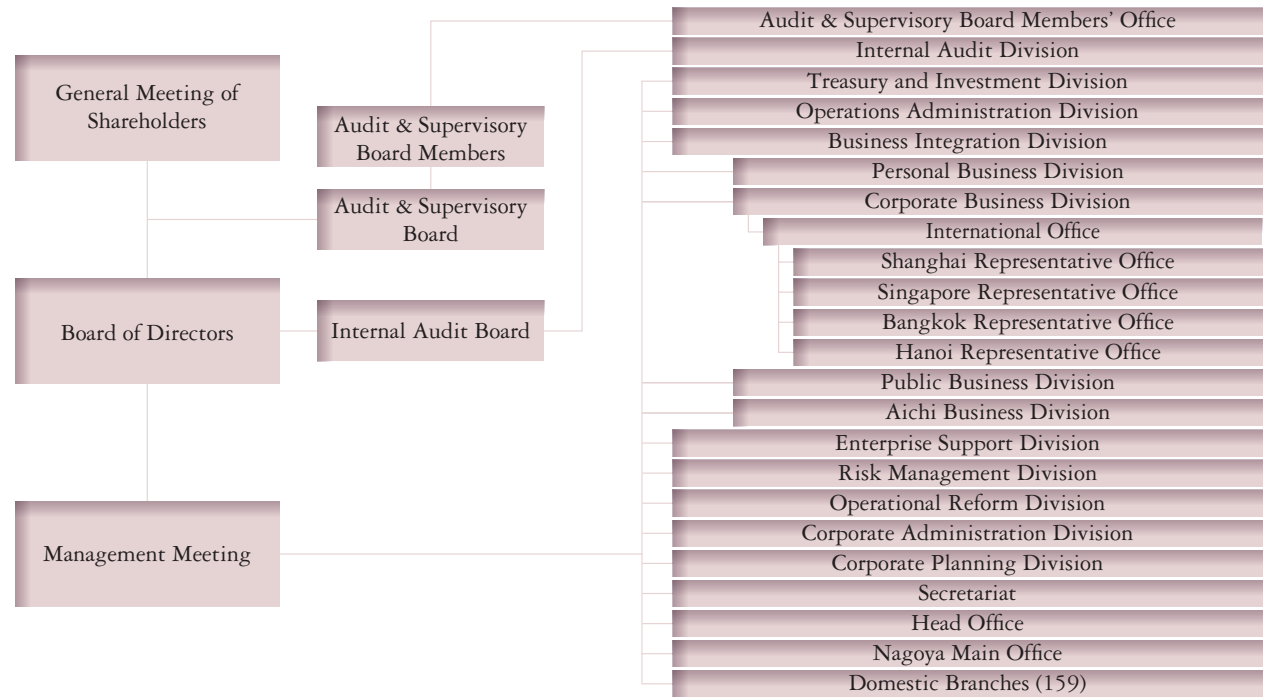
In lending activities, the Bank responded actively to demands for funds from local enterprises, particularly small to medium enterprises. In addition, we worked actively to provide mortgage loans to individuals, and saw an increase in loans, in particular those for individuals. Consequently, our balance of loans as of March 31, 2019 increased by ¥99.2 billion to ¥4,332.7 billion.

With regard to securities, in addition to underwriting and purchasing central and local government bonds, while closely watching market conditions, the Bank engaged in transactions of foreign securities, investment trusts and others in order to efficiently manage funds. As a result, our balance of securities as of March 31, 2019 increased by ¥45.9 billion to ¥1,350.5 billion.

Net cash provided by operating activities amounted to ¥180,626 million (¥178,680 million was used in the previous term), mainly as a result of an increase in payables under securities lending transactions. Net cash used in investing activities amounted to ¥35,608 million (¥49,526 million was provided in the previous term), mainly as a result of the purchases of securities. Net cash used in financing activities amounted to ¥3,136 million (¥13,222 million was used in the previous term), mainly as a result of dividends paid. As a result, the closing balance of cash and cash equivalents increased by ¥141,884 million during the term under review, to ¥485,525 million.

Organization Chart

The Juroku Bank, Ltd. (as of June 30, 2019)



Consolidated Balance Sheet

The Juroku Bank, Ltd. and Consolidated Subsidiaries *March 31, 2019*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS:			
Cash and due from banks (Notes 4 and 26)	¥ 487,166	¥ 344,412	\$ 4,389,278
Call loans and bills bought	—	1,000	—
Trading securities (Notes 5 and 26)	378	531	3,406
Money held in trust (Notes 6 and 26)	7,012	7,012	63,177
Securities (Notes 5, 11, 12 and 26)	1,345,422	1,300,663	12,122,011
Loans and bills discounted (Notes 7, 26 and 27)	4,304,066	4,215,431	38,778,863
Foreign exchanges (Notes 7 and 8)	6,456	8,497	58,167
Lease receivables and investments in leases (Note 25)	55,579	51,499	500,757
Other assets (Notes 9, 12, 26 and 28)	95,367	96,491	859,240
Premises and equipment (Note 10)	63,388	65,663	571,115
Goodwill	2,875	3,119	25,903
Intangible assets	4,361	5,116	39,292
Asset for retirement benefits for employees (Note 16)	3,890	3,525	35,048
Deferred tax assets (Note 24)	661	567	5,955
Customers' liabilities for acceptances and guarantees (Note 11)	17,303	18,221	155,897
Reserve for possible loan losses (Note 26)	(24,767)	(25,179)	(223,146)
Total Assets	¥6,369,157	¥6,096,568	\$57,384,963
LIABILITIES AND EQUITY:			
Liabilities:			
Deposits (Notes 12, 13 and 26)	¥5,492,227	¥5,442,974	\$49,483,981
Negotiable certificates of deposit (Note 26)	55,600	49,600	500,946
Payables under repurchase agreements (Notes 12 and 26)	186,071	98,874	1,676,466
Payables under securities lending transactions (Notes 12 and 26)	105,931	—	954,419
Borrowed money (Notes 12 and 14)	62,828	47,775	566,069
Foreign exchanges (Note 8)	966	881	8,703
Other liabilities (Notes 14, 15, 17, 25, 26 and 28)	49,960	49,911	450,131
Liability for retirement benefits for employees (Note 16)	6,471	6,704	58,303
Liability for retirement benefits for directors and Audit & Supervisory Board members	9	6	81
Deferred tax liabilities (Note 24)	14,462	13,045	130,300
Deferred tax liabilities for land revaluation surplus	7,130	7,324	64,240
Acceptances and guarantees (Note 11)	17,303	18,221	155,897
Total Liabilities	5,998,958	5,735,315	54,049,536
Commitments and Contingent Liabilities (Note 27)			
Equity (Notes 18, 19 and 31):			
Common stock: authorized, 46,000,000 shares in 2019 and 2018; issued, 37,924,134 shares in 2019 and 37,924,134 in 2018	36,839	36,839	331,913
Capital surplus (Note 3)	50,190	48,282	452,203
Stock acquisition rights	160	130	1,442
Retained earnings	201,322	192,824	1,813,875
Treasury stock - at cost: 566,641 shares in 2019 and 562,512 shares in 2018	(1,585)	(1,574)	(14,281)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)	53,699	52,723	483,818
Land revaluation surplus	14,035	14,490	126,453
Defined retirement benefit plans (Note 16)	(431)	(468)	(3,883)
Total	354,229	343,246	3,191,540
Noncontrolling interests	15,970	18,007	143,887
Total Equity	370,199	361,253	3,335,427
Total Liabilities and Equity	¥6,369,157	¥6,096,568	\$57,384,963

See notes to consolidated financial statements.

Consolidated Statement of Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2019*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Income:			
Interest on:			
Loans and discounts	¥ 39,705	¥ 39,880	\$357,735
Securities	13,613	11,540	122,651
Other	445	419	4,009
Fees and commissions	20,181	19,062	181,827
Other operating income (Note 20)	26,178	25,010	235,859
Other income (Note 21)	5,031	8,833	45,329
Total Income	105,153	104,744	947,410
Expenses:			
Interest on:			
Deposits	1,003	1,528	9,037
Borrowings and re-discounts	369	366	3,325
Payables under repurchase agreements	2,457	1,162	22,137
Other	39	43	351
Fees and commissions	6,780	6,476	61,086
Other operating expenses (Note 5)	24,507	25,045	220,804
General and administrative expenses (Note 22)	50,099	54,633	451,383
Provision for possible loan losses	2,122	—	19,119
Impairment loss on long-lived assets	189	94	1,703
Other expenses (Note 23)	1,524	1,786	13,731
Total Expenses	89,089	91,133	802,676
Income before Income Taxes	16,064	13,611	144,734
Income Taxes (Note 24):			
Current	4,336	3,853	39,067
Deferred	553	(705)	4,982
Total Income Taxes	4,889	3,148	44,049
Net Income	11,175	10,463	100,685
Net Income Attributable to Noncontrolling Interests	517	562	4,658
Net Income Attributable to Owners of the Parent	¥ 10,658	¥ 9,901	\$ 96,027

	Yen		U.S. Dollars
	2019	2018	2019
Per Share of Common Stock (Notes 2.u and 30):			
Basic net income	¥285.29	¥264.93	\$2.57
Diluted net income	284.92	264.65	2.57
Cash dividends applicable to the year			
Common stock	70.00	80.00	0.63

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2019*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Net income	¥ 11,175	¥ 10,463	\$100,685
Other Comprehensive Income (Note 29):			
Unrealized gain on available-for-sale securities	768	4,804	6,920
Defined retirement benefit plans	37	1,799	333
Total other comprehensive income	805	6,603	7,253
Comprehensive Income	¥ 11,980	¥ 17,066	\$107,938
Total Comprehensive Income Attributable to:			
Owners of the parent	¥ 11,671	¥ 16,414	\$105,154
Noncontrolling interests	309	652	2,784

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Thousands	Millions of Yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncon- trolling Interests	Total Equity
							Unrealized Gain on Available -for-sale Securities	Land Revaluation Surplus	Defined Retirement Benefit Plans			
Balance at April 1, 2017	373,724	¥36,839	¥48,179	¥111	¥185,866	¥(1,536)	¥48,010	¥14,537	¥(2,267)	¥329,739	¥17,632	¥347,371
Purchase of shares of consolidated subsidiaries		—	101	—	—	—	—	—	—	101	—	101
Net income attributable to owners of the parent		—	—	—	9,901	—	—	—	—	9,901	—	9,901
Cash dividends, ¥80.00 per share on common stock		—	—	—	(2,990)	—	—	—	—	(2,990)	—	(2,990)
Transfer of land revaluation surplus		—	—	—	47	—	—	—	—	47	—	47
Purchase of treasury stock (25)		—	—	—	—	(57)	—	—	—	(57)	—	(57)
Disposal of treasury stock	70	—	2	—	—	19	—	—	—	21	—	21
Net change in the year (336,407)		—	—	19	—	—	4,713	(47)	1,799	6,484	375	6,859
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 March 31, 2019	37,357	¥36,839	¥50,190	¥160	¥201,322	¥(1,585)	¥53,699	¥14,035	¥ (431)	¥354,229	¥15,970	¥370,199

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncon- trolling Interests	Total Equity
						Unrealized Gain on Available -for-sale Securities	Land Revaluation Surplus	Defined Retirement Benefit Plans			
Balance at April 1, 2018	\$331,913	\$435,012	\$1,171	\$1,737,310	\$(14,181)	\$475,025	\$130,552	\$(4,217)	\$3,092,585	\$162,240	\$3,254,825
Purchase of shares of consolidated subsidiaries	—	17,191	—	—	—	—	—	—	17,191	—	17,191
Net income attributable to owners of the parent	—	—	—	96,027	—	—	—	—	96,027	—	96,027
Cash dividends, \$0.63 per share on common stock	—	—	—	(23,561)	—	—	—	—	(23,561)	—	(23,561)
Transfer of land revaluation surplus	—	—	—	4,099	—	—	—	—	4,099	—	4,099
Purchase of treasury stock	—	—	—	—	(181)	—	—	—	(181)	—	(181)
Disposal of treasury stock	—	—	—	—	81	—	—	—	81	—	81
Net change in the year	—	—	271	—	—	8,793	(4,099)	334	5,299	(18,353)	(13,054)
Balance at March 31, 2019	\$331,913	\$452,203	\$1,442	\$1,813,875	\$(14,281)	\$483,818	\$126,453	\$(3,883)	\$3,191,540	\$143,887	\$3,335,427

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Operating Activities:			
Income before income taxes	¥16,064	¥13,611	\$144,734
Adjustments for:			
Income taxes - paid	(4,404)	(1,856)	(39,679)
Income taxes - refund	16	1,734	144
Depreciation	3,922	4,461	35,336
Impairment loss on long-lived assets	189	94	1,703
Interest income recognized on statements of income	(53,764)	(51,839)	(484,404)
Interest expense recognized on statements of income	3,868	3,099	34,850
Net gain on securities	(2,365)	(2,234)	(21,308)
Unrealized loss (gain) on derivatives	122	(1,008)	1,099
Net decrease in reserve for possible loan losses	(412)	(3,736)	(3,712)
Net (increase) decrease in asset for retirement benefits for employees	(503)	249	(4,532)
Net (decrease) increase in liability for retirement benefits for employees	(43)	39	(387)
Net increase (decrease) in liability for retirement benefits for directors and Audit & Supervisory Board members	3	—	27
Net increase in loans	(88,635)	(190,973)	(798,585)
Net increase in deposits	49,253	101,196	443,761
Net increase (decrease) in negotiable certificates of deposit	6,000	(48,079)	54,059
Net increase in borrowed money (excluding subordinated loans)	15,054	1,030	135,634
Net increase in due from banks (excluding cash equivalents)	(870)	(531)	(7,839)
Net decrease (increase) in call loans and others	1,000	(1,000)	9,010
Net increase in call money and others	87,198	44,149	785,638
Net increase in money held in trust	—	(4)	—
Net increase (decrease) in payables under securities lending transactions	105,931	(50,732)	954,419
Net increase in lease receivables and investments in leases	(4,079)	(3,630)	(36,751)
Interest income - cash basis	54,420	52,109	490,314
Interest expense - cash basis	(4,177)	(3,586)	(37,634)
Other - net	(3,161)	(41,243)	(28,480)
Total adjustments	164,563	(192,291)	1,482,683
Net cash provided by (used in) operating activities	180,627	(178,680)	1,627,417
Investing Activities:			
Purchases of securities	(599,926)	(475,668)	(5,405,226)
Proceeds from sales of securities	351,862	363,655	3,170,214
Proceeds from maturities of securities	213,452	164,988	1,923,164
Purchases of premises and equipment	(928)	(2,523)	(8,361)
Purchases of intangible assets	(686)	(990)	(6,181)
Proceeds from sales of premises and equipment	671	99	6,046
Other - net	(54)	(35)	(487)
Net cash (used in) provided by investing activities	(35,609)	49,526	(320,831)
Financing Activities:			
Redemption of subordinated bonds	—	(10,000)	—
Proceeds from sales of treasury stock	1	2	9
Acquisition of treasury stock	(20)	(57)	(180)
Dividends paid	(2,623)	(2,999)	(23,633)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Note 3)	(494)	(169)	(4,451)
Net cash used in financing activities	(3,136)	(13,223)	(28,255)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	3	(7)	27
Net Increase (Decrease) in Cash and Cash Equivalents	141,885	(142,384)	1,278,358
Cash and Cash Equivalents, Beginning of Year	343,640	486,024	3,096,135
Cash and Cash Equivalents, End of Year (Note 4)	¥485,525	¥343,640	\$4,374,493

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2019*

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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 ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2019, include the accounts of the Bank and its six (six in 2018) 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., and Juroku Credit Guarantee Co., Ltd. (together, the “Group”).

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 six (five in 2018) 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 (\$8,911 thousand) and ¥989 million as of March 31, 2019 and 2018, 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 ¥16,139 million (\$145,409 thousand) and ¥18,003 million as of March 31, 2019 and 2018, 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.

For normal and caution loans, the reserve for possible loan losses is calculated based on actual past loss ratios. 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 for rescheduled loans, 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.

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. 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.

r. 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.

s. Derivatives and bedding 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.

t. Consumption taxes

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

u. 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.

3. BUSINESS COMBINATIONS

For the year ended March 31, 2019

On September 26, 2018, the Bank has acquired part of the shares of Juroku Card Co., Ltd., which is a consolidated subsidiary, owned by noncontrolling interests, in exchange for cash in the amount of ¥494 million (\$4,451 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 Accounting Standards Board of Japan (“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 Card Co., Ltd. has increased to 49.77% (28.69% prior to acquisition). The Bank has recognized an increase of capital surplus in the amount of ¥1,908 million (\$17,191 thousand) for the year ended March 31, 2019.

4. CASH AND DUE FROM BANKS

Cash and due from banks as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash	¥ 62,514	¥ 66,045	\$ 563,240
Due from banks	424,652	278,367	3,826,038
Total	¥487,166	¥344,412	\$4,389,278

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, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and due from banks	¥487,166	¥344,412	\$4,389,278
Due from banks other than the Bank of Japan	(1,641)	(772)	(14,785)
Cash and cash equivalents	¥485,525	¥343,640	\$4,374,493

5. TRADING SECURITIES AND SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
National government bonds	¥308	¥476	\$2,775
Local government bonds	70	55	631
	¥378	¥531	\$3,406

The Bank records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2019 and 2018, the Bank recorded net valuation losses of ¥6 million (\$54 thousand) and ¥3 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Equity securities	¥ 132,812	¥ 142,188	\$ 1,196,612
National government bonds	350,146	400,163	3,154,753
Local government bonds	265,973	233,633	2,396,369
Corporate bonds	188,928	227,368	1,702,207
Other securities	407,563	297,311	3,672,070
Total	¥1,345,422	¥1,300,663	\$12,122,011

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥45,413 million (\$409,163 thousand) and ¥45,389 million as of March 31, 2019 and 2018, were included in national government bonds, respectively.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2019 and 2018, was as follows:

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, 2018	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 59,143	¥77,617	¥1,704	¥135,056
Debt securities	823,046	6,026	968	828,104
Other	290,098	1,238	7,194	284,142
Held-to-maturity:				
Debt securities	33,061	154	170	33,045

March 31, 2019	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 508,622	\$633,744	\$24,579	\$1,137,787
Debt securities	6,818,984	58,618	6,010	6,871,592
Other	3,499,874	43,472	35,021	3,508,325
Held-to-maturity:				
Debt securities	381,728	2,469	1,487	382,710

Proceeds from sales of available-for-sale securities for the years ended March 31, 2019 and 2018, consisted of the following:

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

March 31, 2018	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 21,549	¥4,796	¥ 124
Debt securities:			
National government bonds	17,596	302	—
Local government bonds	34,054	278	—
Corporate bonds	4,131	8	75
Other	242,098	2,484	5,279
Total	¥319,428	¥7,868	¥5,478

March 31, 2019	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Equity securities	\$ 81,737	\$22,560	\$ 5,794
Debt securities:			
National government bonds	137,913	865	802
Local government bonds	382,179	2,640	45
Other	2,450,338	28,318	25,966
Total	\$3,052,167	\$54,383	\$32,607

In addition, held-to-maturity securities amounting to ¥79 (\$712 thousand) million were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2019. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2019, was ¥9 million (\$81 thousand), which consisted of ¥9 million (\$81 thousand) of debt securities.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2018, was ¥15 million, which consisted of ¥15 million of debt securities.

Unrealized gain on available-for-sale securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain before deferred tax on:			
Available-for-sale securities	¥76,500	¥75,172	\$689,251
Money held in trust-other	11	12	99
Deferred tax liabilities	(22,543)	(21,983)	(203,108)
Unrealized gain on available-for-sale securities before interest adjustments	53,968	53,201	486,242
Noncontrolling interests	(269)	(478)	(2,424)
Unrealized gain on available-for-sale securities	¥53,699	¥52,723	\$483,818

Unrealized gain before deferred tax on available-for-sale securities includes ¥43 million (\$387 thousand) and ¥157 million of revaluation gain on available-for-sale securities as of March 31, 2019 and 2018, 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, 2019 and 2018, were ¥642 million (\$5,784 thousand) and ¥628 million, respectively.

6. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2019 and 2018, was as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2019	2018	2019
Money held in trust classified as trading Purpose	¥6,000	¥6,000	\$54,059
Money held in trust-other	1,012	1,012	9,118
Total	¥7,012	¥7,012	\$63,177

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Bills discounted	¥ 29,354	¥ 30,884	\$ 264,474
Loans on bills	129,537	133,164	1,167,105
Loans on deeds	3,744,550	3,629,079	33,737,724
Overdrafts	397,480	419,975	3,581,224
Others	3,145	2,329	28,336
Total	¥4,304,066	¥4,215,431	\$38,778,863

“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, 2019 and 2018, were ¥3,921 million (\$35,327 thousand) and ¥4,534 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, 2019 and 2018, were ¥60,351 million (\$543,752 thousand) and ¥62,449 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, 2019 and 2018, were ¥162 (\$1,460 thousand) million and 246, 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, 2019 and 2018, were ¥2,224 million (\$20,038 thousand) and ¥3,579 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, 2019 and 2018, were ¥66,658 million (\$600,577 thousand) and ¥70,808 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” 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, 2019 and 2018, were ¥30,419 million (\$274,070 thousand) and ¥33,129 million, respectively.

8. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets:			
Due from foreign correspondent account	¥4,646	¥5,134	\$41,860
Foreign bills of exchange bought	1,065	2,245	9,595
Foreign bills of exchange receivable	745	1,118	6,712
Total	¥6,456	¥8,497	\$58,167
Liabilities:			
Due to foreign correspondent account	¥ 752	¥ 698	\$ 6,775
Foreign bills of exchange payable	214	183	1,928
Total	¥ 966	¥ 881	\$ 8,703

9. OTHER ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Accrued income	¥ 4,587	¥ 4,841	\$ 41,328
Accounts receivable	10,486	9,996	94,477
Installment receivables	15,127	12,861	136,292
Derivative assets	5,746	6,387	51,770
Other	59,421	62,406	535,373
Total	¥95,367	¥96,491	\$859,240

10. PREMISES AND EQUIPMENT

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Land	¥45,919	¥46,113	\$413,722
Building	12,522	13,516	112,821
Construction in progress	—	12	—
Other	4,947	6,022	44,572
Total	¥63,388	¥65,663	\$571,115

The accumulated depreciation of premises and equipment as of March 31, 2019 and 2018, amounted to ¥61,294 million (\$552,248 thousand) and ¥60,342 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 ¥42,528 million (\$383,170 thousand) and ¥33,176 million arising from guarantees of private placement securities as of March 31, 2019 and 2018, respectively.

12. ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets pledged as collateral:			
Securities	¥402,821	¥187,641	\$3,629,345
Other assets	56	2,008	505
Total	¥402,877	¥189,649	\$3,629,850
Relevant liabilities to above assets:			
Deposits	¥74,260	¥65,213	\$669,069
Payables under repurchase agreements	186,071	98,874	1,676,467
Payables under securities lending transactions	105,931	—	954,419
Borrowed money	41,543	21,899	374,295
Total	¥407,805	¥185,986	\$3,674,250

In addition, the following assets were pledged or deposited with respect to foreign exchange settlements and derivatives as of March 31, 2019 and 2018:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Securities	¥23,797	¥55,027	\$214,407

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
	2019	2018	2019
Initial margins of future markets	¥ 547	¥ 964	\$ 4,928
Cash collateral received for financial instruments liabilities	280	3,075	2,523
Guarantee deposits	1,980	2,044	17,839
Initial margins of Central Counterparty	48,050	46,000	432,922
Total	¥50,857	¥52,083	\$458,212

13. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current deposits	¥ 362,357	¥ 353,286	\$ 3,264,772
Ordinary deposits	2,787,601	2,615,734	25,115,785
Deposits at notice	91,787	32,132	826,984
Savings deposits	31,682	90,428	285,449
Time deposits	2,159,990	2,286,153	19,461,123
Other deposits	58,810	65,241	529,868
Total	¥5,492,227	¥5,442,974	\$49,483,981

14. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Borrowings due serially to February 2024 with weighted average interest rates of 0.62 % in 2019 and 0.69% in 2018	¥62,828	¥47,775	\$566,069
Lease obligation	—	33	—

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, 2019 and 2018, were as follows:

As of March 31, 2019, for the years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥51,764	\$466,384
2021	5,453	49,131
2022	3,783	34,084
2023	1,553	13,992
2024	275	2,478
2025 and thereafter	—	—
Total	¥62,828	\$566,069

As of March 31, 2018, for the years ending March 31	Millions of Yen
2019	¥32,564
2020	6,071
2021	4,904
2022	3,233
2023	1,003
2024 and thereafter	—
Total	¥47,775

Borrowings include subordinated loans of the Bank, which amounted to nil as of March 31, 2019 and 2018, respectively.

There was no lease obligation as of March 31, 2019. Annual maturities of lease obligation as of March 31, 2018 were as follows:

As of March 31, 2018, for the years ending March 31	Millions of Yen
2019	¥33
2020	—
2021	—
2022	—
2023	—
Total	¥33

15. OTHER LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Domestic exchange settlement account, credit (*)	—	¥ 18	—
Income taxes payable	¥ 2,728	2,817	\$ 24,579
Accrued expenses	2,769	3,145	24,948
Deferred income	15,462	14,420	139,310
Employees' deposits	2,729	2,887	24,588
Derivative liabilities	5,773	4,785	52,014
Accounts payable	8,444	8,194	76,079
Other	12,055	13,645	108,613
Total	¥49,960	¥49,911	\$450,131

(*) 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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥47,350	¥47,036	\$426,615
Current service cost	1,962	1,967	17,677
Interest cost	161	160	1,451
Actuarial losses	(557)	348	(5,018)
Benefits paid	(2,333)	(2,161)	(21,020)
Balance at end of year	¥46,583	¥47,350	\$419,705

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥44,171	¥41,578	\$397,973
Expected return on plan assets	1,097	1,038	9,884
Actuarial gains	(1,009)	1,663	(9,091)
Contributions from the employer	1,458	1,574	13,136
Benefits paid	(1,715)	(1,682)	(15,452)
Balance at end of year	¥44,002	¥44,171	\$396,450

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥40,112	¥40,646	\$361,402
Plan assets	(44,002)	(44,171)	(396,450)
	(3,890)	(3,525)	(35,048)
Unfunded defined benefit obligation	6,471	6,704	58,303
Net liability arising from defined benefit obligation	¥ 2,581	¥ 3,179	\$ 23,255

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits for employees	¥6,471	¥6,704	\$58,303
Asset for retirement benefits for employees	(3,890)	(3,525)	(35,048)
Net liability arising from defined benefit obligation	¥2,581	¥3,179	\$23,255

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥1,962	¥1,967	\$17,677
Interest cost	161	160	1,451
Expected return on plan assets	(1,097)	(1,038)	(9,884)
Recognized actuarial losses	504	1,252	4,541
Net periodic benefit costs	¥1,530	¥2,341	\$13,785

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Actuarial gains	¥53	¥2,567	\$478
Total	¥53	¥2,567	\$478

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial losses	¥615	¥667	\$5,541
Total	¥615	¥667	\$5,541

(7) Plan assets

(a) Components of plan assets

Plan assets consisted of the following:

	2019	2018
Debt investments	32%	28%
Equity investments	38	42
General account for life insurance	21	21
Others	9	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 17% of the total plan assets as of March 31, 2019 and 2018.

(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, 2019 and 2018, were set forth as follows:

	2019	2018
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 (\$3,307 thousand) and ¥ 375 million for the years ended March 31, 2019 and 2018.

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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥197	¥193	\$1,775
Reconciliation associated with passage of time	4	4	36
Other increase of asset retirement obligations	15	—	135
Balance at end of year	¥216	¥197	\$1,946

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 (\$181,593 thousand) and ¥20,155 million as of March 31, 2019 and 2018, respectively.

19. STOCK OPTIONS

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
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	15,500 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

The stock option activity is as follows:

	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option	2018 Stock Option
Year Ended March 31, 2019						
Non-vested						
March 31, 2018—Outstanding	—	—	—	—	3,087.5	—
Granted	—	—	—	—	—	14,230
Canceled	—	—	—	—	—	—
Vested	—	—	—	—	3,087.5	10,672.5
March 31, 2019—Outstanding	—	—	—	—	—	3,557.5
Vested						
March 31, 2018—Outstanding	4,260	9,020	5,580	12,600	9,262.5	—
Vested	—	—	—	—	3,087.5	10,672.5
Exercised	—	—	—	1,640	1,100	—
Canceled	—	—	—	—	—	—
March 31, 2019—Outstanding	4,260	9,020	5,580	10,960	11,250	10,672.5
Exercise price						
	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise						
	¥—	¥—	¥—	¥2,895 (\$26.08)	¥2,895 (\$26.08)	¥—
Fair value price at grant date						
	¥3,650 (\$32.89)	¥3,200 (\$28.83)	¥4,640 (\$41.81)	¥2,390 (\$21.53)	¥3,170 (\$28.56)	¥2,587 (\$23.31)

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 2018 Stock Option	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	32.072%
Estimated remaining outstanding period:	4.3 years
Estimated dividend:	¥70 (\$0.63) per share
Risk free interest rate:	(0.116)%

20. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gains on sales of Japanese government bonds and other	¥ 2,636	¥ 1,912	\$ 23,750
Income on lease transaction and installment receivables	21,857	20,987	196,928
Other	1,685	2,111	15,181
Total	¥26,178	¥25,010	\$235,859

21. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gain on sales of stock and other securities	¥3,400	¥5,957	\$30,634
Reversal for possible loan losses	—	642	—
Other	1,631	2,234	14,695
Total	¥5,031	¥8,833	\$45,329

22. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Salaries and wages	¥20,185	¥21,917	\$181,863
Other	29,914	32,716	269,520
Total	¥50,099	¥54,633	\$451,383

23. OTHER EXPENSE

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loss on sales of stock and other securities	¥ 956	¥ 340	\$ 8,613
Other	568	1,446	5,118
Total	¥1,524	¥1,786	\$13,731

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% and 30.14% for the years ended March 31, 2019 and 2018, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Reserve for possible loan losses	¥ 5,879	¥ 6,027	\$ 52,969
Liability for retirement benefits for employees	2,546	2,671	22,939
Write-down of securities	1,964	2,198	17,695
Depreciation	1,277	1,284	11,506
Other	2,176	2,341	19,605
Less: Valuation allowance	(3,536)	(3,456)	(31,859)
Total	10,306	11,065	92,855
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(22,543)	(21,983)	(203,109)
Gain on contribution of available-for-sale securities to employees’ retirement benefit trusts	(1,018)	(1,018)	(9,172)
Other	(546)	(542)	(4,919)
Total	(24,107)	(23,543)	(217,200)
Net deferred tax assets	¥(13,801)	¥(12,478)	\$(124,345)

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, 2019 and 2018, was as follows:

	2019	2018
Normal effective statutory tax rate	29.92%	30.14%
Expenses not deductible for income tax purposes	0.55	0.76
Income not taxable for income tax purposes	(1.39)	(1.51)
Per capita tax	0.42	0.57
Net change in valuation allowance	0.50	(7.74)
The effect of variance with the future effective statutory tax rate	—	0.18
Other – net	0.43	0.73
Actual effective tax rate	30.43%	23.13%

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, 2019 and 2018.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gross lease receivables	¥53,153	¥49,861	\$478,899
Unguaranteed residual values	1,607	1,571	14,479
Deferred interest income	(4,202)	(4,200)	(37,859)
Total	¥50,558	¥47,232	\$455,519

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, 2019, for the years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥1,268	\$11,425
2021	1,233	11,109
2022	988	8,902
2023	697	6,280
2024	533	4,802
2025 and thereafter	736	6,631
Total	¥5,455	\$49,149

As of March 31, 2018, for the years ending March 31	Millions of Yen
2019	¥1,051
2020	947
2021	901
2022	650
2023	421
2024 and thereafter	716
Total	¥4,686

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, 2019, for the years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥13,790	\$124,245
2021	11,826	106,550
2022	9,669	87,116
2023	7,503	67,601
2024	4,992	44,977
2025 and thereafter	5,373	48,410
Total	¥53,153	\$478,899

As of March 31, 2018, for the years ending March 31	Millions of Yen
2019	¥13,129
2020	11,040
2021	9,024
2022	6,850
2023	4,710
2024 and thereafter	5,108
Total	¥49,861

Operating leases

(Lessee)

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 295	¥ 296	\$ 2,658
Due after one year	2,457	2,746	22,137
Total	¥2,752	¥3,042	\$24,795

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 529	¥ 509	\$ 4,766
Due after one year	903	809	8,136
Total	¥1,432	¥1,318	\$12,902

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.

Some of the derivatives utilized to control the risks from securities are recorded on the basis of hedge accounting in accordance with JICPA Accounting Practice Committee Report No. 14, "Practical Guideline for Accounting for Financial Instruments".

(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 ¥15,066 million (\$135,742 thousand) and ¥10,597 million in aggregate as of March 31, 2019 and 2018, 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 ¥30,853 million (\$277,980 thousand) and ¥24,966 million in aggregate as of March 31, 2019 and 2018, 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 ¥29,501 million (\$265,799 thousand) and ¥21,262 million in aggregate as of March 31, 2019 and 2018, 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

	Millions of Yen		
March 31, 2019	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	—
Total	¥5,839,829	¥5,840,049	¥ 220
Derivatives to which hedge accounting is not applied	¥ (27)	¥ (27)	—

	Millions of Yen		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 344,412	¥ 344,412	—
Trading securities	531	531	—
Money held in trust	7,012	7,012	—
Securities			
Held-to-maturity securities	33,061	33,045	¥ (16)
Available-for-sale securities	1,247,302	1,247,302	—
Loans and bills discounted	4,215,431		
Less: Reserve for possible loan losses	(23,484)		
Loans and bills discounted – net	4,191,947	4,202,858	10,911
Total	¥5,824,265	¥5,835,160	¥10,895
Deposits	¥5,442,974	¥5,443,610	¥ 636
Negotiable certificates of deposit	49,600	49,600	—
Payables under repurchase agreements	98,874	98,874	—
Payables under securities lending transactions	—	—	—
Total	¥5,591,448	¥5,592,084	¥ 636
Derivatives to which hedge accounting is not applied	¥ 1,603	¥ 1,603	—

	Thousands of U.S. Dollars		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	\$ 4,389,278	\$ 4,389,278	—
Trading securities	3,406	3,406	—
Money held in trust	63,177	63,177	—
Securities			
Held-to-maturity securities	381,728	382,710	\$ 982
Available-for-sale securities	11,517,704	11,517,704	—
Loans and bills discounted	38,778,863		
Less: Reserve for possible loan losses	(209,776)		
Loans and bills discounted – net	38,569,087	38,702,892	133,805
Total	\$54,924,380	\$55,059,167	\$134,787
Deposits	\$49,483,981	\$49,485,963	\$ 1,982
Negotiable certificates of deposit	500,946	500,946	—
Payables under repurchase agreements	1,676,466	1,676,466	—
Payables under securities lending transactions	954,419	954,419	—
Total	\$52,615,812	\$52,617,794	\$ 1,982
Derivatives to which hedge accounting is not applied	\$ (243)	\$ (243)	—

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. 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 the short 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 the short 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 the short 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
	2019	2018	2019
Unlisted equity securities	¥ 6,528	¥ 7,131	\$ 58,816
Investments in unconsolidated subsidiaries	637	623	5,739
Others	17,539	12,546	158,024
Total	¥24,704	¥20,300	\$222,579

Since the fair values of unlisted stocks cannot be reliably determined, their fair values are not disclosed. The impairment losses on unlisted stocks for the years ended March 31, 2019 and 2018, were nil and ¥116 million, respectively.

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

	Millions of Yen			
March 31, 2019	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:				
Corporate bonds	7,740	¥ 28,848	¥ 5,440	¥ 340
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	192,100	93,200	55,000	5,000
Local government bonds	32,977	42,801	186,543	1,221
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

	Millions of Yen			
March 31, 2019	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	—	—	—
Total	¥5,327,276	¥512,549	¥4	—

	Millions of Yen			
March 31, 2018	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	¥ 278,366	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	5,575	¥ 23,412	¥ 4,089	—
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	73,300	269,300	51,000	—
Local government bonds	37,911	62,434	132,386	—
Corporate bonds	67,562	40,337	10,320	¥ 71,702
Other	6,573	73,434	94,141	97,243
Loans and bills discounted (*1)	969,210	1,189,103	824,614	1,143,448
Total	¥1,438,497	¥1,658,020	¥1,116,550	¥1,312,393

	Millions of Yen			
March 31, 2018	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	¥4,913,540	¥529,432	¥2	—
Negotiable certificates of deposit	49,600	—	—	—
Payables under repurchase agreements	98,874	—	—	—
Payables under securities lending transactions	—	—	—	—
Total	¥5,062,014	¥529,432	¥2	—

	Thousands of U.S. Dollars			
March 31, 2019	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	\$ 3,826,038	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	69,736	\$ 259,915	\$ 49,014	\$ 3,063
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	1,730,787	839,715	495,540	45,049
Local government bonds	297,117	385,629	1,680,719	11,001
Corporate bonds	145,463	234,544	144,644	750,428
Other	78,232	719,678	1,171,736	1,405,280
Loans and bills discounted (*1)	8,129,832	11,218,551	7,601,369	11,034,156
Total	\$14,277,205	\$13,658,032	\$11,143,022	\$13,248,977

	Thousands of U.S. Dollars			
March 31, 2019	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	\$44,865,970	\$4,617,975	\$36	—
Negotiable certificates of deposit	500,946	—	—	—
Payables under repurchase agreements	1,676,466	—	—	—
Payables under securities lending transactions	954,419	—	—	—
Total	\$47,997,801	\$4,617,975	\$36	—

(*1) Loans and bills discounted whose cash flows cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans amounting to ¥62,104 million (\$559,546 thousand) and ¥64,793 million as of March 31, 2019 and 2018, respectively, and loans and bills discounted with no contractual maturities, amounting to ¥26,128 million (\$235,409 thousand) and ¥24,263 million as of March 31, 2019 and 2018, 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, 2019 and 2018, were ¥1,412,428 million (\$12,725,723 thousand) and ¥1,382,636 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2019 and 2018, were ¥606,165 million (\$5,461,438 thousand) and ¥647,389 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, 2019 and 2018, were ¥1,382,374 million (\$12,454,942 thousand) and ¥1,363,436 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, 2019 and 2018

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, 2018	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	¥ 384	—	¥ 6	¥ 6
Variable rate receipt, fixed rate payment	384	—	(4)	(4)
Over-the-counter Currency-related contracts:				
Currency swap	91,167	¥82,170	820	888
Foreign exchange forward:				
Sell	48,849	958	1,002	1,002
Buy	24,715	592	(247)	(247)
Currency option:				
Sell	86,543	55,056	(4,258)	762
Buy	87,905	56,222	4,284	55
Other:				
Sell	—	—	—	—
Buy	—	—	—	—
Listed Stock-related contracts: Index option:				
Sell	—	—	—	—
Buy	—	—	—	—
Over-the-counter Bond-related contracts: Bond option:				
Sell	—	—	—	—

March 31, 2019	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	\$ 11,956	\$ 11,956	\$ 775	\$ 775
Variable rate receipt, fixed rate payment	11,956	11,956	(162)	(162)
Over-the-counter Currency-related contracts:				
Currency swap	1,285,719	1,050,887	(1,577)	739
Foreign exchange forward:				
Sell	328,183	604	(216)	(216)
Buy	139,787	—	973	973
Currency option:				
Sell	1,033,562	700,757	(46,229)	17,497
Buy	1,047,698	708,740	46,193	(7,658)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—
Listed Stock-related contracts: Index option:				
Sell	—	—	—	—
Buy	—	—	—	—
Over-the-counter Bond-related contracts: Bond option:				
Sell	—	—	—	—

Notes:

1. Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.
2. 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 income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gains on available-for-sale securities:			
Gains arising during the year	¥2,230	¥7,508	\$20,092
Reclassification adjustments to profit or loss	(902)	(635)	(8,127)
Amount before income tax effect	1,328	6,873	11,965
Income tax effect	(560)	(2,069)	(5,045)
Total	768	4,804	6,920
Defined retirement benefit plans:			
Adjustments arising during the year	(451)	1,315	(4,064)
Reclassification adjustments to profit or loss	504	1,252	4,541
Amount before income tax effect	53	2,567	477
Income tax effect	(16)	(768)	(144)
Total	37	1,799	333
Total other comprehensive income	¥ 805	¥6,603	\$ 7,253

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, 2019 and 2018, 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, 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	\$2.57
Effect of dilutive securities: Stock acquisition rights		49		
		49		
Diluted EPS—Net income for computation	¥10,658	37,407	¥284.92	\$2.57

	Millions of Yen	Thousands of Shares	Yen
	Net income attributable to owners of parent	Weighted Average Shares	EPS
For the year ended March 31, 2018:			
Net income attributable to owners of parent	¥9,901		
Amount not attributable to common shareholders	—		
Basic EPS—Net income available to common shareholders	9,901	37,374	¥264.93
Effect of dilutive securities: Stock acquisition rights		40	
		40	
Diluted EPS—Net income for computation	¥9,901	37,414	¥264.65

2. Net assets per share

Net assets per share as of March 31, 2019 and 2018, were ¥9,477.86 (\$85.39) and ¥9,183.65, respectively.

Net assets per share of common stock as of March 31, 2019 and 2018, were calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Total net assets	¥370,199	¥361,253	\$3,335,427
Deductions from total net assets:			
Stock acquisition rights	160	130	1,442
Noncontrolling interests	15,970	18,007	143,887
Net assets attributable to common stock at the end of the fiscal year	354,069	343,116	3,190,098
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)	37,357	37,362	

Note: Effective October 1, 2017, the Bank implemented a 1-for-10 reverse stock split of common stock. Net assets per share is determined based on the assumption that reverse stock split was carried out at the beginning of the year ended March 31, 2017.

31. SUBSEQUENT EVENTS

Business Combination

On June 3, 2019, the Bank made Juroku Tokai Tokyo Securities Co., Ltd. (“Juroku TT,” a type I financial instruments business operator) which is a joint venture with Tokai Tokyo Financial Holdings, Inc., a subsidiary through capital increase by third-party allotment. This transaction was made to offer diverse and high-quality products and services to satisfy needs of customers as a securities company firmly rooted in the community where it operates, by fully taking advantage of the operating know-hows and service competence developed over the years by the Tokai Tokyo Financial Holdings Group, as well as by accessing closely knit and fertile customer network the Bank possesses, aiming to help customers improve their well-being and expedite the economic growth of the region where Juroku TT operates.

The Bank acquired a 60% stake of Juroku TT in exchange for cash in the amount of ¥5,465 million (\$49,239 thousand) to become the largest shareholder of Juroku TT. Major acquisition-related expenses were financial and legal due-diligence fees and commissions in the amount of ¥15 million (\$135 thousand).

June 30, 2019 is to be the deemed acquisition date, and the amount and cause of goodwill accrued, its method and period of amortization, as well as the amount and major breakdown of assets acquired and liabilities assumed are yet to be determined.

Appropriation of Retained Earnings

On June 21 2019, the Bank’s shareholders authorized an appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends: ¥35.00 (\$0.32) per share on common stock	¥1,308	\$11,785

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 six (six in 2018) 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.

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.”

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

	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
2019	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 76,703	¥23,169	¥ 99,872	¥ 5,214	¥ 105,086	—	¥ 105,086
(2) Intersegment transactions	554	268	822	1,166	1,988	¥ (1,988)	—
Total	¥ 77,257	¥23,437	¥ 100,694	¥ 6,380	¥ 107,074	¥ (1,988)	¥ 105,086
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

	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
2018	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 77,993	¥22,006	¥ 99,999	¥ 4,745	¥ 104,744	—	¥ 104,744
(2) Intersegment transactions	574	300	874	1,094	1,968	¥ (1,968)	—
Total	¥ 78,567	¥22,306	¥ 100,873	¥ 5,839	¥ 106,712	¥ (1,968)	¥ 104,744
Segment profit	12,243	612	12,855	1,090	13,945	(11)	13,934
Segment assets	6,039,435	72,336	6,111,771	44,832	6,156,603	(60,035)	6,096,568
Other:							
Depreciation	¥ 3,781	¥ 490	¥ 4,271	¥ 66	¥ 4,337	¥ 124	¥ 4,461
Amortization of goodwill	245	—	245	—	245	—	245
Interest income	51,656	61	51,717	233	51,950	(111)	51,839
Interest expense	2,984	192	3,176	19	3,195	(96)	3,099
Provision (reversal) for possible loan losses	(728)	(115)	(843)	202	(641)	—	(641)
Increase in premises and equipment and intangible assets	3,009	486	3,495	141	3,636	65	3,701

	Thousands of U.S. Dollars						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
2019	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	\$ 691,080	\$208,749	\$ 899,829	\$ 46,977	\$ 946,806	—	\$ 946,806
(2) Intersegment transactions	4,992	2,414	7,406	10,506	17,912	\$ (17,912)	—
Total	\$ 696,072	\$211,163	\$ 907,235	\$ 57,483	\$ 964,718	\$ (17,912)	\$ 946,806
Segment profit	131,642	5,992	137,634	9,019	146,653	9	146,662
Segment assets	56,912,272	716,776	57,629,048	411,442	58,040,490	(655,527)	57,384,963
Other:							
Depreciation	\$ 28,867	\$ 4,568	\$ 33,435	\$ 739	\$ 34,174	\$ 1,162	\$ 35,336
Amortization of goodwill	2,207	—	2,207	—	2,207	—	2,207
Interest income	483,061	631	483,692	1,892	485,584	(1,189)	484,395
Interest expense	34,057	1,694	35,751	144	35,895	(1,045)	34,850
Provision (reversal) for possible loan losses	17,101	(712)	16,389	2,730	19,119	—	19,119
Increase in premises and equipment and intangible assets	7,658	4,973	12,631	1,415	14,046	649	14,695

Notes:

1. Ordinary income represents total income less certain extraordinary income included in “Other income” in the accompanying consolidated statement of income.
2. “Other” includes business segments of credit cards, computer services and credit guarantees.
3. Reconciliations mainly represent elimination of intra-segment transactions.
4. 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
2019					
Ordinary income:					
Outside customers	¥40,854	¥19,653	¥22,737	¥21,842	¥105,086

	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
2018					
Ordinary income:					
Outside customers	¥40,865	¥19,416	¥21,816	¥22,647	¥104,744

	Thousands of U.S. Dollars				
	Lending Service	Securities Services	Leasing	Other	Total
2019					
Ordinary income:					
Outside customers	\$368,087	\$177,070	\$204,856	\$196,793	\$946,806

(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 customers

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 segments

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

	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
2018					
Impairment loss on long-lived assets	¥94	—	—	—	¥94

	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
2019					
Impairment loss on long-lived assets	\$1,703	—	—	—	\$1,703

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

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

	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
2018					
Amortization of goodwill	¥ 245	—	—	—	¥ 245
Goodwill at March 31, 2018	3,119	—	—	—	3,119
Gain on negative goodwill	—	—	—	—	—

	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
2019					
Amortization of goodwill	\$ 2,207	—	—	—	\$ 2,207
Goodwill at March 31, 2019	25,903	—	—	—	25,903
Gain on negative goodwill	—	—	—	—	—



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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 21, 2019

Member of
Deloitte Touche Tohmatsu Limited

(as of March 31, 2019)

Date of Establishment:

October 10, 1877

Authorized Shares:

460,000 thousand shares

Shares of Common Stock Issued and Outstanding:

379,241 thousand shares

Stock Listed:

First Sections of the Tokyo and Nagoya Stock Exchanges

Paid-in Capital:

¥36,839 million

Number of Common Stock Shareholders:

18,772

Number of Employees:

2,987

10 Principal Shareholders:

Japan Trustee Services Bank, Ltd.(Trust account)

Sompo Japan Nipponkoa Insurance Inc.

Japan Trustee Services Bank, Ltd.(Trust account 9)

The Master Trust Bank of Japan, Ltd.(Trust Account)

The Juroku Bank Employee Shareholders' Association

MUFG Bank, Ltd.

Fuji Baking Group Co., Ltd.

Meiji Yasuda Life Insurance Company

Northern Trust Co. (AVFC) RE HCR00

Tokyo Marine and Nichido Fire Insurance Co., Ltd.

Affiliates

(as of June 30, 2019)

Name	Business Lines	Established	Capital (¥ Millions)	Equity Stake*	Equity Stake of subsidiaries*
Juroku Business Service Co., Ltd.	Clerical work service	Jan. 1979	10	100.0	—
Juroku Research Institute Co., Ltd.	Business consulting service Survey and research service	Jun. 2013	50	100.0	—
Juroku Tokai Tokyo Securities Co., Ltd.	Financial instruments service	Apr. 2018	3000	60.0	—
Juroku Card Co., Ltd.	Credit card flotation service	Aug. 1982	55	28.6	43.9
Juroku Lease Co., Ltd.	Leasing service Venture capital service	Mar. 1975	102	36.2	30.3
Juroku Computer Service Co., Ltd.	Computer system development service	Aug. 1985	245	26.7	56.9
Juroku Credit Guarantee Co., Ltd.	Credit guaranty service	May 1979	58	38.0	20.6

*Voting rights held by the Bank, or subsidiaries excluding the Bank, as a percentage of total voting rights.

Directory

(as of June 30, 2019)

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General Manager
Takayuki Nishikawa

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Chief Representative
Hiroyuki Kawase

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Foreign Exchange
Business

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Total 162 Domestic Offices

