2019

ANNUAL REPORT

The Aichi Bank, Ltd.

The Aichi Bank, Ltd.

PROFILE

Aichi Bank is a regional bank whose business base is Aichi Prefecture, the central prefecture of the Tokai region, one of the country's three main industrial areas. Since its establishment in 1910, the Bank has worked to meet the diverse needs of customers in the region, based on its corporate mission of contributing to the prosperity of the community via a thorough commitment to sound management and business growth.

Aichi Bank has a domestic service network comprising 106 branches, and also engages in international operations. The Bank's head office is located in Nagoya, Aichi Prefecture, Japan's fourth-largest prefecture by population, and an area that combines a beautiful natural environment with a rich historical and cultural heritage.

As of March 31, 2019, the Bank had total assets of ¥3,142,287 million (US$28,311 million) on a consolidated basis, and deposits amounting to ¥2,783,678 million (US$25,080 million). Its capital ratio, calculated according to standards for banks operating only in Japan, stood at 10.76%.

FINANCIAL HIGHLIGHTS Years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars	
Consolidated	**2019**	2018	**2019**	2018
For the year:				
Total income	¥ **49,897**	¥ 50,241	$ **449,563**	$ 452,662
Total expenses	**43,069**	44,056	**388,043**	396,936
Profit before income taxes	**6,828**	6,185	**61,519**	55,725
Profit attributable to owners of parent	**4,682**	4,274	**42,183**	38,507
At year-end:				
Deposits	¥ **2,783,678**	¥ 2,751,372	$ **25,080,439**	$ 24,789,368
Loans and bills discounted	**1,804,367**	1,803,966	**16,257,023**	16,253,410
Investment securities	**1,067,949**	1,112,075	**9,622,029**	10,019,596
Total assets	**3,142,287**	3,153,970	**28,311,442**	28,416,704
Total net assets	**229,790**	236,045	**2,070,366**	2,126,723

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥110.99 = US$1.00 on March 31, 2019.

MESSAGE FROM THE MANAGEMENT

Business and Financial Conditions


Shinichi Koide, *Chairman* & Yukinori Ito, *President*

Looking back at Japan's economy during the year ended March 31, 2019, in the first half of the year, there was an increase in exports, production and capital investment backed by the gradual recovery of overseas economies and other factors. Subsequently, while some weaknesses were seen in exports and production affected by the economic slowdown in China and trade friction between the U.S. and China, capital investment increased and personal consumption picked up. As a result, the Japanese economy maintained a trend of moderate recovery.

The local economy of our business base, which is centered in Aichi Prefecture, continues to expand moderately, particularly for the automobile industry, one of the major local industries, with production, exports and capital expenditure all on the rise, although some areas are affected by the economic slowdown in China.

Looking forward, in regard to the economic outlook, despite rising domestic demand under the continually favorable employment and income environments, and an upward trend in capital expenditure in order to improve operational efficiency and respond to labor shortages, there are uncertainties such as concerns over a downturn in the U.S. economy and the U.K.'s decision to leave the EU, in addition to the impact of the consumption tax rate hike, and concerns about these factors pushing down the economy.

In the financial sector, the Bank of Japan has determined at the monetary policy meeting in July 2018 the measures to reinforce the sustainability of the current "quantitative and qualitative monetary easing with yield curve control," and is tenaciously continuing with their strong monetary easing policy in order to realize the target of stabilizing prices. As a result, in October 2018, the Nikkei Stock Average climbed to the ¥24,000 level. However, due to concerns regarding increased long-term interest rates in the U.S. and economic slowdown in China, the year-end closing price was ¥21,205, a year-on-year decrease of ¥248.

The Bank set three basic policies of "select and concentrate management resources," "challenge, speed up" and "contribute to the local community" in the "Tenth Medium-Term Management Plan," which from April 2016 to March 2019, and implemented various initiatives toward a top-line growth and establishing a management foundation.

Earnings

Our business results on a consolidated basis for the year ended March 31, 2019 are as follows.

Total income decreased ¥344 million year on year to ¥49,897 million (US$449 million) mainly due to decreases in interest on loans and bills discounted and purchased and gains on sales of equity securities, despite increases in fees and commissions and gains on sales of bonds and others. Total expenses decreased ¥987 million year on year to ¥43,069 million (US$388 million) mainly due to decreases in losses on sales of bonds and others and general and administrative expenses despite an increase in credit expenses. As a result, profit attributable to owners of parent increased ¥407 million year on year to ¥4,682 million (US$42 million).

By segment, ordinary income of the banking segment decreased ¥861 million year on year to ¥42,058 million (US$378 million) and its segment profit increased ¥557 million to ¥6,674 million (US$60 million). Ordinary income of the leasing segment increased ¥415 million year on year to ¥7,170 million (US$64 million), and its segment profit increased ¥22 million to ¥243 million (US$2 million).

Cash Flows

Net cash provided by operating activities increased ¥26,955 million year on year to ¥828 million (US$7 million). This was mainly attributable to an increase in deposits. Net cash provided by investing activities increased ¥1,280 million to ¥25,857 million (US$232 million). This was mainly attributable to sales and maturities of securities. Net cash used in financing activities amounted to ¥959 million (US$8 million), a decrease in cash used of ¥77 million. This was mainly due to dividends paid.

As a result, cash and cash equivalents at the end of the year amounted to ¥185,930 million (US$1,675 million), an increase of ¥25,727 million from the previous year-end.

Medium-term Strategy

The Eleventh Medium-Term Management Plan sets our vision as being a “bank that contributes to the local community as our customers’ partner,” and we will set forth to fully “procure and operate locally” by continuing to follow “community-based finance,” and have developed the following three points as our major roles and missions as a regional financial institution:

1) Support the growth of local companies
2) Support asset building for our individual customers
3) Contribution activities for the local community

We have set four basic policies, “reinforce sales capabilities & profitability,” “increase productivity,” “reinforce human resources” and “reinforce governance.” We will demonstrate our consulting functions, which we have built up thus far, to fully support our local customers, and contribute toward the development of the local community.

Shinichi Koide
Chairman

Yukinori Ito
President

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Chairman

Shinichi Koide

President

Yukinori Ito

Managing Directors

Masato Kobayashi

Yoshihiro Ito

Tomoyuki Takahashi

Hiroyasu Matsuno

Nobuhiko Kuratomi

Directors

Audit and Supervisory Committee Members

Shigemasa Yoshida*[1]

Akira Katsuragawa*[2]

Akio Hayashi*[2]

Toshiyasu Hayashi*[2]

Yasutoshi Emoto*[2]

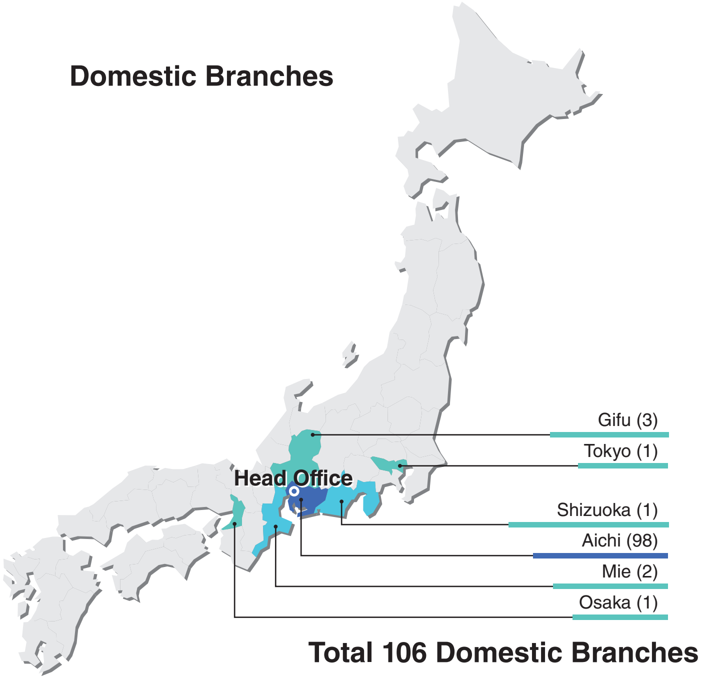
*[1] Standing Audit and Supervisory Committee Member

*[2] Outside Audit and Supervisory Committee Member

CORPORATE DIRECTORY

Service Network

Head Office (Securities & Foreign Business Department)
14-12, Sakae 3-chome, Naka-ku, Nagoya 460-8678 Telephone: 81-52-251-3211 SWIFT: AICHJPJN Facsimile: 81-52-262-5793



Consolidated Companies

Aigin Business Service Co., Ltd.
Aigin DC Card Co., Ltd.
Aigin Lease Co., Ltd.
Aigin Computer Service Co., Ltd.

The Aichi Bank, Ltd.

Consolidated Financial Statements

March 31, 2019 and 2018

KPMG AZSA LLC

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Aichi Bank, Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income , consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 present fairly, in all material respects, the financial position of The Aichi Bank, Ltd. and its subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2019 and 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

August 7, 2019
Nagoya, Japan

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Assets:				
Cash and due from banks (Note 3)	¥ 188,738	¥ 162,132	$ 1,700,495	$ 1,460,780
Call loans and bills purchased (Note 3)	1,899	2,294	17,109	20,668
Investment securities (Notes 3, 4 and 8)	1,067,949	1,112,075	9,622,029	10,019,596
Reserve for possible losses on investments	(7)	(8)	(63)	(72)
Loans and bills discounted (Notes 3, 5, 15 and 20)	1,804,367	1,803,966	16,257,023	16,253,410
Foreign exchange (Note 6)	1,924	2,077	17,334	18,713
Other assets	38,141	28,352	343,643	255,446
Tangible fixed assets (Note 7)	34,491	35,163	310,757	316,812
Intangible fixed assets	1,004	966	9,045	8,703
Employee retirement benefit asset (Note 11)	3,922	4,547	35,336	40,967
Deferred tax assets (Note 17)	226	174	2,036	1,567
Customers' liabilities for acceptances and guarantees (Note 12)	7,108	8,444	64,041	76,078
Allowance for possible loan losses	(7,479)	(6,217)	(67,384)	(56,014)
Total assets	¥ 3,142,287	¥ 3,153,970	$ 28,311,442	$ 28,416,704

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets (Continued)
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Liabilities:				
Deposits (Notes 3 and 9)	¥ 2,783,678	¥ 2,751,372	$ 25,080,439	$ 24,789,368
Negotiable certificates of deposit (Notes 3 and 9)	4,100	4,100	36,940	36,940
Call money and bills sold (Notes 3 and 8)	15,538	10,624	139,994	95,720
Security deposits received related to securities lending transactions (Notes 3 and 8)	25,671	65,824	231,291	593,062
Borrowings (Notes 3, 8 and 10)	40,011	37,742	360,491	340,048
Foreign exchange (Note 6)	1,297	1,123	11,685	10,118
Other liabilities (Note 10)	9,750	9,141	87,845	82,358
Reserve for employee bonuses	612	647	5,514	5,829
Reserve for bonuses to directors	39	42	351	378
Employee retirement benefit liability (Note 11)	996	1,063	8,973	9,577
Reserve for executive retirement benefits	25	5	225	45
Reserve for reimbursement of deposits	339	117	3,054	1,054
Reserve for contingencies	1,274	1,171	11,478	10,550
Deferred tax liabilities (Note 17)	17,323	21,767	156,077	196,116
Deferred tax liabilities for revaluation (Note 7)	4,727	4,735	42,589	42,661
Acceptances and guarantees (Note 12)	7,108	8,444	64,041	76,078
Total liabilities	2,912,497	2,917,924	26,241,075	26,289,972
Net assets (Note 13):				
Common stock	18,000	18,000	162,176	162,176
Capital surplus	13,883	13,883	125,083	125,083
Retained earnings	137,146	133,439	1,235,660	1,202,261
Less treasury stock, at cost	(724)	(765)	(6,523)	(6,892)
Total shareholders’ equity	168,305	164,557	1,516,397	1,482,629
Accumulated other comprehensive income (Note 7)	57,077	67,181	514,253	605,288
Stock acquisition rights	274	265	2,468	2,387
Non-controlling interests	4,132	4,040	37,228	36,399
Total net assets	229,790	236,045	2,070,366	2,126,723
Total liabilities and net assets	¥ 3,142,287	¥ 3,153,970	$ 28,311,442	$ 28,416,704

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Income:				
Interest and dividend income:				
Interest on loans and bills discounted and purchased	¥ 16,712	¥ 17,141	$ 150,572	$ 154,437
Interest on and dividends from securities	12,262	12,128	110,478	109,271
Other interest and dividend income	103	98	928	882
Total interest and dividend income	29,078	29,368	261,987	264,600
Fees and commissions	14,676	13,914	132,228	125,362
Other operating income (Note 4)	2,196	1,392	19,785	12,541
Other income (Note 4)	3,945	5,566	35,543	50,148
Total income (Note 19)	49,897	50,241	449,563	452,662
Expenses:				
Interest expense:				
Interest on deposits	658	752	5,928	6,775
Interest on call money and bills sold	401	193	3,612	1,738
Interest on borrowings	90	49	810	441
Other interest expense	10	11	90	99
Total interest expense	1,160	1,006	10,451	9,063
Fees and commissions	9,469	9,038	85,313	81,430
Other operating expenses (Note 4)	2,445	4,699	22,029	42,337
General and administrative expenses (Notes 14 and 18)	25,829	26,900	232,714	242,364
Impairment loss on fixed assets (Note 2(k))	227	176	2,045	1,585
Other expenses (Notes 4 and 5)	3,936	2,234	35,462	20,127
Total expenses (Note 19)	43,069	44,056	388,043	396,936
Profit before income taxes	6,828	6,185	61,519	55,725
Income taxes (Note 17)	2,031	1,826	18,298	16,451
Profit	4,796	4,358	43,211	39,264
Profit attributable to non-controlling interests	113	84	1,018	756
Profit attributable to owners of parent	¥ 4,682	¥ 4,274	$ 42,183	$ 38,507

	Yen		U.S. dollars	
Earnings per share:				
Basic	¥ 431.85	¥ 394.27	$ 3.89	$ 3.55
Diluted	429.80	392.49	3.87	3.53
Cash dividends	100.00	90.00	0.90	0.81

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Profit	¥ 4,796	¥ 4,358	$ 43,211	$ 39,264
Other comprehensive income (Note 21):				
Unrealized gains on available-for-sale securities	(9,280)	6,492	(83,611)	58,491
Land revaluation increment	(0)	(14)	(0)	(126)
Retirement benefit adjustment	(824)	729	(7,424)	6,568
Total other comprehensive income	(10,104)	7,207	(91,035)	64,933
Comprehensive income	¥ (5,308)	¥ 11,566	$ (47,824)	$ 104,207
Comprehensive income attributable to:				
Owners of parent	¥ (5,402)	¥ 11,473	$ (48,671)	$ 103,369
Non-controlling interests	93	92	837	828
Total comprehensive income	¥ (5,308)	¥ 11,566	$ (47,824)	$ 104,207

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2019 and 2018

		Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities (Note 4)	Land revaluation increment (Note 7)	Retirement benefit adjustment (Note 11)	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2017	10,943,240	¥ 18,000	¥ 13,883	¥ 130,155	¥ (768)	¥ 161,270	¥ 53,506	¥ 8,381	¥ (1,861)	¥ 60,027	¥ 228	¥ 3,949	¥ 225,475
Profit attributable to owners of parent	-	-	-	4,274	-	4,274	-	-	-	-	-	-	4,274
Cash dividends	-	-	-	(1,030)	-	(1,030)	-	-	-	-	-	-	(1,030)
Reversal of land revaluation increment	-	-	-	44	-	44	-	-	-	-	-	-	44
Treasury stock acquired, net	-	-	(5)	-	3	(2)	-	-	-	-	-	-	(2)
Transfer to capital surplus from retained earnings	-	-	5	(5)	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-	6,483	(58)	729	7,154	36	90	7,282
Balance at March 31, 2018	10,943,240	18,000	13,883	133,439	(765)	164,557	59,990	8,323	(1,131)	67,181	265	4,040	236,045
Profit attributable to owners of parent	-	-	-	4,682	-	4,682	-	-	-	-	-	-	4,682
Cash dividends	-	-	-	(975)	-	(975)	-	-	-	-	-	-	(975)
Reversal of land revaluation increment	-	-	-	18	-	18	-	-	-	-	-	-	18
Treasury stock acquired, net	-	-	(18)	-	41	22	-	-	-	-	-	-	22
Transfer to capital surplus from retained earnings	-	-	18	(18)	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(9,260)	(18)	(824)	(10,103)	9	91	(10,003)
Balance at March 31, 2019	10,943,240	¥ 18,000	¥ 13,883	¥ 137,146	¥ (724)	¥ 168,305	¥ 50,729	¥ 8,304	¥ (1,956)	¥ 57,077	¥ 274	¥ 4,132	¥ 229,790

	Thousands of U.S. dollars											
Balance at April 1, 2017	$ 162,176	$ 125,083	$ 1,172,673	$ (6,919)	$ 1,453,013	$ 482,079	$ 75,511	$ (16,767)	$ 540,832	$ 2,054	$ 35,579	$ 2,031,489
Profit attributable to owners of parent	-	-	38,507	-	38,507	-	-	-	-	-	-	38,507
Cash dividends	-	-	(9,280)	-	(9,280)	-	-	-	-	-	-	(9,280)
Reversal of land revaluation increment	-	-	396	-	396	-	-	-	-	-	-	396
Treasury stock acquired, net	-	(45)	-	27	(18)	-	-	-	-	-	-	(18)
Transfer to capital surplus from retained earnings	-	45	(45)	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	58,410	(522)	6,568	64,456	324	810	65,609
Balance at March 31, 2018	162,176	125,083	1,202,261	(6,892)	1,482,629	540,499	74,988	(10,190)	605,288	2,387	36,399	2,126,723
Profit attributable to owners of parent	-	-	42,183	-	42,183	-	-	-	-	-	-	42,183
Cash dividends	-	-	(8,784)	-	(8,784)	-	-	-	-	-	-	(8,784)
Reversal of land revaluation increment	-	-	162	-	162	-	-	-	-	-	-	162
Treasury stock acquired, net	-	(162)	-	369	198	-	-	-	-	-	-	198
Transfer to capital surplus from retained earnings	-	162	(162)	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	(83,430)	(162)	(7,424)	(91,026)	81	819	(90,125)
Balance at March 31, 2019	$ 162,176	$ 125,083	$ 1,235,660	$ (6,523)	$ 1,516,397	$ 457,059	$ 74,817	$ (17,623)	$ 514,253	$ 2,468	$ 37,228	$ 2,070,366

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Cash flows from operating activities:				
Profit before income taxes	¥ 6,828	¥ 6,185	$ 61,519	$ 55,725
Adjustments for:				
Depreciation	1,492	1,413	13,442	12,730
Impairment loss on fixed assets	227	176	2,045	1,585
Increase (decrease) in allowance for possible loan losses	1,262	(1,802)	11,370	(16,235)
Interest and dividend income	(29,078)	(29,368)	(261,987)	(264,600)
Interest expense	1,160	1,006	10,451	9,063
Decrease in trading securities	-	20	-	180
Increase in loans and bills discounted	(400)	(70,957)	(3,603)	(639,309)
Decrease in call loans and bills purchased	394	1,192	3,549	10,739
Increase in call money and bills sold	4,914	10,624	44,274	95,720
Increase in deposits	32,305	47,378	291,062	426,867
Decrease in security deposits received related to securities lending transactions	(40,152)	(17,218)	(361,762)	(155,131)
Increase in borrowings (excluding subordinated borrowings)	2,269	7,767	20,443	69,979
Gain on securities transactions	(2,653)	(1,064)	(23,903)	(9,586)
(Gain) loss on foreign currency transactions	(1,835)	2,363	(16,533)	21,290
Increase (decrease) in reserve for contingencies	103	(152)	928	(1,369)
Interest and dividend income received	29,759	29,959	268,123	269,925
Interest expense paid	(1,689)	(858)	(15,217)	(7,730)
Other, net	(1,992)	(11,397)	(17,947)	(102,684)
Subtotal	2,914	(24,732)	26,254	(222,830)
Income taxes paid	(2,085)	(1,393)	(18,785)	(12,550)
Net cash provided by (used in) operating activities	828	(26,126)	7,460	(235,390)
Cash flows from investing activities:				
Purchases of securities	(384,541)	(325,945)	(3,464,645)	(2,936,706)
Proceeds from sales and maturities of securities	411,300	352,059	3,705,739	3,171,988
Purchases of tangible fixed assets	(771)	(1,096)	(6,946)	(9,874)
Proceeds from sales of tangible fixed assets	180	116	1,621	1,045
Purchases of intangible fixed assets	(286)	(557)	(2,576)	(5,018)
Payment for asset retirement obligations	(23)	-	(207)	-
Net cash provided by investing activities	25,857	24,577	232,966	221,434
Cash flows from financing activities:				
Dividends paid	(975)	(1,030)	(8,784)	(9,280)
Other, net	16	(7)	144	(63)
Net cash used in financing activities	(959)	(1,037)	(8,640)	(9,343)
Net increase (decrease) in cash and cash equivalents	25,727	(2,586)	231,795	(23,299)
Cash and cash equivalents at beginning of year	160,202	162,789	1,443,391	1,466,699
Cash and cash equivalents at end of year (Note 2(b))	¥ 185,930	¥ 160,202	$ 1,675,195	$ 1,443,391

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of The Aichi Bank, Ltd. (the "Bank") and its subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. $1.00. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The Japanese yen amounts in the accompanying consolidated financial statements are expressed in millions of Japanese yen and have been rounded down. U.S. dollar amounts in the accompanying consolidated financial statements are expressed in thousands of U.S. dollars and also have been rounded down. As a result, total amounts expressed in both Japanese yen and U.S. dollars appearing in the consolidated financial statements and the notes thereto may not be equal to the sum of the individual amounts.

Certain comparative figures have been reclassified with conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries, which are engaged primarily in providing a wide range of financial services. At both March 31, 2019 and 2018, the Bank had four subsidiaries but no affiliates. All intercompany transactions and accounts have been eliminated.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from the Bank of Japan as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Cash and due from banks	¥ 188,738	¥ 162,132	$ 1,700,495	$ 1,460,780
Less due from banks other than Bank of Japan	(2,808)	(1,929)	(25,299)	(17,379)
Cash and cash equivalents	¥ 185,930	¥ 160,202	$ 1,675,195	$ 1,443,391

(c) Trading securities

Trading securities are stated at fair value at the end of the fiscal year. Related gains and losses, both realized and unrealized, are included in the consolidated statements of income. Accrued interest on trading securities is included in "Other assets."

(d) Investment securities

Debt securities for which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost determined by the moving average method. In principle, available-for-sale securities are carried at the fair value as of the balance sheet date. Net unrealized gain and loss on these securities, net of tax, are reported as a component of accumulated other comprehensive income in net assets. Available-for-sale securities for which the fair value is extremely difficult to determine are stated at moving average cost. The carrying value of individual investment securities is reduced, if necessary, through a write-down when a decline in value is deemed other than temporary. Gain and loss on the disposal of investment securities are computed principally using the moving average method. Accrued interest on securities is included in "Other assets."

(e) Derivative financial instruments

Derivative financial instruments are recorded at fair value if hedge accounting is not applied, and gain and loss on the derivatives are recognized in the consolidated statements of income.

(f) Reserve for possible losses on investments

Pursuant to the internal rules of the Bank, a reserve for possible losses on investments is provided in an amount necessary to absorb future losses after considering the financial positions of the issuers of the securities. A provision of reserve for possible losses on investments is included in "Other expenses" and amounted to ¥0 million ($0 thousand) and none for the years ended March 31, 2019 and 2018, respectively.

(g) Loans and bills discounted and allowance for possible loan losses

Loans and bills discounted are stated at the amount of unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

An allowance for possible loan losses of the Bank is provided to cover future credit losses in accordance with internal rules for self-assessment of asset quality. Loans written off are charged either to an allowance for possible loan losses and/or current income. Recoveries on loans that have been written off are recorded as other income. The allowance for possible loan losses is made based on the Bank's internal rules in accordance with Report No. 4 of the Ad Hoc Committee for Audits of Banks, "Practical Guideline for Audits of Write-off of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions," issued by the Japanese Institute of Certified Public Accountants ("JICPA"). For loans to borrowers that are legally or substantially bankrupt, an allowance is provided based on the amount of the claims, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers who are likely to become bankrupt, an allowance is provided based on an overall solvency assessment, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers not mentioned above, an allowance is provided based on the historical loss experience of the Bank for a certain past period. All claims are assessed by the Bank's operating divisions based on the Bank's internal rules for self-assessment of asset quality. The inspection division, which is independent from the operating divisions, conducts examinations of these assessments.

An allowance for possible loan losses of the subsidiaries is made for the aggregate amount of estimated credit loss based on an individual financial review of doubtful or troubled receivables and a general reserve based on historical loss experience for other receivables.

(h) Tangible fixed assets and depreciation (except for leases)

Tangible fixed assets of the Bank are stated at cost, less accumulated depreciation. Depreciation is principally computed using the declining balance method over the estimated useful life of the asset. Buildings, excluding facilities attached thereto, acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are, however, depreciated using the straight-line method. The useful lives of tangible fixed assets range from 8 to 50 years for buildings and from 3 to 20 years for other fixed assets.

Tangible fixed assets of the subsidiaries are depreciated principally by the straight-line method over the estimated useful life of the asset.

(i) Intangible fixed assets and amortization (except for leases)

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized by the straight-line method principally over the estimated useful life of five years as determined by the Bank and its subsidiaries.

(j) Leases

All finance lease transactions are accounted for in a manner similar to that used for ordinary sale and purchase transactions.

(Accounting for leases as lessee)
The Group, as lessee, capitalizes leased assets used under finance leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases as permitted under the accounting standard for leases. Depreciation of the leased assets capitalized in finance lease transactions are computed by the straight-line method over the lease term, which is used as the useful life, and with the assumption of no residual value.

(Accounting for leases as lessor)
In accordance with the relevant accounting standards for leases, a certain subsidiary engaged primarily in leasing operations as a lessor recognizes “investments in leased assets” for finance leases that do not transfer ownership of the leased assets to the lessee in a manner similar to the accounting treatment for ordinary sales transactions. The “investment in leased assets” account is presented as other assets in the accompanying consolidated balance sheets. The amount equivalent to total interest is allocated over the lease term using the effective interest method, and lease income from lease payments and related costs, net of imputed interest, are recognized when the lease payments are received.

(k) Impairment loss on fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying value of an asset or a group of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposal of the asset or group of assets, impairment loss is recognized in the income statement by reducing the carrying value of the impaired asset or group of assets to the recoverable amount, measured as net selling price. Fixed assets include intangible assets as well as land, buildings and other forms of property. To recognize and measure an impairment loss, fixed assets are grouped at the lowest level for which there are cash flows identifiably different from those of other groups of assets, such as operating business branches, other than idle or unused property. Recoverable amounts of the assets are based on net selling prices based primarily on appraisal valuations, net of the estimated costs of disposal.

For the years ended March 31, 2019 and 2018, the Group recognized impairment loss, which is included in "Impairment loss on fixed assets," in the accompanying consolidated statements of income as follows:

	Millions of yen				
	2019				
	Land	Buildings and structures	Removal costs	Construction in progress	Total
Operating assets:					
Aichi Prefecture	¥ 24	¥ 180	¥ 15	¥ 1	¥ 221
Other	-	5	-	-	5
Idle assets:					
Aichi Prefecture	-	-	-	-	-
Other	-	-	-	-	-
Total	¥ 24	¥ 185	¥ 15	¥ 1	¥ 227

	Millions of yen				
	2018				
	Land	Buildings and structures	Removal costs	Construction in progress	Total
Operating assets:					
Aichi Prefecture	¥ 86	¥ 88	¥ -	¥ -	¥ 174
Other	-	-	-	-	-
Idle assets:					
Aichi Prefecture	-	0	-	-	0
Other	1	-	-	-	1
Total	¥ 87	¥ 88	¥ -	¥ -	¥ 176

	Thousands of U.S. dollars				
	2019				
	Land	Buildings and structures	Removal costs	Construction in progress	Total
Operating assets:					
Aichi Prefecture	$ 216	$ 1,621	$ 135	$ 9	$ 1,991
Other	-	45	-	-	45
Idle assets:					
Aichi Prefecture	-	-	-	-	-
Other	-	-	-	-	-
Total	$ 216	$ 1,666	$ 135	$ 9	$ 2,045

	Thousands of U.S. dollars				
	2018				
	Land	Buildings and structures	Removal costs	Construction in progress	Total
Operating assets:					
Aichi Prefecture	$ 774	$ 792	$ -	$ -	$ 1,567
Other	-	-	-	-	-
Idle assets:					
Aichi Prefecture	-	0	-	-	0
Other	9	-	-	-	9
Total	$ 783	$ 792	$ -	$ -	$ 1,585

(l) Foreign currency translation

Assets and liabilities denominated in foreign currencies are generally translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the exchange rate in effect at the transaction date. Gain and loss resulting from foreign currency translation are included in the consolidated statements of income.

(m) Reserve for employee bonuses

A reserve for employee bonuses is provided based on the estimated amounts of future payments attributable to the respective fiscal year.

(n) Reserve for bonuses to directors

A reserve for bonuses to directors and audit and supervisory board members is provided for future bonus payments to directors and audit and supervisory board members that reflect an amount estimated to have accrued as of the consolidated balance sheet date.

(o) Employee retirement benefits

Employees who terminate their service with the Group are entitled to retirement benefits generally determined with reference to the basic salary at the time of termination, years of service and conditions under which the termination occurs.

The Group recognizes retirement benefits, including pension costs and related liabilities, based principally on the actuarial present value of the retirement benefit obligation using an actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end.

In determining retirement benefit obligation, the benefit formula method is used for attributing expected retirement benefits to the period up to the end of the respective fiscal year. Actuarial differences arising from changes in the projected benefit obligation or value of pension plan assets resulting from outcomes which are different from those assumed and from changes in the assumptions themselves are amortized on a straight-line basis over 13 to 14 years, a period within the average remaining years of service of the employees at the time when the differences arise, from the fiscal year after the year the differences arise.

(p) Reserve for executive retirement benefits

A reserve for executive retirement benefits is provided for payment of retirement benefits to executive officers of the Bank and directors and audit and supervisory board members of consolidated subsidiaries in the amount deemed to have accrued at the consolidated balance sheet date according to the internal rules of the Group.

(q) Reserve for reimbursement of deposits

A reserve for reimbursement of deposits is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience. A provision of reserve for reimbursement of deposits was included in “Other expenses” and amounted to ¥339 million ($3,054 thousand) and ¥83 million ($747 thousand) for the years ended March 31, 2019 and 2018, respectively.

(r) Reserve for contingencies

A provision of reserve for contingencies is made in an amount deemed necessary to cover possible losses resulting from the default of loans under a responsibility-sharing system with Credit Guarantee Corporation based primarily on historical default rates. A provision of reserve for contingencies was included in “Other expenses” and amounted to ¥103 million ($928 thousand) and none for the years ended March 31, 2019 and 2018, respectively.

(s) Stock options

The Group has applied ASBJ Statement No. 8, "Accounting Standard for Stock Options," and its related guidance. This standard and guidance are applicable to stock options granted on or after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the grant date and recognize compensation expense over the vesting period as consideration for the goods or services received from the employees. The standard also requires companies to account for stock options granted to non-employees based on the fair values of either the stock options or goods or services received from the non-employees. In the balance sheets, stock options are presented as stock acquisition rights, a separate component of net assets, until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if the fair value cannot be reliably estimated.

(t) Income taxes

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying values of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(u) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the shareholders.

(v) Per share data

Earnings per share is computed by dividing profit attributable to owners of parent by the weighted average number of shares of common stock outstanding during the respective year.

Diluted earnings per share is computed to reflect the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding stock options.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective year.

(w) New accounting standards not yet adopted by the Group

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

i) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments in Japan, when necessary to address accounting practice issues, but not to an extent that would impair comparability.

ii) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

iii) Effects of the application of the standards

The Group is in the process of determining the effects of these new standards on the consolidated financial statements.

3. Financial Instruments

(a) Qualitative information on financial instruments

i) Policies for financial instruments

The Group procures funds by accepting deposits from clients and utilizes the funds for financial investments in the bond and stock markets and for making loans to corporate and individual clients.

The Group enters into derivative transactions in order to avoid the risk of foreign currency fluctuations on customers' funds as well as to conduct foreign financing transactions and to avoid the risk of rising interest rates for the Bank. From an overall risk management standpoint, the Bank uses derivative instruments as hedging instruments in order to avoid the market risk to which financial assets and liabilities are exposed.

ii) Details of financial instruments and related risks

Financial assets of the Group consist mainly of loans to corporate and individual clients and are exposed to interest rate risk and credit risk resulting from any deterioration in the financial condition of the counterparty.

Investment securities comprise mainly debt and equity securities. The Group holds debt securities classified as held-for-sale, available-for-sale or held-to-maturity and equity securities to pursue capital gain or to maintain relationships with corporate clients. These securities are exposed to the credit risk of the issuers, interest rate risk, market risk and foreign currency risk. Deposits consist of demand deposits and time deposits. The maturities of time deposits are within five years.

Asset-liability management techniques are employed to manage financial assets and liabilities sensitive to interest rate fluctuations.

iii) Risk management for financial instruments

Credit risk management

The Bank manages credit risk by conducting strict credit examinations on respective debtors. Additionally, the Bank analyzes the risk by credit rating and industry in chronological order and diversifies the risk of its portfolios in the entirety.

The Group manages credit risk under the Credit Supervision Section, examining and assessing financial circumstances, industry trends, purposes of loans and repayment plans of respective debtors. Assessments are conducted to evaluate the credit standing of prospective debtors before entering into a transaction, for credit management after execution, as a self-assessment on a regular basis and at any time when a relevant event occurs. By the self-assessment, assets are classified by the degree of risk based on the debtor's classification and the existence of any collateral or guarantees. The results of the self-assessments are examined by the Self-Assessment Verification Section and are reported to the management.

As to the credit portfolios in the entirety, the level of concentration in the industry and large transactions are monitored by the Credit Management Section on a regular basis in order to construct portfolios that avoid concentration risk. The Credit Management Section periodically reports the results to management.

Moreover, an internal credit rating system has been introduced that classifies debtors according to creditworthiness. The Bank uses the credit rating for screening and credit management of debtors as well as monitoring the credit portfolio.

As credit risk is quantified, the Bank is able to manage the credit risk more effectively.

Market risk management

The Compliance and Risk Control Department of the Bank monitors market risk. The department quantifies the risk whenever possible and performs stress tests and simulation analyses to analyze the possible effects of changes in market variables such as interest rates, stock prices and exchange rates on the amount of market risk the Bank is exposed to and on the profit and loss of the Bank.

The results of the analyses are regularly reported to the Board of Directors, the Risk Management Committee and other relevant parties. The Risk Management Committee and other relevant parties confirm that the level of risk is sufficiently limited considering the equity of the Bank and review the policies for controlling market risk.

Interest rate risk and stock price risk are significant risks for the Group. Major financial instruments which are exposed to interest rate risk are “Loans and bills discounted,” debt securities classified as available-for-sale securities under “Investment securities” and “Deposits.” Financial instruments which are exposed to stock price risk are equity securities classified as available-for-sale securities in “Investment securities.” The Group uses Value at Risk (“VaR”) calculated based on the financial assets and liabilities categorized into “integrated market risk,” “debt securities,” “investment trust and other securities,” “equity securities held for investment” and “strategically held equity securities” to perform quantitative analysis and manage interest rate and stock price fluctuation risks. For the years ended March 31, 2019 and 2018, VaR was calculated using the historical simulation method with the assumption of a holding period of 125 business days, a 99% confidence interval and an observation period of 10 years.

The total market risk exposure of the Group as estimated loss amounted to ¥58,582 million ($527,813 thousand) and ¥44,769 million ($403,360 thousand) as of March 31, 2019 and 2018, respectively. In calculating VaR as of March 31, 2019 and 2018, VaR amounts for interest rate risk associated with the banking account and price fluctuation risk associated with the investment trust and other securities and fluctuation risk associated with the equity securities held for investment were summed with that for price fluctuation risk associated with strategically held equity securities.

The Group ensures the reliability and accuracy of the measurement model by performing back-testing, that is, comparing VaR amounts measured using the model with actual amounts of profit and loss. However, VaR reflects market risk exposures statistically calculated under certain probabilities based on historical market volatility; therefore, it may not be able to accurately reflect the risks when the market environment changes extraordinarily.

iv) Supplemental information on fair value of financial instruments

Fair values of financial instruments are estimated based on quoted market prices or based on reasonably calculated prices if quoted market prices are not available. Certain assumptions are used to calculate such prices. Therefore, prices may be different under different assumptions.

(b) Fair value of financial instruments

The following is a summary of the carrying values and fair values of financial instruments at March 31, 2019 and 2018.

	Millions of yen		
	2019		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	¥ 188,738	¥ 188,738	¥ -
Call loans and bills purchased	1,899	1,899	-
Investment securities:			
Available-for-sale securities *(*1)*	1,065,671	1,065,671	-
Loans and bills discounted:			
Loans and bills discounted	1,804,367		
Allowance for possible loan losses *(*2)*	(6,558)		
Loans and bills discounted, net	1,797,808	1,827,362	29,553
Total assets	¥ 3,054,118	¥ 3,083,672	¥ 29,553
Financial liabilities:			
Deposits	¥ 2,783,678	¥ 2,783,702	¥ 23
Negotiable certificates of deposit	4,100	4,100	-
Call money and bills sold	15,538	15,538	-
Security deposits received related to securities lending transactions	25,671	25,671	-
Borrowings	40,011	40,059	47
Total liabilities	¥ 2,869,000	¥ 2,869,072	¥ 71
Derivative transactions *(*3)*:			
Not qualifying for hedge accounting	¥ (108)	¥ (108)	¥ -
Total derivative transactions	¥ (108)	¥ (108)	¥ -

	2018		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	¥ 162,132	¥ 162,132	¥ -
Call loans and bills purchased	2,294	2,294	-
Investment securities:			
Available-for-sale securities *(*1)*	1,109,757	1,109,757	-
Loans and bills discounted:			
Loans and bills discounted	1,803,966		
Allowance for possible loan losses *(*2)*	(5,366)		
Loans and bills discounted, net	1,798,599	1,824,619	26,020
Total assets	¥ 3,072,783	¥ 3,098,804	¥ 26,020
Financial liabilities:			
Deposits	¥ 2,751,372	¥ 2,751,500	¥ 127
Negotiable certificates of deposit	4,100	4,100	-
Call money and bills sold	10,624	10,624	-
Security deposits received related to securities lending transactions	65,824	65,824	-
Borrowings	37,742	37,774	32
Total liabilities	¥ 2,869,663	¥ 2,869,823	¥ 159
Derivative transactions *(*3)*:			
Not qualifying for hedge accounting	¥ 314	¥ 314	¥ -
Total derivative transactions	¥ 314	¥ 314	¥ -

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	$ 1,700,495	$ 1,700,495	$ -
Call loans and bills purchased	17,109	17,109	-
Investment securities:			
Available-for-sale securities *(*1)*	9,601,504	9,601,504	-
Loans and bills discounted:			
Loans and bills discounted	16,257,023		
Allowance for possible loan losses *(*2)*	(59,086)		
Loans and bills discounted, net	16,197,927	16,464,203	266,267
Total assets	$ 27,517,055	$ 27,783,331	$ 266,267
Financial liabilities:			
Deposits	$ 25,080,439	$ 25,080,655	$ 207
Negotiable certificates of deposit	36,940	36,940	-
Call money and bills sold	139,994	139,994	-
Security deposits received related to securities lending transactions	231,291	231,291	-
Borrowings	360,491	360,924	423
Total liabilities	$ 25,849,175	$ 25,849,824	$ 639
Derivative transactions *(*3)*:			
Not qualifying for hedge accounting	$ (973)	$ (973)	$ -
Total derivative transactions	$ (973)	$ (973)	$ -

	2018		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	$ 1,460,780	$ 1,460,780	$ -
Call loans and bills purchased	20,668	20,668	-
Investment securities:			
Available-for-sale securities *(*1)*	9,998,711	9,998,711	-
Loans and bills discounted:			
Loans and bills discounted	16,253,410		
Allowance for possible loan losses *(*2)*	(48,346)		
Loans and bills discounted, net	16,205,054	16,439,490	234,435
Total assets	$ 27,685,223	$ 27,919,668	$ 234,435
Financial liabilities:			
Deposits	$ 24,789,368	$ 24,790,521	$ 1,144
Negotiable certificates of deposit	36,940	36,940	-
Call money and bills sold	95,720	95,720	-
Security deposits received related to securities lending transactions	593,062	593,062	-
Borrowings	340,048	340,336	288
Total liabilities	$ 25,855,149	$ 25,856,590	$ 1,432
Derivative transactions *(*3)*:			
Not qualifying for hedge accounting	$ 2,829	$ 2,829	$ -
Total derivative transactions	$ 2,829	$ 2,829	$ -

Notes:

*(*1) The following securities were excluded from the above tables because their fair values were extremely difficult to determine.*

	Millions of yen				*Thousands of U.S. dollars*			
	2019		*2018*		*2019*		*2018*	
Unlisted stocks	¥	*1,536*	¥	*1,644*	*$*	*13,839*	*$*	*14,812*
Other nonmarketable securities		*741*		*673*		*6,676*		*6,063*
	¥	*2,277*	¥	*2,318*	*$*	*20,515*	*$*	*20,884*

*(*2) Allowance for possible loan losses on ordinary and specific claims corresponding to loans and bills discounted is deducted.*

*(*3) Derivative transactions recorded in other assets and liabilities are presented in a lump sum on a net basis. A net liability position is shown in parenthesis.*

Methods for calculating the fair value of financial instruments were as follows:

Financial assets:

- Cash and due from banks – The fair value of due from banks without maturities approximates the carrying value. As for those with maturities, the present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

- Call loans and bills purchased – The present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value of call loans and bills purchased. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

- Investment securities – The fair value of equity securities is based on the quoted market price. The fair value of debt securities is based on the quoted market price or the price obtained from the counterparty financial institution. The fair value of investment trust funds is based on the constant value.

  The fair value of private placement bonds guaranteed by the Bank is calculated by discounting the future cash flows at the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others), which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees, is added. As for transactions with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value. Additional information on securities classified by holding purpose is presented in Note 4, “Trading Securities and Investment Securities.”

- Loans and bills discounted – The fair value of loans and bills discounted to corporate clients is calculated by discounting the future cash flows at the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others), which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees, is added. The fair value of those to individual clients is calculated as the total of principal and interest discounted by the rate assumed when a similar loan is executed.

  As for transactions whose due date is within one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

  As for loans to borrowers that are legally or substantially bankrupt and those who are likely to become bankrupt, the estimated loan losses are calculated based on the present value of the estimated future cash flows or the amount expected to be collected due to collateral or guarantees. As a result, the fair value approximates the carrying value as of the consolidated balance sheet date minus the allowance for possible loan losses.

Financial liabilities:

- Deposits and negotiable certificates of deposit – The fair value of demand deposits is deemed as the amount that would be paid if demanded by the clients as of the consolidated balance sheet date (the carrying value). The fair value of time deposits is the present value calculated by discounting future cash flows of the amount categorized based on a certain period. The discount rate is the rate that would apply when a new deposit is accepted. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

- Call money and bills sold, security deposits received related to securities lending transactions and borrowings – The present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value. As for transactions with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

Derivative transactions:

Information on fair value of derivative transactions is presented in Note 16, "Derivative Financial Instruments."

(c) Redemption schedule for financial instruments with maturities

The redemption schedule for financial instruments with maturities at March 31, 2019 was as follows:

	Millions of yen					
	2019					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Financial assets:						
Due from banks	¥ 150,469	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills purchased	1,899	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds	38,000	60,100	-	-	-	2,000
Local government bonds	22,334	33,193	11,627	20,337	54,835	4,143
Corporate bonds	57,166	127,012	133,769	14,412	52,058	11,358
Foreign bonds	10,486	29,940	36,634	-	1,100	-
Other	6,697	28,641	27,565	31,564	33,452	10,877
Total investment securities	134,684	278,887	209,597	66,314	141,446	28,379
Loans and bills discounted *(*1)*	298,687	367,510	230,665	152,327	149,786	367,228
	¥ 585,741	¥ 646,397	¥ 440,263	¥ 218,641	¥ 291,233	¥ 395,608
Financial liabilities:						
Deposits *(*2)*	¥ 2,561,357	¥ 210,149	¥ 12,171	¥ -	¥ -	¥ -
Negotiable certificates of deposit	4,100	-	-	-	-	-
Call money and bills sold	15,538	-	-	-	-	-
Security deposits received related to securities lending transactions	25,671	-	-	-	-	-
Borrowings	32,638	5,498	1,875	-	-	-
	¥ 2,639,305	¥ 215,648	¥ 14,046	¥ -	¥ -	¥ -

	Thousands of U.S. dollars					
	2019					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Financial assets:						
Due from banks	$ 1,355,698	$ -	$ -	$ -	$ -	$ -
Call loans and bills purchased	17,109	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds	342,373	541,490	-	-	-	18,019
Local government bonds	201,225	299,062	104,757	183,232	494,053	37,327
Corporate bonds	515,055	1,144,355	1,205,234	129,849	469,033	102,333
Foreign bonds	94,476	269,754	330,065	-	9,910	-
Other	60,338	258,050	248,355	284,385	301,396	97,999
Total investment securities	1,213,478	2,512,721	1,888,431	597,477	1,274,403	255,689
Loans and bills discounted *(*1)*	2,691,116	3,311,199	2,078,250	1,372,438	1,349,545	3,308,658
	$ 5,277,421	$ 5,823,921	$ 3,966,690	$ 1,969,916	$ 2,623,957	$ 3,564,357
Financial liabilities:						
Deposits *(*2)*	$ 23,077,367	$ 1,893,404	$ 109,658	$ -	$ -	$ -
Negotiable certificates of deposit	36,940	-	-	-	-	-
Call money and bills sold	139,994	-	-	-	-	-
Security deposits received related to securities lending transactions	231,291	-	-	-	-	-
Borrowings	294,062	49,535	16,893	-	-	-
	$ 23,779,664	$ 1,942,949	$ 126,551	$ -	$ -	$ -

Notes:

*(*1) At March 31, 2019, the total amount of loans which were not expected to be recovered, including claims to borrowers that were legally or substantially bankrupt and to those who were likely to become bankrupt, amounted to ¥31,818 million ($286,674 thousand). Loans without due dates in the amount of ¥206,341 million ($1,859,095 thousand) were excluded.*

*(*2) Demand deposits were included in "Due in 1 year or less."*

4. Trading Securities and Investment Securities

There was no carrying value of trading securities at March 31, 2019 and 2018.

At March 31, 2019 and 2018, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Japanese government bonds	¥ 101,455	¥ 215,518	$ 914,091	$ 1,941,778
Local government bonds	148,622	114,438	1,339,057	1,031,065
Bonds and debentures	400,909	372,387	3,612,118	3,355,140
Equity securities	129,297	137,238	1,164,942	1,236,489
Other	287,665	272,493	2,591,810	2,455,113
	¥ 1,067,949	¥ 1,112,075	$ 9,622,029	$ 10,019,596

At March 31, 2019 and 2018, investment securities included Japanese government bonds of ¥2,021 million ($18,208 thousand) and ¥7,170 million ($64,600 thousand), respectively, as loans without collateral (securities lending transactions).

At March 31, 2019 and 2018, liabilities for guarantees on corporate bonds included in "Investment securities," which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), amounted to ¥26,689 million ($240,463 thousand) and ¥20,710 million ($186,593 thousand), respectively.

Securities are classified as trading, held-to-maturity or available-for-sale. The classification determines the respective accounting method that should be used to account for these securities, as stipulated by the accounting standard for financial instruments.

The Group did not have any trading securities and held-to-maturity debt securities as of March 31, 2019 and 2018.

At March 31, 2019 and 2018, gross unrealized gains and losses for available-for-sale securities with fair value were as follows:

	Millions of yen			
	2019			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	¥ 100,234	¥ 1,221	¥ -	¥ 101,455
Local government bonds	146,920	1,703	(2)	148,622
Bonds and debentures	397,038	3,949	(79)	400,909
Equity securities	61,810	67,851	(1,900)	127,761
Other	287,722	5,339	(6,138)	286,923
	¥ 993,725	¥ 80,066	¥ (8,120)	¥ 1,065,671

	Millions of yen			
	2018			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	¥ 211,990	¥ 3,687	¥ (159)	¥ 215,518
Local government bonds	112,993	1,525	(79)	114,438
Bonds and debentures	368,456	4,116	(185)	372,387
Equity securities	57,172	79,029	(608)	135,593
Other	273,933	3,955	(6,069)	271,819
	¥ 1,024,546	¥ 92,314	¥ (7,104)	¥ 1,109,757

	Thousands of U.S. dollars			
	2019			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	$ 903,090	$ 11,000	$ -	$ 914,091
Local government bonds	1,323,722	15,343	(18)	1,339,057
Bonds and debentures	3,577,241	35,579	(711)	3,612,118
Equity securities	556,897	611,325	(17,118)	1,151,103
Other	2,592,323	48,103	(55,302)	2,585,124
	$ 8,953,284	$ 721,380	$ (73,159)	$ 9,601,504

	Thousands of U.S. dollars			
	2018			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	$ 1,909,991	$ 33,219	$ (1,432)	$ 1,941,778
Local government bonds	1,018,046	13,739	(711)	1,031,065
Bonds and debentures	3,319,722	37,084	(1,666)	3,355,140
Equity securities	515,109	712,037	(5,477)	1,221,668
Other	2,468,087	35,633	(54,680)	2,449,040
	$ 9,230,975	$ 831,732	$ (64,005)	$ 9,998,711

During the years ended March 31, 2019 and 2018, the Group recorded losses on the write-down of available-for-sale securities with fair value due to an other-than-temporary decline in value as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Equity securities	¥ 35	¥ -	$ 315	$ -

The Group recognizes the write-down of available-for-sale securities with fair value in the case of a decline in value by 50% or more below cost or an other-than-temporary decline ranging from 30% to 50% below cost.

At March 31, 2019 and 2018, net unrealized gains on available-for-sale securities, net of applicable income taxes and non-controlling interests, recorded as a component of accumulated other comprehensive income in net assets on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Unrealized gains	¥ 71,946	¥ 85,210	$ 648,220	$ 767,726
Less applicable income taxes	(21,171)	(25,156)	(190,746)	(226,651)
Less non-controlling interests portion	(44)	(64)	(396)	(576)
Net unrealized gains	¥ 50,729	¥ 59,990	$ 457,059	$ 540,499

During the years ended March 31, 2019 and 2018, the Group sold available-for-sale securities and recorded gains and losses on the consolidated statements of income as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Gains on sales of:				
Equity securities	¥ 3,315	¥ 4,841	$ 29,867	$ 43,616
Bonds and others	2,193	1,386	19,758	12,487
	¥ 5,508	¥ 6,228	$ 49,626	$ 56,113
Losses on sales of:				
Equity securities	¥ 631	¥ 678	$ 5,685	$ 6,108
Bonds and others	2,186	4,485	19,695	40,409
	¥ 2,817	¥ 5,163	$ 25,380	$ 46,517

5. Loans and Bills Discounted

At March 31, 2019 and 2018, loans and bills discounted consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Bills discounted	¥ 24,999	¥ 26,432	$ 225,236	$ 238,147
Loans on bills	45,202	47,566	407,261	428,561
Loans on deeds	1,526,381	1,530,473	13,752,419	13,789,287
Overdrafts	207,783	199,493	1,872,087	1,797,396
	¥ 1,804,367	¥ 1,803,966	$ 16,257,023	$ 16,253,410

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24 issued on February 13, 2002, “Treatment of Accounting and Auditing Concerning Application of Accounting Standard for Financial Instruments in Banking Industry.” The Group has the right to sell or pledge (repledge) bankers’ acceptances, commercial bills, documentary bills and foreign bills of exchange purchased without restrictions. The total face value of these bills amounted to ¥25,002 million ($225,263 thousand) and ¥26,438 million ($238,201 thousand) at March 31, 2019 and 2018, respectively.

Claims to borrowers in bankruptcy and past due loans amounted to ¥31,817 million ($286,665 thousand) and ¥31,364 million ($282,584 thousand) at March 31, 2019 and 2018, respectively, and are included in "Loans and bills discounted." Loans are generally placed on non-accrual status when there is substantial doubt about the ultimate collectability of either principal or interest because the principal or interest is past due for a considerable period or for other reasons. Claims to borrowers in bankruptcy represent non-accrual loans after charge-off to legally bankrupt borrowers as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of the Order for Enforcement of the Corporation Tax Act of Japan. Past due loans are non-accrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

At March 31, 2019 and 2018, delinquent loans for which the payment of principal or interest was contractually past due three months or more, excluding non-accrual loans, amounted to ¥835 million ($7,523 thousand) and ¥650 million ($5,856 thousand), respectively.

For borrowers in financial difficulties, the Bank may support their financial recovery or restructuring by restructuring the terms and conditions of their loans such as by a reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments or debt forgiveness. At March 31, 2019 and 2018, restructured loans for which the Bank had restructured the terms and conditions in favor of borrowers in financial difficulties, excluding "claims to borrowers in bankruptcy," "past due loans" and "delinquent loans contractually past due three months or more" described above, amounted to ¥3,678 million ($33,138 thousand) and ¥3,805 million ($34,282 thousand), respectively.

Total non-performing assets before charge-offs of claims deemed uncollectible, consisting of "claims to borrowers in bankruptcy," "past due loans," "delinquent loans contractually past due three months or more" and "restructured loans," aggregated ¥36,332 million ($327,344 thousand) and ¥35,820 million ($322,731 thousand) at March 31, 2019 and 2018, respectively.

A provision of allowance for possible loan losses in the amount of ¥1,884 million ($16,974 thousand) and ¥518 million ($4,667 thousand) for the years ended March 31, 2019 and 2018, respectively, is included in "Other expenses" in the accompanying consolidated statements of income.

6. Foreign Exchange

At March 31, 2019 and 2018, foreign exchange consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Assets:				
Due from banks	¥ 1,453	¥ 1,641	$ 13,091	$ 14,785
Foreign bills of exchange purchased	2	5	18	45
Foreign bills of exchange receivable	468	430	4,216	3,874
	¥ 1,924	¥ 2,077	$ 17,334	$ 18,713

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Liabilities:				
Foreign bills of exchange sold	¥ 1,201	¥ 1,050	$ 10,820	$ 9,460
Foreign bills of exchange payable	95	73	855	657
	¥ 1,297	¥ 1,123	$ 11,685	$ 10,118

7. Tangible Fixed Assets

At March 31, 2019 and 2018, tangible fixed assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Land	¥ 22,906	¥ 23,214	$ 206,378	$ 209,153
Buildings and structures	8,065	8,547	72,664	77,006
Construction in progress	5	1	45	9
Other tangible fixed assets	3,514	3,400	31,660	30,633
Tangible fixed assets	¥ 34,491	¥ 35,163	$ 310,757	$ 316,812

Accumulated depreciation of tangible fixed assets at March 31, 2019 and 2018 was ¥23,767 million ($214,136 thousand) and ¥23,433 million ($211,127 thousand), respectively.

As permitted by the accounting principles and practices generally accepted in Japan, deferred capital gains on sales of real property are deducted from the original acquisition cost of property newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2019 and 2018, the amount of ¥1,941 million ($17,488 thousand) and ¥2,286 million ($20,596 thousand), respectively, of deferred capital gains was directly reduced from the acquisition cost of land.

The Bank elected the one-time revaluation of land used for the banking business effective on March 31, 1998, reflecting appropriate adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency under the Act on Revaluation of Land. According to the Act, the amount equivalent to the tax effect on the excess of the reassessed values over the original book value is stated as “Deferred tax liabilities for revaluation,” and the remainder of the excess, net of the tax effect, is disclosed as “Land revaluation increment” and included in a component of accumulated other comprehensive income in net assets on the consolidated balance sheets. However, the information of the difference at March 31, 2019 and 2018 was not disclosed because the market value at that time was greater than the carrying value of such land after reassessment.

8. Pledged Assets

At March 31, 2019 and 2018, investment securities totaling ¥129,086 million ($1,163,041 thousand) and ¥141,497 million ($1,274,862 thousand), respectively, were pledged as collateral for "Call money and bills sold" of ¥15,538 million ($139,994 thousand) and ¥10,624 million ($95,720 thousand), respectively, for "Security deposits received related to securities lending transactions" of ¥25,671 million ($231,291 thousand) and ¥65,824 million ($593,062 thousand), respectively, and for "Borrowings" of ¥29,163 million ($262,753 thousand) and ¥27,337 million ($246,301 thousand), respectively.

At March 31, 2019 and 2018, investment securities totaling ¥26,473 million ($238,516 thousand) and ¥26,731 million ($240,841 thousand), respectively, were pledged as collateral for the settlement of exchange and other transactions.

9. Deposits and Negotiable Certificates of Deposit

At March 31, 2019 and 2018, deposits consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Demand deposits	¥ 1,670,530	¥ 1,579,721	$ 15,051,175	$ 14,233,002
Time deposits	1,081,524	1,137,426	9,744,337	10,248,004
Other	31,623	34,225	284,917	308,361
Deposits	2,783,678	2,751,372	25,080,439	24,789,368
Negotiable certificates of deposit	4,100	4,100	36,940	36,940
	¥ 2,787,778	¥ 2,755,472	$ 25,117,379	$ 24,826,308

10. Borrowings and Lease Obligations

At March 31, 2019 and 2018, borrowings, which consisted of the borrowings from other financial institutions, amounted to ¥40,011 million ($360,491 thousand) and ¥37,742 million ($340,048 thousand), respectively. At March 31, 2019 the annual maturities of borrowings due through February 2024 at an average interest rate of 0.24% per annum were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 32,638	$ 294,062
2021	3,094	27,876
2022	2,404	21,659
2023	1,415	12,748
2024	460	4,144
	¥ 40,011	$ 360,491

At March 31, 2019 and 2018, other liabilities included lease obligations of ¥4 million ($36 thousand) and ¥7 million ($63 thousand), respectively.

11. Employee Retirement Benefits

The Group has corporate pension fund plans and lump-sum retirement benefit plans as defined benefit plans, and defined contribution corporate pension plans as defined contribution plans that cover substantially all employees. Furthermore, retirement benefit trusts are set up to cover lump-sum retirement benefit plans. At March 31, 2019 and 2018, employee retirement benefits consisted of the following:

(Defined benefit plans)

(a) Movement in retirement benefit obligations:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Retirement benefit obligations at beginning of year	¥ 22,312	¥ 22,525	$ 201,027	$ 202,946
Service cost	728	776	6,559	6,991
Interest cost	72	73	648	657
Actuarial differences	458	114	4,126	1,027
Retirement benefits paid	(1,266)	(1,176)	(11,406)	(10,595)
Retirement benefit obligations at end of year	¥ 22,304	¥ 22,312	$ 200,955	$ 201,027

(b) Movement in plan assets:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Plan assets at beginning of year	¥ 25,795	¥ 24,548	$ 232,408	$ 221,173
Expected return on plan assets	639	616	5,757	5,550
Actuarial differences	(821)	982	(7,397)	8,847
Contribution paid by the employer	543	553	4,892	4,982
Retirement benefits paid	(926)	(905)	(8,343)	(8,153)
Plan assets at end of year	¥ 25,230	¥ 25,795	$ 227,317	$ 232,408

(c) Reconciliation from retirement benefit obligations and plan assets to employee retirement benefit asset or liability recorded on the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Funded retirement benefit obligations	¥ 22,304	¥ 22,312	$ 200,955	$ 201,027
Plan assets	(25,230)	(25,795)	(227,317)	(232,408)
	(2,925)	(3,483)	(26,353)	(31,381)
Unfunded retirement benefit obligations	-	-	-	-
Net balance of (asset) liability for retirement benefits recorded on the consolidated balance sheets at end of year	(2,925)	(3,483)	(26,353)	(31,381)
Employee retirement benefit liability	996	1,063	8,973	9,577
Employee retirement benefit asset	(3,922)	(4,547)	(35,336)	(40,967)
Net balance of (asset) liability for retirement benefits recorded on the consolidated balance sheets at end of year	¥ (2,925)	¥ (3,483)	$ (26,353)	$ (31,381)

(d) Net periodic retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Service cost	¥ 728	¥ 776	$ 6,559	$ 6,991
Interest cost	72	73	648	657
Expected return on plan assets	(639)	(616)	(5,757)	(5,550)
Amortization of actuarial differences	91	179	819	1,612
Other	35	40	315	360
Net periodic retirement benefit expenses under defined benefit plans	¥ 288	¥ 452	$ 2,594	$ 4,072

(e) Retirement benefit adjustment in other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Actuarial differences	¥ (1,187)	¥ 1,047	$ (10,694)	$ 9,433
Total	¥ (1,187)	¥ 1,047	$ (10,694)	$ 9,433

(f) Retirement benefit adjustment in accumulated other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Actuarial differences yet to be recognized	¥ (2,818)	¥ (1,631)	$ (25,389)	$ (14,695)
Total	¥ (2,818)	¥ (1,631)	$ (25,389)	$ (14,695)

(g) Plan assets

i) Plan assets comprise:

	2019	2018
Debt securities	38.7%	31.8%
Equity securities	42.8	45.8
Cash and deposits	3.1	8.6
General account	12.9	12.6
Other	2.5	1.2
Total	100.0%	100.0%

Note: At March 31, 2019 and 2018, 36.1% and 36.7% of plan assets consisted of retirement benefit trusts that are set up for corporate pension plans and lump-sum retirement benefit plans, respectively.

ii) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined by considering the current and future portfolios of plan assets and the current and expected long-term rates of return generated from various components of the plan assets.

(h) Actuarial assumptions at end of year:

	2019	2018
Discount rate for corporate pension plans	0.3%	0.3%
Discount rate for lump-sum retirement benefit plans	0.2%	0.2%
Expected long-term rate of return on plan assets	3.0%	3.0%

(Defined contribution plans)

The required contributions to the defined contribution plans of the Bank amounted to ¥65 million ($585 thousand) and ¥32 million ($288 thousand) for the years ended March 31, 2019 and 2018, respectively.

12. Acceptances and Guarantees

The Bank provides guarantees for liabilities of certain customers for payments on the customers' loans from other financial institutions. A contra account, "Customers' liabilities for acceptances and guarantees," is classified as an asset in the consolidated balance sheets, indicating the Bank's right of indemnity from these customers.

13. Net Assets

At March 31, 2019 and 2018, the authorized number of shares of common stock without par value was 30 million, and the number of shares of common stock issued was 10,943,240 shares. At March 31, 2019 and 2018, the number of shares of treasury stock held by the Group was 95,870 and 100,742 shares, respectively.

At March 31, 2019 and 2018, capital surplus consisted principally of additional paid-in capital. Included in retained earnings was the legal earnings reserve of the Bank in the amount of ¥5,392 million ($48,580 thousand) at both March 31, 2019 and 2018. The Japanese Banking Act provides that an amount equivalent to at least 20% of the cash payments as appropriations of retained earnings shall be appropriated as the legal earnings reserve until the total amount of additional paid-in capital and such reserve equals the common stock. The legal earnings reserve is not available for distributions as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper action of the Board of Directors and/or the shareholders.

In November 2018, the Board of Directors of the Bank resolved to pay interim dividends of ¥487 million ($4,387 thousand) at ¥45 per share ($0.40 per share). The shareholders of the Bank approved the following appropriation of retained earnings at the annual shareholders meeting on June 21, 2019.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥55 per share ($0.49 per share)	¥ 596	$ 5,369

14. Stock Options

(a) Stock option expenses

The Bank recorded stock option expenses of ¥35 million ($315 thousand) and ¥44 million ($396 thousand) in "General and administrative expenses" for the years ended March 31, 2019 and 2018, respectively.

(b) Outline of stock options and size of and changes in stock options

i) Outline of stock options:

	2012 stock options	2013 stock options	2014 stock options
Position and number of grantees	13 directors of the Bank (excluding outside directors)	13 directors of the Bank (excluding outside directors)	13 directors of the Bank (excluding outside directors)
Number of options granted*	13,000 common shares of the Bank	12,200 common shares of the Bank	9,100 common shares of the Bank
Grant date	July 20, 2012	July 19, 2013	July 25, 2014
Conditions for vesting	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined
Exercise period	July 21, 2012 to July 20, 2042	July 20, 2013 to July 19, 2043	July 26, 2014 to July 25, 2044

	2015 stock options	2016 stock options	2017 stock options
Position and number of grantees	13 directors of the Bank (excluding outside directors)	13 directors of the Bank (excluding directors who are Audit and Supervisory Committee Members and outside directors)	11 directors of the Bank (excluding directors who are Audit and Supervisory Committee Members and outside directors)
Number of options granted*	7,100 common shares of the Bank	10,600 common shares of the Bank	7,400 common shares of the Bank
Grant date	July 24, 2015	July 22, 2016	July 21, 2017
Conditions for vesting	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined
Exercise period	July 25, 2015 to July 24, 2045	July 23, 2016 to July 22, 2046	July 22, 2017 to July 21, 2047

	2018 stock options
Position and number of grantees	9 directors of the Bank (excluding directors who are Audit and Supervisory Committee Members and outside directors)
Number of options granted*	7,700 common shares of the Bank
Grant date	July 20, 2018
Conditions for vesting	Not defined
Requisite service period	Not defined
Exercise period	July 21, 2018 to July 20, 2048

*Note: * Calculated in terms of the number of shares.*

ii) Size of and changes in stock options:

The following describes the size of and changes in stock options that existed during the years ended March 31, 2019 and 2018. The number of stock options is calculated in terms of the number of shares.

a) Number of stock options

	2012 stock options	2013 stock options	2014 stock options	2015 stock options
Non-vested:				
Outstanding at April 1, 2017	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
Outstanding at March 31, 2018	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
Outstanding at March 31, 2019	-	-	-	-
Vested:				
Outstanding at April 1, 2017	8,900 shares	12,200 shares	9,100 shares	7,100 shares
Vested	-	-	-	-
Exercised	(300 shares)	(1,400 shares)	-	-
Forfeited	-	-	-	-
Outstanding at March 31, 2018	8,600 shares	10,800 shares	9,100 shares	7,100 shares
Vested	-	-	-	-
Exercised	(2,500 shares)	(1,100 shares)	(1,900 shares)	(500 shares)
Forfeited	-	-	-	-
Outstanding at March 31, 2019	6,100 shares	9,700 shares	7,200 shares	6,600 shares

	2016 stock options	2017 stock options	2018 stock options
Non-vested:			
Outstanding at April 1, 2017	-	-	-
Granted	-	7,400 shares	-
Forfeited	-	-	-
Vested	-	(7,400 shares)	-
Outstanding at March 31, 2018	-	-	-
Granted	-	-	7,700 shares
Forfeited	-	-	-
Vested	-	-	(7,700 shares)
Outstanding at March 31, 2019	-	-	-
Vested:			
Outstanding at April 1, 2017	10,600 shares	-	-
Vested	-	7,400 shares	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at March 31, 2018	10,600 shares	7,400 shares	-
Vested	-	-	7,700 shares
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at March 31, 2019	10,600 shares	7,400 shares	7,700 shares

b) Price information

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
(Per share)					
Exercise price	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)
Average stock price at exercise	¥3,516 ($31.67)	¥4,616 ($41.58)	¥4,451 ($40.10)	¥3,375 ($30.40)	-
Fair value at grant date	¥3,645 ($32.84)	¥4,556 ($41.04)	¥4,959 ($44.67)	¥6,811 ($61.36)	¥4,466 ($40.23)

	2017 stock options	2018 stock options
(Per share)		
Exercise price	¥1 ($0.00)	¥1 ($0.00)
Average stock price at exercise	-	-
Fair value at grant date	¥6,004 ($54.09)	¥4,673 ($42.10)

iii) Valuation technique to estimate fair value of stock options granted for the years ended March 31, 2019 and 2018:

(1) 2017 stock options:

a) Valuation technique used: Black-Scholes model
b) Major assumptions and estimation method

	2017 stock options
Expected volatility *(*1)*	39.199%
Expected life *(*2)*	1.4 years
Expected dividends *(*3)*	¥90 ($0.81) per share
Risk free interest rate *(*4)*	(0.120)%

*Notes: (*1) Expected volatility is calculated based on the actual stock prices during the period from February 2016 to July 2017, which corresponds to the expected life of the options.*
*(*2) Expected life is estimated based on the difference between the average term of office of directors who retired during the past 10 years and the average term of office of existing directors in office.*
*(*3) Expected dividends are the actual dividends for the year ended March 31, 2017.*
*(*4) Risk free interest rate is a Japanese government bond yield which corresponds to the expected life.*

(2) 2018 stock options:

a) Valuation technique used: Black-Scholes model
b) Major assumptions and estimation method

	2018 stock options
Expected volatility *(*1)*	35.373%
Expected life *(*2)*	2.8 years
Expected dividends *(*3)*	¥90 ($0.81) per share
Risk free interest rate *(*4)*	(0.122)%

*Notes: (*1) Expected volatility is calculated based on the actual stock prices during the period from September 2015 to July 2018, which corresponds to the expected life of the options.*
*(*2) Expected life is estimated based on the difference between the average term of office of directors who retired during the past 10 years and the average term of office of existing directors in office.*
*(*3) Expected dividends are the actual dividends for the year ended March 31, 2018.*
*(*4) Risk free interest rate is a Japanese government bond yield which corresponds to the expected life.*

iv) Method of estimating number of stock options vested

Basically, only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options to be forfeited in the future.

15. Commitments

(a) Loan commitments

Contracts related to overdraft facilities and loan commitment lines are agreements that allow customers to overdraw or borrow up to prescribed limits unless there is violation of any condition in the contract. At March 31, 2019 and 2018, the unused amounts within the limits of these contracts, which originally expire within one year or are revocable by the Bank at any time without any conditions, aggregated ¥575,947 million ($5,189,179 thousand) and ¥593,875 million ($5,350,707 thousand), respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash flow. In addition, most of these contracts have conditions that the Group can refuse customer applications or decrease the contract limits for appropriate reasons such as changes in the financial situation or deterioration in creditworthiness of the customer. At the execution of the contract, the Bank obtains real estate, securities, etc., as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of the customer's business performance in accordance with the Bank's internal rules and takes necessary measures such as modifying the terms and conditions of the contracts and/or requiring additional collateral and/or guarantees if necessary.

(b) Lease commitments

The Group has entered into various lease agreements as a lessee principally for land for office space. These leases are generally cancelable with a few months advance notice and are accounted for as operating leases. The Group has also entered into non-cancelable operating lease agreements. The future minimum lease payments under these non-cancellable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Due within one year	¥ 103	¥ 100	$ 928	$ 900
Due after one year	1,436	1,257	12,938	11,325
	¥ 1,540	¥ 1,358	$ 13,875	$ 12,235

In addition, a subsidiary engaged in the leasing business as a lessor has entered into various long-term, non-cancelable lease agreements with third parties that were categorized as finance leases. Information concerning future minimum lease payments to be received as of March 31, 2019 and 2018 for finance leases which do not transfer ownership of the leased assets to the lessee was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Total future minimum lease payments to be received	¥ 15,980	¥ 14,626	$ 143,976	$ 131,777
Estimated residual value of leased assets	796	760	7,171	6,847
Imputed interest	(18)	(149)	(162)	(1,342)

The aggregate annual maturities of future minimum lease payments to be received as of March 31, 2019 were as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
2020	¥	4,334	$	39,048
2021		3,687		33,219
2022		2,955		26,624
2023		2,185		19,686
2024		1,373		12,370
2025 and thereafter		1,444		13,010
	¥	15,980	$	143,976

As permitted by the accounting standard for lease transactions with respect to finance leases entered into before April 1, 2008, the appropriate carrying value, net of accumulated depreciation, of the underlying assets at March 31, 2008 is recognized as the value of the investment in the leased assets, and the total amount equivalent to interest income on these transactions is allocated over the lease term using the straight-line method, instead of the effective interest method, as the principal method of the accounting standard. As a result, profit before income taxes for the years ended March 31, 2019 and 2018 were none and ¥0 million ($0 thousand) more, respectively, than the amounts that would have been recorded under the effective interest method based on lease payments receivable.

16. Derivative Financial Instruments

Derivative financial instruments, other than those to which hedge accounting was applied, which were traded on the over-the-counter market and stated at fair value and whose valuation gains and losses are recognized in the consolidated statements of income, as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen			
	Notional principal or contract amounts			
	Total	Over one year	Fair value*	Valuation gains (losses)
Foreign exchange forward contracts:				
At March 31, 2019	¥ 26,518	¥ -	¥ (108)	¥ (108)
At March 31, 2018	22,232	-	314	314

	Thousands of U.S. dollars			
	Notional principal or contract amounts			
	Total	Over one year	Fair value*	Valuation gains (losses)
Foreign exchange forward contracts:				
At March 31, 2019	$ 238,922	$ -	$ (973)	$ (973)
At March 31, 2018	200,306	-	2,829	2,829

*Note: * Fair value was based on the discounted cash flow method.*

There were no outstanding derivative financial instruments to which hedge accounting was applied as of March 31, 2019 and 2018.

17. Income Taxes

Income taxes for the years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Income taxes:				
Current	¥ 2,187	¥ 1,959	$ 19,704	$ 17,650
Deferred	(155)	(132)	(1,396)	(1,189)
Total income taxes	¥ 2,031	¥ 1,826	$ 18,298	$ 16,451

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Deferred tax assets:				
Allowance for possible loan losses	¥ 1,708	¥ 1,434	$ 15,388	$ 12,920
Reserve for contingencies	390	357	3,513	3,216
Employee retirement benefit liability	1,529	1,549	13,776	13,956
Depreciation	492	566	4,432	5,099
Investment securities	1,502	1,490	13,532	13,424
Impairment loss on land, etc.	364	360	3,279	3,243
Other	1,735	1,682	15,632	15,154
Subtotal	7,721	7,441	69,564	67,042
Less valuation allowance	(2,314)	(2,287)	(20,848)	(20,605)
Total deferred tax assets	5,407	5,154	48,716	46,436
Deferred tax liabilities:				
Employee retirement benefit asset	(636)	(732)	(5,730)	(6,595)
Unrealized gains on available-for-sale securities	(21,171)	(25,156)	(190,746)	(226,651)
Gains on transfer of investment securities to trusts for retirement benefit plans	(489)	(644)	(4,405)	(5,802)
Deferred gains on sale of property and other	(207)	(213)	(1,865)	(1,919)
Total deferred tax liabilities	(22,504)	(26,746)	(202,757)	(240,976)
Net deferred tax liabilities	¥ (17,097)	¥ (21,592)	$ (154,040)	$ (194,540)

Change in presentation:
"Reserve for contingencies," "Depreciation," and "Impairment loss on land, etc.," which were previously included in "Other," were reclassified as a separate line item effective from the year ended March 31, 2019 due to increases in their materiality. The respective items at March 31, 2018 were accordingly reclassified in order to reflect this change.

At March 31, 2019 and 2018, deferred tax assets and liabilities reported on the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Deferred tax assets	¥ 226	¥ 174	$ 2,036	$ 1,567
Deferred tax liabilities	17,323	21,767	156,077	196,116

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2019 and 2018, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the deferred tax assets were not realizable.

A reconciliation between the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for both the years ended March 31, 2019 and 2018 was not disclosed because the difference between the Japanese statutory tax rate and the effective income tax rate was less than 5% of the Japanese statutory tax rate.

18. General and administrative expenses

General and administrative expenses for the years ended March 31, 2019 and 2018 included following items:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
General and administrative expenses:				
Salaries and allowances	¥ 11,928	¥ 12,421	$ 107,469	$ 111,910
Rental expenses for land, buildings and machinery	2,878	2,926	25,930	26,362

19. Segment Information

(a) General information about reportable segments

The Group defines a reportable segment as a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group engages in a wide range of financial services to customers primarily in the areas of banking and leasing. The reportable segments of the Group, therefore, are based on operating segments as follows:

"Banking"

- Deposits and loans
- Foreign exchange transactions
- Over-the-counter sales of investment trusts and life insurance products
- Securities business

"Leasing"

- Leasing business

(b) Accounting treatment for reportable segment profit, segment assets, segment liabilities and other material items

The accounting treatment for reportable segment information follows the accounting principles used in the consolidated financial statements as described in Note 2, "Summary of Significant Accounting Policies." The segment profit is based on ordinary income, which is defined as "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income, and intersegment income is accounted for based on prices in ordinary transactions with independent third parties.

(c) Information about reportable segment profit, segment assets, segment liabilities and other material items

Segment information as of and for the year ended March 31, 2019 was as follows:

	Millions of yen						
	2019						
	Reportable segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	¥ 41,938	¥ 6,921	¥ 48,859	¥ 1,033	¥ 49,893	¥ -	¥ 49,893
Intersegment	120	248	369	295	664	(664)	-
Total ordinary income	42,058	7,170	49,228	1,329	50,558	(664)	49,893
Segment profit *(*4)*	6,674	243	6,918	171	7,089	(3)	7,086
Segment assets	3,122,821	24,816	3,147,638	5,608	3,153,247	(10,959)	3,142,287
Segment liabilities	2,903,345	19,155	2,922,501	956	2,923,458	(10,961)	2,912,497
Other material items:							
Depreciation	¥ 1,372	¥ 103	¥ 1,475	¥ 16	¥ 1,492	¥ -	¥ 1,492
Interest and dividend income	29,064	9	29,074	35	29,109	(31)	29,078
Interest expense	1,170	59	1,229	3	1,233	(73)	1,160
Provision of allowance for possible loan losses	1,728	103	1,832	52	1,884	(0)	1,884
Loss on write-down of securities	35	-	35	-	35	-	35
Increase in tangible fixed assets and intangible fixed assets	1,044	0	1,045	12	1,058	-	1,058

	Thousands of U.S. dollars						
	2019						
	Reportable segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	$ 377,853	$ 62,356	$ 440,210	$ 9,307	$ 449,526	$ -	$ 449,526
Intersegment	1,081	2,234	3,324	2,657	5,982	(5,982)	-
Total ordinary income	378,935	64,600	443,535	11,974	455,518	(5,982)	449,526
Segment profit *(*4)*	60,131	2,189	62,329	1,540	63,870	(27)	63,843
Segment assets	28,136,057	223,587	28,359,654	50,527	28,410,190	(98,738)	28,311,442
Segment liabilities	26,158,617	172,583	26,331,210	8,613	26,339,832	(98,756)	26,241,075
Other material items:							
Depreciation	$ 12,361	$ 928	$ 13,289	$ 144	$ 13,442	$ -	$ 13,442
Interest and dividend income	261,861	81	261,951	315	262,266	(279)	261,987
Interest expense	10,541	531	11,073	27	11,109	(657)	10,451
Provision of allowance for possible loan losses	15,568	928	16,505	468	16,974	(0)	16,974
Loss on write-down of securities	315	-	315	-	315	-	315
Increase in tangible fixed assets and intangible fixed assets	9,406	0	9,415	108	9,532	-	9,532

Notes:

*(*1) Ordinary income represents "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income. "Total income" of ¥49,897 million ($449,563 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥49,893 million ($449,526 thousand) through the addition of certain special income of ¥3 million ($27 thousand).*

*(*2) The "Other" business segment in the table above represents operating segments not included in the reportable segments and includes credit card business, administrative outsourcing business and information technology management operations.*

*(*3) Reconciliation represents the eliminations of intersegment transactions.*

*(*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" of ¥43,069 million ($388,043 thousand) less certain special expenses of ¥262 million ($2,360 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit of ¥7,086 million ($63,843 thousand), is reconciled to "Profit before income taxes" of ¥6,828 million ($61,519 thousand) through the deduction of certain special expenses, net.*

Segment information as of and for the year ended March 31, 2018 was as follows:

	Millions of yen						
	2018						
	Reportable segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	¥ 42,748	¥ 6,486	¥ 49,235	¥ 998	¥ 50,233	¥ -	¥ 50,233
Intersegment	171	267	439	279	718	(718)	-
Total ordinary income	42,920	6,754	49,674	1,278	50,952	(718)	50,233
Segment profit *(*4)*	6,117	220	6,337	79	6,417	(53)	6,363
Segment assets	3,135,173	22,786	3,157,959	5,583	3,163,543	(9,573)	3,153,970
Segment liabilities	2,909,218	17,285	2,926,504	994	2,927,499	(9,574)	2,917,924
Other material items:							
Depreciation	¥ 1,297	¥ 97	¥ 1,395	¥ 18	¥ 1,413	¥ -	¥ 1,413
Interest and dividend income	29,400	10	29,410	38	29,449	(80)	29,368
Interest expense	1,024	55	1,079	3	1,083	(76)	1,006
Provision of allowance for possible loan losses	309	155	465	52	518	0	518
Loss on write-down of securities	-	-	-	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	1,650	-	1,650	2	1,653	-	1,653

	Thousands of U.S. dollars						
	2018						
	Reportable segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	$ 385,151	$ 58,437	$ 443,598	$ 8,991	$ 452,590	$ -	$ 452,590
Intersegment	1,540	2,405	3,955	2,513	6,469	(6,469)	-
Total ordinary income	386,701	60,852	447,553	11,514	459,068	(6,469)	452,590
Segment profit *(*4)*	55,113	1,982	57,095	711	57,816	(477)	57,329
Segment assets	28,247,346	205,297	28,452,644	50,301	28,502,955	(86,251)	28,416,704
Segment liabilities	26,211,532	155,734	26,367,276	8,955	26,376,241	(86,260)	26,289,972
Other material items:							
Depreciation	$ 11,685	$ 873	$ 12,568	$ 162	$ 12,730	$ -	$ 12,730
Interest and dividend income	264,888	90	264,978	342	265,330	(720)	264,600
Interest expense	9,226	495	9,721	27	9,757	(684)	9,063
Provision of allowance for possible loan losses	2,784	1,396	4,189	468	4,667	0	4,667
Loss on write-down of securities	-	-	-	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	14,866	-	14,866	18	14,893	-	14,893

Notes:

*(*1) Ordinary income represents "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income. "Total income" of ¥50,241 million ($452,662 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥50,233 million ($452,590 thousand) through the addition of certain special income of ¥7 million ($63 thousand).*

*(*2) The "Other" business segment in the table above represents operating segments not included in the reportable segments and includes credit card business, administrative outsourcing business and information technology management operations.*

*(*3) Reconciliation represents the eliminations of intersegment transactions.*

*(*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" of ¥44,056 million ($396,936 thousand) less certain special expenses of ¥186 million ($1,675 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit of ¥6,363 million ($57,329 thousand), is reconciled to "Profit before income taxes" of ¥6,185 million ($55,725 thousand) through the deduction of certain special expenses, net.*

(d) Other information

i) Information by service

	Millions of yen				
	Service				
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2019	¥ 16,993	¥ 17,879	¥ 6,921	¥ 8,099	¥ 49,893
For the year ended March 31, 2018	17,333	18,443	6,486	7,971	50,233

	Thousands of U.S. dollars				
	Service				
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2019	$ 153,103	$ 161,086	$ 62,356	$ 72,970	$ 449,526
For the year ended March 31, 2018	156,167	166,168	58,437	71,817	452,590

ii) Information by geographical area for the years ended March 31, 2019 and 2018 is omitted since income in Japan accounted for more than 90% of the consolidated ordinary income and all tangible fixed assets were located in Japan.

iii) Information by major customer for the years ended March 31, 2019 and 2018 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

(e) Information about impairment loss on fixed assets by reportable segment

	Millions of yen				
	Reportable segment				
	Banking	Leasing	Total	Other	Total
Impairment loss:					
For the year ended March 31, 2019	¥ 227	¥ -	¥ 227	¥ -	¥ 227
For the year ended March 31, 2018	176	-	176	-	176

	Thousands of U.S. dollars				
	Reportable segment				
	Banking	Leasing	Total	Other	Total
Impairment loss:					
For the year ended March 31, 2019	$ 2,045	$ -	$ 2,045	$ -	$ 2,045
For the year ended March 31, 2018	1,585	-	1,585	-	1,585

20. Transactions with Related Parties

No significant transactions with parties related to the Group were to report for the year ended March 31, 2019. Significant transactions with parties related to the Group for the year ended March 31, 2018 were as follows:

Transactions with relatives of the Bank's directors:

Name	Business	Description of the Bank's transaction	Transaction amounts: Millions of yen	Transaction amounts: Thousands of U.S. dollars	Account	Balances: Millions of yen	Balances: Thousands of U.S. dollars
For the year ended March 31, 2018:							
Chieko Hayashi	Real estate leasing business	Loan	(Average balance during period) ¥ 12	$ 108	Loans and bills discounted	¥ -	$ -
			(Interest income) ¥ 0	$ 0			

Note: Terms and conditions of the loans are determined in the same manner as loans under general lending transactions with third parties.

21. Comprehensive Income

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component 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	2018
Net unrealized gains on available-for-sale securities:				
(Decrease) increase during the year	¥ (8,173)	¥ 12,488	$ (73,637)	$ 112,514
Reclassification adjustments	(5,091)	(3,108)	(45,868)	(28,002)
Pre-tax amount	(13,264)	9,379	(119,506)	84,503
Tax effect amount	3,984	(2,887)	35,895	(26,011)
Net unrealized gains on available-for-sale securities, net of tax	(9,280)	6,492	(83,611)	58,491
Land revaluation increment:				
Increase (decrease) during the year	-	-	-	-
Reclassification adjustments	-	-	-	-
Pre-tax amount	-	-	-	-
Tax effect amount	(0)	(14)	(0)	(126)
Land revaluation increment, net of tax	(0)	(14)	(0)	(126)
Retirement benefit adjustment:				
(Decrease) increase during the year	(1,279)	867	(11,523)	7,811
Reclassification adjustments	91	179	819	1,612
Pre-tax amount	(1,187)	1,047	(10,694)	9,433
Tax effect amount	363	(317)	3,270	(2,856)
Retirement benefit adjustment, net of tax	(824)	729	(7,424)	6,568
Total other comprehensive income	¥ (10,104)	¥ 7,207	$ (91,035)	$ 64,933