

**ANNUAL
REPORT 2020**
THE OITA BANK,LTD.



OITA BANK PROFILE

The Oita Bank, Ltd., was founded in 1893 in Oita Prefecture, Kyushu, in the southwest of the Japanese archipelago. For more than a century, the Bank has provided outstanding financial services to individual and corporate clients, contributing significantly to the economic growth and prosperity of Oita Prefecture and the greater Kyushu region.

In Oita Prefecture, there was a steady stream of capital investment from some of the world's most prominent enterprises in the high-tech and automotive industries, which has had a major impact on the economy of the prefecture. At the same time, the prefecture continues to reinforce infrastructure to support its development as a hub of international business.

As the leading bank native to Oita Prefecture, the Oita Bank strives to strengthen its management structure and enhance financial services, thereby contributing to the region's prosperity.

CONTENTS

Consolidated Financial Highlights	1
A Message from the Management.....	2
Consolidated Financial Statements	3
Independent Auditors' Report	21
Summary of Nonconsolidated Financial Statements	24
Corporate Data/Board of Directors and Auditors.....	27



HEAD OFFICE



RED BRICK BUILDING

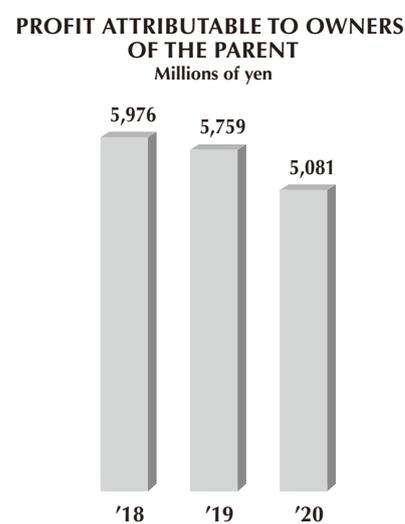
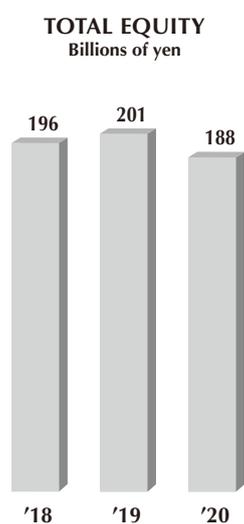
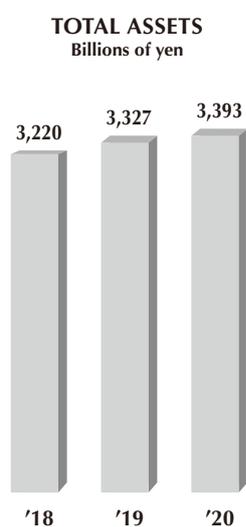


SORINKAN

CONSOLIDATED FINANCIAL HIGHLIGHTS

THE OITA BANK, LTD. and Subsidiaries
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen		
	2020	2019	2018
Deposits	¥3,012,234	¥2,977,170	¥2,918,527
Loans and bills discounted	1,832,686	1,839,806	1,791,972
Investment securities	1,095,311	1,119,566	1,069,236
Common stock	19,598	19,598	19,598
Total equity	188,568	201,937	196,359
Total assets	3,393,016	3,327,849	3,220,162
Profit attributable to owners of the parent	5,081	5,759	5,976
Number of branches (Nonconsolidated)	93	94	94
Number of employees (Nonconsolidated)	1,632	1,644	1,665



Note: All graph figures are for the years ended March 31.

Create the Next Value

Oita Bank sincerely appreciates the continued patronage of all our stakeholders.

Since its founding in 1893, the Oita Bank has continued to operate as a regional financial institution built on solid foundations. We extend our warmest thanks to all our stakeholders for your support over the years.

Oita Bank's management philosophy is "to make every effort to contribute to the prosperity of the regional community through banking operations." Embodying this philosophy and in line with our perpetual strategy of engaging in operations closely tailored to the needs of the regional community, we formulated the Long-Term Management Plan 2011 and a medium-term management plan spanning four fiscal years.

FY2020 is the final step of Medium-Term Management Plan 2019. Under the basic theme of "Create the Next Value," the Bank will undertake various measures with creating shared value as our fundamental policy.

With Oita Prefecture being its base of operations, the Bank is undertaking full-fledged efforts to invigorate the region. Oita Bank believes that helping to revitalizing the local economy is its obligation as a regional bank.

The Bank will continue to grow along with regional communities by creating shared value through proactive engagement in the resolution of numerous issues facing regional communities.

FY2019 Consolidated Operating Performance

Deposits

As of March 31, 2020, total deposits, including negotiable certificates of deposit, amounted to ¥3,012.2 billion, up ¥35.0 billion from a year earlier.

Loans

Total loans outstanding amounted to ¥1,832.6 billion on March 31, 2020, down ¥7.1 billion from one year earlier, owing to a decreased volume of loans to public entities and business loans outside the prefecture.

Marketable Securities

Despite increases in Japanese government bonds, marketable securities on March 31, 2020 totaled ¥1,095.3 billion, ¥24.2 billion lower than the previous fiscal year-end, due to decreases in local government bonds and foreign securities.

Foreign Exchange

Foreign exchange transactions, including international trade transactions, overseas remittances and foreign currency deposits, totaled US\$1,708 million, US\$61 million lower than the previous fiscal year-end.

Earnings

Ordinary profit was down ¥890 million year on year, to ¥60,805 million, despite a rise in other operating income (stemming from an

increase in gain on sale of Japanese government bonds), due to a decrease in other ordinary profit due to a lower gain on reversal of reserve for possible loan losses. Ordinary income rose ¥1,548 million year on year, to ¥9,330 million. Profit attributable to owners of the parent fell ¥678 million year on year, to ¥5,081 million.

Dividend Policy

In due consideration of its responsibility to the public as a financial institution, the Bank's fundamental dividend policy is stable and continuous profit distribution. To this end, we are striving to strengthen its financial structure by reinforcing the long-term stability of its management base, improving management efficiency and building sufficient reserves.

Taking into overall account the Bank's operating performance for FY2019, the Bank has set the annual dividend at ¥80.00 per share (including an interim dividend of ¥40.00 per share).

Capital Adequacy Ratio

As of March 31, 2020, the Bank's capital adequacy ratio was 10.01% on a non-consolidated basis and 10.76% on a consolidated basis, both of which easily exceed the domestic standard of 4%.

For customers to be able do transactions with us with peace of mind, we will strive to further increase our capital adequacy and strengthen our management structure.

Credit Rating

On September 29, 2000, the Bank attained an "A+" long-term preferred debt rating from Japan Credit Rating Agency, Ltd. (JCR), and the Bank has consistently maintained that rating for the 20 years since. Given that "A+" is the highest of the three kinds of "A," the JCR rating attests to the stability and soundness of the Oita Bank.

Conclusion

Oita Bank recognizes its responsibilities as a regional bank with Oita Prefecture as its base of operations. Accordingly, we work proactively to contribute to regional communities through our banking operations.

We ask our stakeholders for their understanding and support of the Bank's endeavors.

August 2020

Shoji Himeno
Chairman



Tomiichiro Goto
President



Consolidated Balance Sheet

THE OITA BANK, LTD. and Consolidated Subsidiaries
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and due from banks (Notes 19 and 20)	¥ 337,044	¥ 235,430	\$ 3,096,976
Call loans (Note 20)		1,442	
Commercial paper and other debt purchased	3,236	6,047	29,734
Money held in trust (Note 4)	17,939	17,874	164,835
Investment securities (Notes 3, 9 and 20)	1,095,311	1,119,566	10,064,421
Loans and bills discounted (Notes 5, 10 and 20)	1,832,686	1,839,806	16,839,897
Foreign exchange assets	8,361	3,928	76,826
Lease receivables and leased investment assets	16,278	15,806	149,572
Other assets (Notes 9 and 20)	52,234	57,029	479,959
Premises and equipment (Note 6)	30,664	32,034	281,760
Intangible assets (Note 7)	1,291	1,341	11,862
Asset for retirement benefits (Note 14)	7,368	10,946	67,701
Deferred tax assets (Note 17)	4,363	972	40,090
Customers' liabilities for acceptances and guarantees (Note 8)	12,237	10,790	112,441
Reserve for possible loan losses (Note 20)	(25,998)	(25,168)	(238,886)
TOTAL	¥3,393,016	¥3,327,849	\$31,177,212
LIABILITIES:			
Deposits (Notes 9, 11 and 20)	¥3,012,235	¥2,977,170	\$27,678,351
Call money (Note 9)		3,329	
Payables under repurchase agreements (Note 9)	18,773	10,337	172,498
Payables under securities lending transactions (Note 9)	8,517	4,824	78,259
Borrowed money (Notes 9, 12 and 20)	99,716	67,409	916,254
Foreign exchange liabilities	187	45	1,718
Bonds with subscription rights to shares (Note 13)		11,099	
Other liabilities	39,527	23,221	363,199
Liability for retirement benefits (Note 14)	7,047	7,691	64,752
Reserve for reimbursement of deposits	1,757	1,562	16,144
Deferred tax liabilities (Note 17)		3,837	
Deferred tax liabilities for land revaluation excess	4,448	4,590	40,871
Acceptances and guarantees (Note 8)	12,237	10,790	112,441
Total liabilities	3,204,447	3,125,912	29,444,518
EQUITY (Notes 15 and 25):			
Common stock- authorized, 30,000,000 shares; issued, 16,243,634 shares in 2020 and 2019	19,598	19,598	180,079
Capital surplus	13,778	13,788	126,601
Stock acquisition rights (Note 16)	237	234	2,177
Retained earnings	140,394	136,604	1,290,030
Treasury stock- at cost, 503,082 shares in 2020 and 513,245 shares in 2019	(2,279)	(2,327)	(20,940)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 3)	10,899	25,954	100,147
Deferred gain (loss) on derivatives under hedge accounting	(593)	(530)	(5,448)
Land revaluation excess	8,958	8,926	82,311
Defined retirement benefit plans (Note 14)	(2,483)	(369)	(22,815)
Total	188,509	201,879	1,732,141
Noncontrolling interests	59	57	542
Total equity	188,568	201,937	1,732,684
TOTAL	¥3,393,016	¥3,327,849	\$31,177,212

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE OITA BANK, LTD. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Thousands				Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Non- controlling Interests	Total Equity
							Unrealized Gain (Loss) on Available- for-Sale Securities	Deferred Gain (Loss) on Deriva- tives under Hedge Accounting	Land Revaluation Excess	Defined Retirement Benefit Plans	Total			
BALANCE, APRIL 1, 2018	15,731	¥19,598	¥13,788	¥182	¥132,089	¥(2,322)	¥ 24,061	¥(712)	¥9,018	¥ 599	¥196,303	¥55	¥196,359	
Net income attributable to owners of the parent					5,759						5,759		5,759	
Cash dividends, ¥80.00 per share					(1,337)						(1,337)		(1,337)	
Purchase of treasury stock	(1)					(5)					(5)		(5)	
Disposal of treasury stock														
Transfer from land revaluation excess					92						92		92	
Net change in the year				52			1,893	182	(92)	(969)	1,066	1	1,068	
BALANCE, MARCH 31, 2019	15,730	¥19,598	¥13,788	¥234	¥136,604	¥(2,327)	¥ 25,954	¥(530)	¥8,926	¥ (369)	¥201,879	¥57	¥201,937	
Net income attributable to owners of the parent					5,081						5,081		5,081	
Cash dividends, ¥80.00 per share					(1,258)						(1,258)		(1,258)	
Purchase of treasury stock	(0)					(2)					(2)		(2)	
Disposal of treasury stock	11		(9)			50					40		40	
Transfer from land revaluation excess					(32)						(32)		(32)	
Net change in the year				2			(15,055)	(62)	32	(2,114)	(17,197)	1	(17,196)	
BALANCE, MARCH 31, 2020	15,740	¥19,598	¥13,778	¥237	¥140,394	¥(2,279)	¥ 10,899	¥(593)	¥8,958	¥(2,483)	¥188,509	¥59	¥188,568	

	Thousands of U.S. Dollars (Note 1)												
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Non- controlling Interests	Total Equity
						Unrealized Gain (Loss) on Available- for-Sale Securities	Deferred Gain (Loss) on Deriva- tives under Hedge Accounting	Land Revaluation Excess	Defined Retirement Benefit Plans	Total			
BALANCE, MARCH 31, 2019	\$180,079	\$126,693	\$2,150	\$1,255,205	\$(21,381)	\$ 238,482	\$(4,869)	\$82,017	\$ (3,390)	\$1,854,994	\$523	\$1,855,526	
Net income attributable to owners of the parent				46,687						46,687		46,687	
Cash dividends, \$0.74 per share				(11,559)						(11,559)		(11,559)	
Purchase of treasury stock					(18)					(18)		(18)	
Disposal of treasury stock			(82)		459					367		367	
Transfer from land revaluation excess				(294)						(294)		(294)	
Net change in the year			18			(138,335)	(569)	294	(19,424)	(158,017)	9	(158,007)	
BALANCE, MARCH 31, 2020	\$180,079	\$126,601	\$2,177	\$1,290,030	\$(20,940)	\$ 100,147	\$(5,448)	\$82,311	\$(22,815)	\$1,732,141	\$542	\$1,732,684	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE OITA BANK, LTD. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 8,541	¥ 7,190	\$ 78,480
Adjustments for:			
Income taxes-refunded	1,746	0	16,043
Income taxes-paid	(1,513)	(3,838)	(13,902)
Depreciation and amortization	1,935	2,197	17,780
Impairment losses	811	571	7,451
Increase (decrease) in reserve for possible loan losses	830	(5,284)	7,626
Increase (decrease) in liability for retirement benefits	(132)	81	(1,212)
(Increase) decrease in asset for retirement benefits	37	56	339
Increase (decrease) in reserve for reimbursement of deposits	194	77	1,782
Interest income-accrued basis	(37,387)	(37,345)	(343,535)
Interest expenses-accrued basis	968	1,275	8,894
Net (gain) loss on investment securities	871	6,266	8,003
Net (gain) loss on money held in trust	(19)	264	(174)
Foreign exchange (gains) losses	(123)	494	(1,130)
Net (gain) loss on disposal of fixed assets	(29)	20	(266)
Net (increase) decrease in loans and bills discounted	7,120	(47,833)	65,423
Net increase (decrease) in deposits	35,064	58,643	322,190
Net increase (decrease) in borrowed money	32,306	59,383	296,848
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	(6)	(2,113)	(55)
Net (increase) decrease in call loans	4,253	790	39,079
Net increase (decrease) in call money	(3,329)	(1,982)	(30,588)
Net increase (decrease) in payables under securities lending transactions	3,692	541	33,924
Net (increase) decrease in foreign exchange assets	(4,433)	225	(40,733)
Net increase (decrease) in foreign exchange liabilities	142	22	1,304
Net (increase) decrease in lease receivables and leased investment assets	(472)	351	(4,337)
Interest income-cash basis	37,889	37,207	348,148
Interest expenses-cash basis	(1,037)	(1,352)	(9,528)
Other-net	25,051	(8,550)	230,184
Total adjustments	104,433	60,173	959,597
Net cash provided by (used in) operating activities	112,975	67,364	1,038,086
INVESTING ACTIVITIES:			
Purchases of investment securities	(304,952)	(438,286)	(2,802,095)
Proceeds from sales of investment securities	134,787	185,993	1,238,509
Proceeds from maturities of investment securities	172,121	194,135	1,581,558
Payments for increase in money held in trust	(97)	(3,003)	(891)
Purchases of premises and equipment	(1,281)	(978)	(11,770)
Purchases of intangible assets	(425)	(308)	(3,905)
Proceeds from sales of premises and equipment	691	196	6,349
Net cash provided by (used in) investing activities	842	(62,252)	7,736
FINANCING ACTIVITIES:			
Redemptions of bonds with subscription rights to shares	(10,956)		(100,670)
Dividends paid	(1,257)	(1,315)	(11,550)
Repayment of lease obligations	(14)	(12)	(128)
Purchases of treasury stock	(2)	(5)	(18)
Proceeds from sales of treasury stock	40		367
Net cash provided by (used in) financing activities	(12,190)	(1,333)	(112,009)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	(19)	(19)	(175)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,608	3,758	933,639
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	229,885	226,127	2,112,331
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 19)	¥ 331,493	¥ 229,885	\$ 3,045,970

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE OITA BANK, LTD. and Consolidated Subsidiaries
Year Ended March 31, 2020

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. Amounts of less than one million yen have been omitted in the accompanying consolidated financial statements as permitted by the Japanese Financial Instruments and Exchange Act. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements include the accounts of the Bank and its eight significant subsidiaries (together, “the Companies”). The fiscal periods of all consolidated subsidiaries end on March 31.

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

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

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

b. Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

c. Trading Account Securities - Trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings. The cost of trading account securities sold is determined by the moving-average method.

d. Investment Securities and Money Held in Trust - All applicable securities are classified and accounted for, depending on management’s intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and (ii) available-for-sale securities, which are not classified as either of trading account securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes,

reported in a separate component of equity. The cost of available-for-sale securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost or amortized cost determined by the moving-average method.

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

Securities managed through money held in trust accounts are reported at fair value and the related unrealized gains and losses are included in earnings.

e. Premises and Equipment - Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment is principally computed using the declining-balance method over the estimated useful lives of the assets and depreciation of leased premises and equipment is provided on the straight-line method over the lease periods.

f. Software - Cost of computer software obtained for internal use is amortized using the straight-line method over the estimated useful lives of five years.

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

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

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

As of March 31, 2020 and 2019, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥10,051 million (\$92,355 thousand) and ¥10,811 million, respectively.

i. Foreign Currency Items - All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rates at each balance sheet date.

j. Reserve for Possible Loan Losses - The Bank determines the amount of the reserve for possible loan losses by means of management’s judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The Bank implemented the self-assessment system for its asset quality. The quality of all loans are assessed by branches and the credit supervisory division with a subsequent audit by the Bank’s asset review and inspection division in accordance with the Bank’s policy and rules for self-assessment of asset quality.

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

Reserve for possible loan losses is calculated based on the actual past loss ratio for normal and caution categories, and the fair value of the collateral for

collateral-dependent loans and other factors of solvency including value of future cash flows for other self-assessment categories. For loans classified as possible bankruptcy, the reserve for possible loan losses is provided for in an amount deemed necessary to cover possible loan losses considering the customer's solvency and other factors, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans classified as virtual bankruptcy or legal bankruptcy, the reserve for possible loan losses is provided for based upon the loan amount, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

In addition, for loans which are mainly classified into possible bankruptcy and restructured loans as defined in Note 5 below, if the exposure to an obligor exceeds a certain specific amount and if future cash flows of the principal and interest can be reasonably estimated, the discounted cash flow method is used to calculate the reserve for possible loan losses, under which method the reserve is determined as the difference between the book value of the loan and the present value of future cash flows discounted using the contractual interest rate before the loan is classified as one of the above loans.

The consolidated subsidiaries determine the amount of the reserve for possible loan losses by a comparable self-assessment system as the Bank. (Additional Information)

The impact on the economy conditions that accompanies the pandemic of COVID-19 is predicted to continue for approximately one year into the future, and the Bank is aware that there will be a certain amount of impact in particular toward the credit risk on loans for the Companies.

Under these circumstances, the Bank currently judges the credit rating classification for its customers by taking into account any available information that may impact for account estimates.

There are uncertainties in the assumption, and in cases where the spread of the COVID-19 or the impact on the economy conditions has changed, there may be increases or decreases in the amount of possible loan loss.

- k. Retirement and Pension Plans** - The Bank has contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Consolidated subsidiaries have unfunded retirement benefit plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

Retirement allowances for directors of consolidated subsidiaries are recorded as a liability at the amount that would be required if all directors retired at the balance sheet date.

- l. Stock Options** - ASBJ Statement No. 8, "Accounting Standard for Share-based Payment," requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.
- m. Income Taxes** - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset

and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

- n. Reserve for Reimbursement of Deposits** - Reserve for reimbursement of deposits is provided for the deposits derecognized from the liabilities at the estimated amount of future claims for withdrawal.
- o. Leases** - As Lessor, lease revenue is recognized at the date of each lease payment according to the lease contracts. As Lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.
- p. Derivatives and Method of Hedge Accounting** - The Bank's policy is to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives as a part of its trading activities. Consolidated subsidiaries do not utilize any derivatives.

The Bank enters into interest rate swaps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency swaps, futures and options to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies.

The Bank applies deferred hedge accounting, which is stipulated in the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24), to the interest risk caused by its financial assets and liabilities.

In evaluating the effectiveness of a hedge, the hedged item, such as loans, and the hedge instruments, such as interest rate swaps, are specified and evaluated regarding the hedging approach. Effectiveness of the hedging approach is evaluated by verifying the correlation of the interest fluctuation factor of the hedged item and the hedge instruments.

- q. Per Share Information** - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. The average number of common shares used in the computation was 15,738 thousand shares and 15,731 thousand shares for the years ended March 31, 2020 and 2019, respectively.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options and convertible bonds were exercised. Diluted net income per share assumes full exercise of the outstanding stock options and convertible bonds at the beginning of the year (or at the time of grant).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

- r. New Accounting Pronouncements** - On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance. The ASBJ developed the accounting standard in order to enhance comparability of financial statements among domestic and overseas companies. The sections which adopted the accounting standard and implementation guidance are as follows: (1) Financial Instruments defined by "Accounting Standard for Financial Instruments" and (2) Measurement method of Inventories held for trading purposes defined by "Accounting Standard for Measurement of Inventories." The accounting standards are effective for the annual periods beginning on or after April 1, 2021. Earlier application is

permitted for annual periods beginning on or after April 1, 2020, or annual periods ending on or after March 31, 2020. The Companies expect to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

On March 31, 2020, the ASBJ issued ASBJ Statement No. 31, "Accounting Standard for Disclosure of Accounting Estimates." The accounting standard is effective for the annual periods beginning on or after March 31, 2021. The accounting standard provides information to help facilitate the understanding of those using financial statements regarding the details of accounting estimates which may have a risk of critically affecting the financial statements of the following fiscal year. Earlier application is permitted for annual periods ending on or after March 31, 2020. The Companies expect to apply the accounting standard for annual periods ending on or after March 31, 2021.

3 TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

There were no trading account securities as of March 31, 2020 and 2019.

Investment securities at March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Japanese government bonds	¥ 138,519	¥ 127,161	\$ 1,272,801
Local government bonds.....	228,866	238,739	2,102,967
Debentures	315,423	317,752	2,898,309
Equity securities	54,240	61,640	498,391
Other securities	358,261	374,272	3,291,932
Total	¥1,095,311	¥1,119,566	\$10,064,421

The costs and aggregate fair value of securities at March 31, 2020 and 2019, were as shown in the table below.

March 31, 2020	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥ 41,975	¥12,573	¥2,475	¥ 52,074
Debt securities.....	679,186	4,798	1,276	682,709
Other	346,685	8,422	6,468	348,640
Held-to-maturity:				
Debt securities.....	99	0		100

March 31, 2019	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥ 39,997	¥20,286	¥ 788	¥ 59,494
Debt securities.....	674,331	9,290	67	683,554
Other	357,399	9,373	1,165	365,607
Held-to-maturity:				
Debt securities.....	99	1		101

March 31, 2020	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities.....	\$ 385,693	\$115,528	\$22,741	\$ 478,489
Debt securities.....	6,240,797	44,087	11,724	6,273,169
Other	3,185,564	77,386	59,432	3,203,528
Held-to-maturity:				
Debt securities.....	909	0		918

Securities lending based on noncollateralized contracts were included in investment securities and amounted to ¥20,258 million (\$186,143 thousand) and ¥20,287 million at March 31, 2020 and 2019, respectively.

The information related to available-for-sale securities which were sold during the years ended March 31, 2020 and 2019, was as follows:

March 31, 2020	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities.....	¥ 18,240	¥2,176	¥ 679
Debt securities.....	64,089	937	18
Other	51,611	2,007	3,363
Total	¥133,941	¥5,121	¥4,061

March 31, 2019	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities.....	¥ 30,284	¥2,063	¥2,213
Debt securities.....	17,863	39	
Other	141,745	1,247	6,729
Total	¥189,893	¥3,350	¥8,942

March 31, 2020	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities.....	\$ 167,600	\$19,994	\$ 6,239
Debt securities.....	588,890	8,609	165
Other	474,235	18,441	30,901
Total	\$1,230,736	\$47,055	\$37,315

Impairment losses on available-for-sale securities for the year ended March 31, 2020, were ¥1,383 million (\$12,707 thousand). Impairment losses available-for-sale securities for the year ended March 31, 2019, were not recognized.

Net unrealized gain (loss) on available-for-sale securities for the years ended March 31, 2020 and 2019, consisted of the following:

Valuation differences:	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Available-for-sale securities.....	¥15,575	¥ 36,928	\$143,113
Deferred tax liabilities	(4,651)	(10,950)	(42,736)
Noncontrolling interests	(24)	(23)	(220)
Net unrealized gain (loss) on available-for-sale securities	¥10,899	¥ 25,954	\$100,147

4 MONEY HELD IN TRUST

The carrying amounts and unrealized gains (losses) of money held in trust, as of March 31, 2020 and 2019, were as follows:

Money held in trust held for trading

Carrying amounts.....	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gains (losses) credited to income	27	(252)	248

5 LOANS AND BILLS DISCOUNTED

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

Bills discounted	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loans on notes	¥ 6,076	¥ 7,972	\$ 55,830
Loans on deeds.....	79,427	76,632	729,826
Overdrafts.....	1,586,728	1,602,041	14,579,876
Total	¥1,832,686	¥1,839,806	\$16,839,897

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥6,081 million (\$55,876 thousand) and ¥7,976 million at March 31, 2020 and 2019, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loans to obligors in bankruptcy...	¥ 1,871	¥ 2,313	\$ 17,191
Past due loans.....	40,552	39,743	372,617
Restructured loans.....	776	820	7,130
Total	¥43,199	¥42,877	\$396,940

Loans to obligors in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, which are defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans, which include loans classified as “possible bankruptcy” and “virtual bankruptcy.”

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) in which the Companies discontinue the accruing of interest income when substantial doubt is judged to exist as to the ultimate collectability of either principal or interest if they are past due for a certain period or for other reasons.

Accruing loans contractually past due three months or more are loans in which the principal or interest is three months or more past due. The Companies do not have any such loans and bills discounted.

Restructured loans, designed to assist in the recovery of the financial soundness of debtors, are loans on which the Companies granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more are excluded.

6 PREMISES AND EQUIPMENT

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Buildings	¥ 5,327	¥ 5,887	\$ 48,947
Land	21,048	22,381	193,402
Leased assets.....	20	14	183
Construction in progress.....	10	3	91
Other	4,256	3,748	39,106
Total	¥30,664	¥32,034	\$281,760

Accumulated depreciation at March 31, 2020 and 2019, amounted to ¥37,867 million (\$347,946 thousand) and ¥37,847 million, respectively.

As of March 31, 2020 and 2019, deferred gains for tax purposes of ¥1,673 million (\$15,372 thousand) and ¥1,863 million on premises and equipment sold and replaced with similar assets have been deducted from the cost of newly-acquired premises and equipment.

The Companies review their long-lived assets for impairment continuously. As of March 31, 2020 and 2019, the Bank recognized impairment losses of ¥811 million (\$7,451 thousand) and ¥571 million as other expense for certain branches, idle fixed assets and assets held for sale due to the carrying amounts of the assets exceeding their recoverable amounts. As a result, the carrying amounts of the relevant assets were written down to the recoverable amount. The recoverable amount is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at

disposition. The discount rate used for computation of the present value of future cash flows was 5.9%.

The Companies principally group operating assets by branch office, which is the minimum unit for management accounting. Idle fixed assets and assets held for sale are individually assessed for impairment.

The recoverable amount of operating assets, idle fixed assets and assets held for sale are measured at their net selling price determined by quotations from third-party vendors.

7 INTANGIBLE ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Software.....	¥1,176	¥1,225	\$10,805
Other	114	115	1,047
Total	¥1,291	¥1,341	\$11,862

8 CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ liabilities for acceptances and guarantees” are shown on the asset side representing the Bank’s right of indemnity from the applicants.

9 ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets pledged as collateral:			
Investment securities.....	¥173,819	¥123,072	\$1,597,160
Other (Collateral paid for financial instruments)		3,608	
Relevant liabilities to above assets:			
Deposits.....	13,088	17,678	120,260
Call money		3,329	
Payables under repurchase agreements.....	18,773	10,337	172,498
Payables under securities lending transactions	8,517	4,824	78,259
Borrowed money.....	92,883	60,000	853,468

In addition, investment securities and others totaling ¥31,415 million (\$288,661 thousand) and ¥30,787 million were pledged as collateral or security deposits for exchange settlement and futures contracts at March 31, 2020 and 2019, respectively.

Guarantee deposits on office space amounting to ¥354 million (\$3,252 thousand) and ¥367 million were included in other assets at March 31, 2020 and 2019, respectively.

10 LOAN COMMITMENTS

Contracts of overdraft facilities and loan commitment limits are contracts where the Companies lend to customers up to the prescribed limits in response to customers’ applications for loans as long as there is no violation of any conditions in the contracts. The unused amounts within the limits totaled ¥638,966 million (\$5,871,230 thousand) at March 31, 2020, and ¥588,062 million at March 31, 2019, for these contracts. Of the above, the amounts for which the original

agreement period was within a year or agreements which the Companies could cancel at any time without penalty totaled ¥633,150 million (\$5,817,789 thousand) at March 31, 2020, and ¥585,212 million at March 31, 2019.

Since many of these commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions where the Companies can refuse a customers' application for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Companies obtain real estate, securities, etc., as collateral if considered necessary. Subsequently, the Companies perform periodic reviews of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees, if necessary.

11 DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current deposits.....	¥ 111,084	¥ 114,044	\$ 1,020,711
Ordinary deposits.....	1,860,740	1,791,694	17,097,675
Savings at notice.....	24,382	24,587	224,037
Deposits at notice.....	5,177	4,618	47,569
Time deposits.....	866,020	875,352	7,957,548
Installment savings.....	9,709	9,902	89,212
Negotiable certificates of deposit..	101,146	116,038	929,394
Other deposits.....	33,974	40,932	312,174
Total	¥3,012,235	¥2,977,170	\$27,678,351

12 BORROWED MONEY

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Borrowings from other financial institutions	¥99,716	¥67,409	\$916,254
Total	¥99,716	¥67,409	\$916,254

The weighted average interest rates of borrowings from other financial institutions were 0.05% and 0.03% at March 31, 2020 and 2019, respectively.

Annual maturities of long-term debt as of March 31, 2020, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥13,232	\$121,584
2022	1,974	18,138
2023	61,289	563,162
2024	22,903	210,447
2025	308	2,830
2026 and thereafter.....	9	82
Total	¥99,716	\$916,254

Please see Note 9 for assets pledged as collateral and their relevant borrowed money.

13 BONDS WITH SUBSCRIPTION RIGHTS TO SHARES

Bonds with subscription rights to shares at March 31, 2020 and 2019, consisted of the following:

	Rate (%)	Millions of Yen		Thousands of U.S. Dollars
		2020	2019	2020
Unsecured convertible bonds with subscription rights to shares, payable in U.S. dollars, due December 2019.....	Non-interest			¥11,099
Total				¥11,099

14 RETIREMENT AND PENSION PLANS

Consolidated subsidiaries have severance payment plans for employees, directors and Audit & Supervisory Board members. The Bank terminated its retirement benefits plan for directors and Audit & Supervisory Board members at the Bank's general shareholders meeting held on June 26, 2012.

Under most circumstances, employees whose service with the Companies is terminated are entitled to retirement and pension benefits determined by reference to base rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for retirement benefits for directors of consolidated subsidiaries is ¥23 million (\$211 thousand) and ¥36 million at March 31, 2020 and 2019, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥33,163	¥32,707	\$304,722
Current service cost.....	1,067	1,035	9,804
Interest cost.....	197	194	1,810
Actuarial (gains) losses	141	788	1,295
Benefits paid.....	(1,779)	(1,562)	(16,346)
Balance at end of year.....	¥32,790	¥33,163	\$301,295

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥36,453	¥37,525	\$334,953
Expected return on plan assets....	621	854	5,706
Actuarial gains (losses)	(3,099)	(1,084)	(28,475)
Contributions from the employer			
Benefits paid.....	(840)	(841)	(7,718)
Balance at end of year.....	¥33,135	¥36,453	\$304,465

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 32,547	¥ 32,923	\$ 299,062
Plan assets	(33,135)	(36,453)	(304,465)
Total	(587)	(3,529)	(5,393)
Unfunded defined benefit obligation	242	239	2,223
Net liability (asset) arising from defined benefit obligation	¥ (344)	¥ (3,290)	\$ (3,160)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for retirement benefits...	¥ 7,023	¥ 7,665	\$ 64,531
Asset for retirement benefits	(7,368)	(10,946)	(67,701)
Net liability (asset) arising from defined benefit obligation	¥ (344)	¥ (3,290)	\$ (3,160)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥1,067	¥1,035	\$ 9,804
Interest cost	197	194	1,810
Expected return on plan assets ..	(621)	(854)	(5,706)
Recognized actuarial (gains) losses	200	479	1,837
Net periodic benefit costs	¥ 843	¥ 854	\$ 7,746

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial (gains) losses	¥(3,040)	¥(1,393)	\$(27,933)
Total	¥(3,040)	¥(1,393)	\$(27,933)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial (gains) losses	¥3,571	¥531	\$32,812
Total	¥3,571	¥531	\$32,812

(7) Plan assets

a. Components of plan assets

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

	2020	2019
	Debt investments.....	16%
Equity investments.....	35	39
Cash and cash equivalents	1	0
Others.....	48	43
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

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

	2020	2019
Discount rate.....	0.6%	0.6%
Expected rate of return on plan assets.....	2.4	3.4
Expected rate of salary increases	6.7	6.2

15 EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

16 STOCK OPTIONS

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	9 directors (excluding outside directors) of the Bank	17,970 shares	August 6, 2012	¥1 (\$0.01)	From August 7, 2012 to August 6, 2042
2013 Stock Option	10 directors (excluding outside directors) of the Bank	14,480 shares	August 19, 2013	¥1 (\$0.01)	From August 20, 2013 to August 19, 2043
2014 Stock Option	8 directors (excluding non-permanent directors) and 8 executive officers of the Bank	16,210 shares	August 18, 2014	¥1 (\$0.01)	From August 19, 2014 to August 18, 2044
2015 Stock Option	7 directors (excluding non-permanent directors) and 7 executive officers of the Bank	10,670 shares	August 17, 2015	¥1 (\$0.01)	From August 18, 2015 to August 17, 2045
2016 Stock Option	7 directors (excluding non-permanent directors) and 7 executive officers of the Bank	18,300 shares	August 22, 2016	¥1 (\$0.01)	From August 23, 2016 to August 22, 2046
2017 Stock Option	7 directors (excluding non-permanent directors) and 7 executive officers of the Bank	12,100 shares	August 28, 2017	¥1 (\$0.01)	From August 29, 2017 to August 28, 2047
2018 Stock Option	7 directors (excluding non-permanent directors) and 7 executive officers of the Bank	14,380 shares	August 27, 2018	¥1 (\$0.01)	From August 28, 2018 to August 27, 2048
2019 Stock Option	6 directors (excluding non-permanent directors) and 6 executive officers of the Bank	15,350 shares	August 26, 2019	¥1 (\$0.01)	From August 27, 2019 to August 26, 2049

The stock option activity during the year ended March 31, 2020, was as follows:

Year Ended March 31, 2020	2012 Stock Option (Shares)	2013 Stock Option (Shares)	2014 Stock Option (Shares)	2015 Stock Option (Shares)	2016 Stock Option (Shares)	2017 Stock Option (Shares)	2018 Stock Option (Shares)	2019 Stock Option (Shares)
Non-vested								
March 31, 2019- Outstanding	3,000	4,770	7,760	7,990	15,580	12,100	14,380	
Granted								15,350
Canceled								
Vested		1,050	1,600	1,430	2,450	2,090	2,480	
March 31, 2020- Outstanding	3,000	3,720	6,160	6,560	13,130	10,010	11,900	15,350
Vested								
March 31, 2019- Outstanding								
Vested		1,050	1,600	1,430	2,450	2,090	2,480	
Exercised		1,050	1,600	1,430	2,450	2,090	2,480	
Canceled								
March 31, 2020- Outstanding								
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise		¥3,050	¥3,078	¥3,075	¥3,075	¥3,076	¥3,076	
Fair value price at grant date	¥2,150	¥2,790	¥3,590	¥5,210	¥2,950	¥3,910	¥3,632	¥2,819

Shares and per share figures have been restated, as appropriate, to reflect a one-for-ten stock consolidation exercised on October 1, 2017.

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

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	21.1%
Estimated remaining outstanding period:	Two years and one month
Estimated dividend:	¥80 per share
Risk free interest rate:	(0.30)%

17 INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.5% for the years ended March 31, 2020 and 2019.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Reserve for possible loan losses....	¥ 7,809	¥ 7,528	\$ 71,754
Liability for employees' retirement benefits	3,045	2,147	27,979
Depreciation	1,862	1,806	17,109
Other	4,178	3,288	38,390
Less valuation allowance	(6,374)	(5,177)	(58,568)
Total	10,521	9,593	96,673
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(4,651)	(10,950)	(42,736)
Unrealized gain on employees' retirement benefit trust	(1,448)	(1,448)	(13,305)
Other	(57)	(60)	(523)
Total	(6,157)	(12,458)	(56,574)
Net deferred tax assets (liability) ...	¥ 4,363	¥ (2,864)	\$ 40,090

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

	2020	2019
Normal effective statutory tax rate	30.5%	30.5%
Expenses not deductible for income tax purposes ..	0.7	0.9
Income not taxable for income tax purposes	(1.4)	(1.6)
Valuation allowance	14.0	(6.2)
Other-net	(3.3)	(3.7)
Actual effective tax rate	40.5%	19.9%

18 OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
			2020
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥(22,241)	¥(3,500)	\$(204,364)
Reclassification adjustments to profit or loss	888	6,550	8,159
Amount before income tax effect	(21,353)	3,050	(196,205)
Income tax effect	6,298	(1,158)	57,870
Total	¥(15,054)	¥ 1,892	\$(138,325)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ (63)	¥ 314	\$ (578)
Reclassification adjustments to profit or loss	(26)	(51)	(238)
Amount before income tax effect	(90)	262	(826)
Income tax effect	27	(79)	248
Total	¥ (62)	¥ 182	\$ (569)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (3,240)	¥(1,872)	\$ (29,771)
Reclassification adjustments to profit or loss	200	479	1,837
Amount before income tax effect	(3,040)	(1,393)	(27,933)
Income tax effect	926	424	8,508
Total	¥ (2,114)	¥ (969)	\$ (19,424)
Total other comprehensive income (loss)	¥(17,232)	¥ 1,105	\$(158,338)

19 CASH AND CASH EQUIVALENTS

The reconciliation of cash and due from banks in the consolidated balance sheet to cash and cash equivalents at March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
			2020
Cash and due from banks	¥337,044	¥235,430	\$3,096,976
Less deposits in other banks except for the Bank of Japan	(5,550)	(5,544)	(50,996)
Cash and cash equivalents, end of year	¥331,493	¥229,885	\$3,045,970

20 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Bank Policy for Financial Instruments

The Bank's operations mainly include accepting deposits, providing loans, discounting bills, and buying and selling marketable securities and other financial instruments. Through these activities, the Bank holds substantial financial assets and financial liabilities that are subject to fluctuations in interest rates. To protect itself from the negative effects of interest rate fluctuations, the Bank conducts derivative transactions as part of its asset and liability management (ALM) activities.

In addition, the consolidated subsidiaries that engage in leasing and credit card businesses handle financial instruments as their principal business.

(2) Nature and Extent of Risks Arising from Financial Instruments

Of the principal financial assets held by the Companies, loans are subject to credit risk, or default on the part of the customer. The Companies hold trading account securities and investment securities, for holding to maturity and for purely trading purposes, as well as to promote business activities. These securities are subject to issuer credit risk, interest rate fluctuation risk and market price fluctuation risk.

Of financial liabilities, deposits and borrowed money are subject to liquidity risk, or the possibility that the Companies may become unable to meet payment obligations when due in the event that they become unable to utilize markets in certain circumstances.

Among derivative transactions, the Bank employs interest rate swap transactions to hedge risk using ALM. To offset the risk of interest rate increases, the Bank employs variable receipt/fixed payment and fixed receipt/variable payment interest rate swap transactions on loans bearing long-term, fixed rates of interest, and securities.

With respect to currencies, the Bank employs currency swap transactions, forward exchange contracts and coupon swap transactions, primarily to hedge the exchange rate fluctuation risks on foreign currency assets and liabilities.

The Bank engages in bond futures transactions, mainly as part of its dealing operations. With regard to the methods of hedge accounting for interest risks on financial assets and liabilities, the Bank employs deferred hedge accounting as provided in the JICPA Industry Audit Committee Report No. 24. To evaluate hedging effectiveness, for hedges designed to offset market fluctuations, the Bank performs specified evaluations of hedged loans at individual hedge stages grouped by (remaining) term.

The consolidated subsidiaries do not conduct derivative transactions.

(3) Risk Management for Financial Instruments

Credit risk management

The Bank has in place various provisions, including a Credit Risk Management Policy and Credit Risk Management Provisions. These provisions, which extend beyond lending activities and include market transactions and off-balance-sheet assets, are in place to manage credit risks related to all manners of banking operations. For each activity, the Bank conducts credit screenings, manages credit limits, manages credit information and employs an internal rating system. The Bank also has in place a credit management system to support management improvements and handle loans that have become delinquent or present collection difficulties. The consolidated subsidiaries also have in place various credit risk management and other provisions. They act in accordance with these provisions to manage credit risks appropriately.

To manage these credit risks, the Companies have established credit risk management divisions, including screening divisions, credit management divisions and problem loan management divisions. The Bank's Risk Management

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
March 31, 2020			
Cash and due from banks	\$ 3,096,976	\$ 3,096,976	
Investment securities:			
Held-to-maturity securities	909	918	\$ 0
Available-for-sale securities	9,955,186	9,955,186	
Loans and bills discounted	16,839,897		
Reserve for possible loan losses (*1)	(200,101)		
	<u>16,639,786</u>	<u>16,772,939</u>	<u>133,143</u>
Total	<u>\$29,692,878</u>	<u>\$29,826,031</u>	<u>\$133,152</u>
Deposits	\$27,678,351	\$27,679,592	\$ 1,240
Borrowed money	916,254	916,116	(128)
Total	<u>\$28,594,606</u>	<u>\$28,595,718</u>	<u>\$ 1,102</u>
Derivative instruments (*2):			
Hedge accounting is not applied	\$ 27,372	\$ 27,372	
Hedge accounting is applied	(238)	(238)	
Total	<u>\$ 27,134</u>	<u>\$ 27,134</u>	

(*1) Reserve for possible loan losses relevant to loans and bills discounted have been deducted.
(*2) Derivative instruments are disclosed in the net amount of assets and liabilities.

Cash and Due from Banks

With regard to amounts due from banks that have not matured and short-term due from banks, as these instruments are settled within a short term and their fair value and book value are nearly identical, their book value is assumed to be their fair value. Long-term due from banks with maturities are segmented according to deposit period, and fair value is calculated by discounting them to their present value, using an assumed rate of interest on new amounts due from banks of the same type.

Investment Securities

The fair value of equity securities is determined by their prices on stock exchanges. The fair value of bonds is determined by their prices on exchanges or at rates indicated by financial institutions handling these transactions for the Bank. The fair value of investment trusts is based on the base value publicly disclosed.

Privately placed bonds guaranteed by the Bank are segmented according to an internal rating and term, and fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new issue bonds of the same type.

For information pertaining to investment securities by holding purpose, please refer to Note 3.

Loans and Bills Discounted

As loans with floating rates of interest reflect market rates of interest in the short term, unless credit conditions of the lending entity have changed significantly after lending the loans, their fair value and book value are nearly identical, so their book value is assumed to be their fair value. Fixed-rate loans are segmented by loan type, internal rating and period, and their fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new lendings of the same type. However, for items with a short commitment term (within three months), as their fair value and book value are nearly identical, their book value is considered to approximate fair value.

The fair value of loans provided to entities that are classified as legal bankruptcy, virtual bankruptcy or possible bankruptcy are determined according to the current value of expected future cash flows or the amount of collateral that is expected to be recoverable or guarantee amounts that are determined to

be recoverable. As these amounts are nearly identical to the book value after deducting the allowance for doubtful accounts, these amounts are assumed to be their fair value.

For loans that are fully secured by collateral and that have no specified repayment term, since, in terms of their expected repayment periods and interest conditions their fair value and book value are nearly identical, their book value is considered to approximate their fair value.

Other Assets

With regard to collateral paid for financial instruments, the assets are short-term in nature, and thus, book value approximates fair value. The book value is assumed to be the fair value.

Deposits

For demand deposits, fair value is assumed to be the amount to be paid when demanded on the balance sheet date (i.e., the book value). The fair value of time deposits is determined by segmenting such deposits by term and discounting future cash flows to their current value. The discount rate used is the rate of interest on new deposits of the same type. As the term on the deposits are short-term in nature, book value approximates fair value, so their book value is assumed to be their fair value.

Call Money and Payables under Securities Lending Transactions

For items with a short commitment term (within three months), as their book value approximates fair value, their book value is assumed to be their fair value.

Borrowed Money

For borrowed money, interest rates on floating-rate borrowings reflect short-term market interest rates. The credit conditions of the Companies have not changed significantly since the time of borrowing, and as such, book value approximates fair value. So their book value is assumed to be their fair value. Such borrowings with fixed interest rates are segmented by term, the total amount of principal and interest on the borrowed money is divided by time period, and their present value is calculated by discounting according to the assumed interest rate. For items with a short commitment term (within three months), as their book value approximates fair value, their book value is assumed to be their fair value.

Derivatives

Fair value information for derivatives is included in Note 21.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Equity securities	¥ 2,166	¥ 2,145	\$ 19,902
Other	9,620	8,665	88,394
Total	<u>¥11,787</u>	<u>¥10,811</u>	<u>\$108,306</u>

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

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2020				
Due from banks.....	¥301,119			
Call loans				
Investment securities:				
Held-to-maturity securities....	100			
Available-for-sale securities ...	97,833	¥ 495,941	¥206,926	¥202,684
Loans and bills discounted (*1)..	478,715	569,032	332,272	419,482
Total.....	¥877,768	¥1,064,974	¥539,198	¥622,167

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2019				
Due from banks.....	¥202,137			
Call loans	1,442			
Investment securities:				
Held-to-maturity securities....		¥ 100		
Available-for-sale securities ...	99,449	537,060	¥240,186	¥131,719
Loans and bills discounted (*1)..	501,511	545,938	351,396	402,882
Total.....	¥804,540	¥1,083,099	¥591,583	¥534,602

	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2020				
Due from banks.....	\$2,766,874			
Call loans				
Investment securities:				
Held-to-maturity securities....	918			
Available-for-sale securities ...	898,952	\$4,557,024	\$1,901,369	\$1,862,390
Loans and bills discounted (*1)..	4,398,741	5,228,631	3,053,128	3,854,470
Total.....	\$8,065,496	\$9,785,665	\$4,954,497	\$5,716,870

(*1) Excluded from the loan amount for the years ended March 31, 2020 and 2019, were ¥33,183 million (\$304,906 thousand) and ¥38,077 million, respectively, in loans classified as "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy" on which the redemption amount cannot be forecasted.

(6) Maturity Analysis for Deposits with Contractual Maturities

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2020				
Deposits	¥2,782,884	¥228,640	¥709	

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2019				
Deposits	¥2,739,550	¥236,395	¥1,222	

	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
March 31, 2020				
Deposits	\$25,570,927	\$2,100,891	\$6,514	

Please see Note 12 for annual maturities of borrowed money.

21 DERIVATIVES

The Bank's policy is to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risk associated with its assets and liabilities.

The Bank enters into interest rate swaps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency swaps to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest and foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform under a contract. Because the counterparties to these derivatives are limited to major financial institutions and securities companies, the Bank does not anticipate material losses arising from credit risk.

Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions (the Market Financing Division) are clearly separated, while the Asset and Liabilities Management Office synthetically manages the Bank's market risks. In this manner, an internal monitoring system is effectively secured. Derivative transactions entered into by the Bank have been made in accordance with internal policies, which regulate the trading activities, and credit risk management has formal risk limits and credit lines. The Bank's gains and losses on positions and other conditions are periodically reported to management.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
March 31, 2020				
Currency swaps.....	¥101,211	¥59,856	¥2,724	¥2,724
Coupon swaps.....	110,457	64,269	172	172
Foreign currency forward contracts:				
Selling	46,623	174	89	89
Buying.....	11,717	174	(7)	(7)

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
March 31, 2019				
Currency swaps.....	¥ 99,336	¥ 58,824	¥2,059	¥2,059
Coupon swaps.....	181,222	101,062	157	157
Foreign currency forward contracts:				
Selling	38,387	6	(243)	(243)
Buying.....	729		4	4

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
March 31, 2020				
Currency swaps.....	\$ 929,991	\$549,995	\$25,029	\$25,029
Coupon swaps.....	1,014,949	590,544	1,580	1,580
Foreign currency forward contracts:				
Selling	428,402	1,598	817	817
Buying.....	107,663	1,598	(64)	(64)

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2020	Hedged Item			
Interest rate swaps (floating rate payment, fixed rate receipt)	Loans and bills discounted Available-for-sale securities (debt securities)	¥ 7,000	¥ 7,000	¥ 194
(fixed rate payment, floating rate receipt)		¥30,000	¥30,000	¥(221)
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2019	Hedged Item			
Interest rate swaps (floating rate payment, fixed rate receipt)	Loans and bills discounted	¥7,000	¥7,000	¥252
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2020	Hedged Item			
Interest rate swaps (floating rate payment, fixed rate receipt)	Loans and bills discounted Available-for-sale securities (debt securities)	\$ 64,320	\$ 64,320	\$ 1,782
(fixed rate payment, floating rate receipt)		\$275,659	\$275,659	\$(2,030)

The fair value of derivative transactions is calculated by discounting them to their present value.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

(3) Information about Ordinary Income, Profit, Assets and Other Items

		Millions of Yen						
		Reportable Segment			Other	Total	Reconciliations	Consolidated
		Banking	Leasing	Total				
2020								
Ordinary income:								
Ordinary income from external customers	¥	50,241	¥ 8,119	¥ 58,361	¥ 2,470	¥ 60,831	¥ (25)	¥ 60,805
Intersegment ordinary income		189	168	358	546	904	(904)	
Total	¥	50,431	¥ 8,288	¥ 58,719	¥ 3,016	¥ 61,736	¥ (930)	¥ 60,805
Segment profit	¥	8,208	¥ 379	¥ 8,588	¥ 754	¥ 9,342	¥ (11)	¥ 9,330
Segment assets		3,372,803	22,800	3,395,603	16,863	3,412,467	(19,451)	3,393,016
Other:								
Depreciation		1,783	89	1,873	64	1,937	(1)	1,935
Total interest income		36,421	13	36,434	1,005	37,440	(52)	37,387
Total interest expenses		953	58	1,012	5	1,017	(48)	968
Impairment losses of assets		811		811		811		811
Increase in premises and equipment and intangible assets		1,443	160	1,604	115	1,719	(1)	1,718
		Millions of Yen						
		Reportable Segment			Other	Total	Reconciliations	Consolidated
		Banking	Leasing	Total				
2019								
Ordinary income:								
Ordinary income from external customers	¥	51,391	¥ 8,616	¥ 60,007	¥ 1,975	¥ 61,983	¥ (287)	¥ 61,696
Intersegment ordinary income		188	214	402	1,088	1,491	(1,491)	
Total	¥	51,579	¥ 8,830	¥ 60,410	¥ 3,063	¥ 63,474	¥ (1,778)	¥ 61,696
Segment profit	¥	6,530	¥ 444	¥ 6,975	¥ 814	¥ 7,789	¥ (7)	¥ 7,782
Segment assets		3,307,448	22,470	3,329,919	16,462	3,346,381	(18,532)	3,327,849
Other:								
Depreciation		2,058	79	2,138	60	2,199	(1)	2,197
Total interest income		36,926	12	36,938	1,018	37,957	(612)	37,345
Total interest expenses		1,258	64	1,323	5	1,328	(53)	1,275
Impairment losses of assets		571		571		571		571
Increase in premises and equipment and intangible assets		1,161	115	1,276	31	1,308	(4)	1,303

22 SEGMENT INFORMATION

Under Accounting Standards Board of Japan ("ASBJ") Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is performed in order to decide how management resources are allocated and in assessing performance. The Companies concentrate on the banking business, and also conduct other financial services including the leasing and the credit card businesses. Therefore, the Companies' reportable segments consist of Banking and Lease.

(2) Methods of Measurement for the Amounts of Ordinary Income, Profit, Assets and Other Items for Each Reportable Segment

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

	Thousands of U.S. Dollars						
	2020						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Banking	Leasing	Total					
Ordinary income:							
Ordinary income from external customers	\$ 461,646	\$ 74,602	\$ 536,258	\$ 22,695	\$ 558,954	\$ (229)	\$ 558,715
Intersegment ordinary income.....	1,736	1,543	3,289	5,016	8,306	(8,306)	
Total.....	<u>\$ 463,392</u>	<u>\$ 76,155</u>	<u>\$ 539,547</u>	<u>\$ 27,712</u>	<u>\$ 567,270</u>	<u>\$ (8,545)</u>	<u>\$ 558,715</u>
Segment profit.....	\$ 75,420	\$ 3,482	\$ 78,912	\$ 6,928	\$ 85,840	\$ (101)	\$ 85,730
Segment assets.....	30,991,482	209,501	31,200,983	154,948	31,355,940	(178,728)	31,177,212
Other:							
Depreciation.....	16,383	817	17,210	588	17,798	(9)	17,780
Total interest income.....	334,659	119	334,779	9,234	344,022	(477)	343,535
Total interest expenses.....	8,756	532	9,298	45	9,344	(441)	8,894
Impairment losses of assets.....	7,451		7,451		7,451		7,451
Increase in premises and equipment and intangible assets.....	13,259	1,470	14,738	1,056	15,795	(9)	15,786

Notes: 1. The "Other" segment contains businesses that are not included in these reporting segments, such as the credit card business.

2. Adjustment amounts for the years ended March 31, 2020 and 2019, were as follows:

- (1) A downward reconciliation in ordinary income from external customers of ¥25 million (\$229 thousand) and ¥287 million were made to the adjust gain on reversal of reserve for possible loan losses.
- (2) Segment profit reconciliations of ¥11 million (\$101 thousand) and ¥7 million were made to eliminate intersegment transactions.
- (3) A downward reconciliation in segment assets of ¥19,451 million (\$178,728 thousand) and ¥18,532 million was made to eliminate intersegment transactions.
- (4) A downward reconciliation in depreciation of ¥1 million (\$9 thousand) and ¥1 million was made to eliminate intersegment transactions.
- (5) A downward reconciliation in total interest income of ¥52 million (\$477 thousand) and ¥612 million was made to eliminate intersegment transactions.
- (6) A downward reconciliation in total interest expenses of ¥48 million (\$441 thousand) and ¥53 million was made to eliminate intersegment transactions.
- (7) A downward reconciliation in increase in premises and equipment and intangible assets of ¥1 million (\$9 thousand) and ¥4 million was made to eliminate intersegment transactions.

3. Segment profit is reflected as an adjustment to ordinary profit.

4. Ordinary profits, ordinary income and ordinary expenses are defined as follows:

"Ordinary profits" means "Ordinary income" less "Ordinary expenses."

"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019.

"Ordinary expenses" represents total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019.

Related Information

(1) Information by Services

Income regarding major service for the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loan Businesses.....	¥22,406	¥22,406	\$205,880
Securities Investment Businesses..	19,932	18,097	183,148
Other	18,466	21,192	169,677
Total.....	<u>¥60,805</u>	<u>¥61,696</u>	<u>\$558,715</u>

(2) Geographical Information

(a) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total ordinary income on the consolidated statement of income for the years ended March 31, 2020 and 2019; therefore, geographical ordinary income information is not presented.

(b) Premises and equipment

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment in the consolidated balance sheet at March 31, 2020 and 2019; therefore, geographical premises and equipment information is not presented.

(3) Major Customer Information

Ordinary income from a specific customer did not reach 10% of total ordinary income in the consolidated statement of income for the years ended March 31, 2020 and 2019; therefore, major customer information is not presented.

23 RELATED PARTY TRANSACTIONS

Significant related party transactions for the years ended March 31, 2020 and 2019, were as follows:

Related Party	Account Classification	Transactions for the Year		Balance at End of Year	
		Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
		2020	2020	2020	2020
Kunihiko Okamura	Loans and bills discounted	¥25	\$229	¥23	\$211
Tamanoyu Co., Ltd.	Loans and bills discounted	34	312	33	303
Tamanoyu Sangyou Co., Ltd.	Loans and bills discounted	99	909	94	863

Notes: 1. A director of the Bank and its close relatives own 100% of the voting rights of Tamanoyu Co., Ltd. and Tamanoyu Sangyou Co., Ltd.

2. Terms are substantially the same as for similar transactions with third parties.

3. Amounts of transactions were reported at the average balance for the period.

Related Party	Account Classification	Transactions for the Year	Balance at End of Year
		Millions of Yen	Millions of Yen
		2019	2019
Kunihiko Okamura	Loans and bills discounted	¥ 30	¥ 27
Tamanoyu Co., Ltd.	Loans and bills discounted	33	36
Tamanoyu Sangyou Co., Ltd.	Loans and bills discounted	109	104

- Notes: 1. A director of the Bank and its close relatives own 100% of the voting rights of Tamanoyu Co., Ltd. and Tamanoyu Sangyou Co., Ltd.
2. Terms are substantially the same as for similar transactions with third parties.
3. Amounts of transactions were reported at the average balance for the period.

24 NET INCOME PER SHARE

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

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares*	EPS*	
Year Ended March 31, 2020				
Basic EPS—Net income available to common shareholders.....	<u>¥5,081</u>	<u>15,738</u>	<u>¥322.85</u>	<u>\$ 2.97</u>
Effect of dilutive securities:				
Stock Option.....		<u>1,804</u>	<u>(33.2)</u>	<u>(0.31)</u>
Diluted EPS—Net income for computation	<u>¥5,081</u>	<u>17,542</u>	<u>¥289.65</u>	<u>\$ 2.66</u>
Year Ended March 31, 2019				
Basic EPS—Net income available to common shareholders.....	<u>¥5,759</u>	<u>15,731</u>	<u>¥366.12</u>	
Effect of dilutive securities:				
Stock Option.....		<u>2,481</u>	<u>(49.89)</u>	
Diluted EPS—Net income for computation	<u>¥5,759</u>	<u>18,212</u>	<u>¥316.23</u>	

25 SUBSEQUENT EVENT

Appropriations of Retained Earnings

At the Bank's general shareholders meeting held on June 24, 2020, the Bank's shareholders' approved the following:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥40.0 (\$0.36) per share	¥629	\$5,779



Deloitte Touche Tohmatsu LLC
Oita Kowa Building
3-4-20 Funai-cho
Oita-shi, Oita 870-0021
Japan
Tel: +81 (97) 534 5880
Fax: +81 (97) 532 7715
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of THE OITA BANK, LTD.:

Opinion

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

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

Convenience Translation

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

Basis for Opinion

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

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

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

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

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

Member of
Deloitte Touche Tohmatsu Limited

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu LLC
June 24, 2020

Summary of Nonconsolidated Balance Sheet (Unaudited)

THE OITA BANK, LTD.
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
ASSETS:			
Cash and due from banks.....	¥ 336,047	¥ 234,384	\$ 3,087,815
Call loans		1,442	
Commercial paper and other debt purchased	3,236	6,047	29,734
Money held in trust	17,939	17,874	164,835
Investment securities	1,099,559	1,123,775	10,103,454
Loans and bills discounted	1,839,189	1,846,163	16,899,650
Foreign exchange assets.....	8,361	3,928	76,826
Other assets.....	43,184	47,595	396,802
Premises and equipment	29,021	30,374	266,663
Intangible assets	1,143	1,244	10,502
Prepaid pension cost	10,246	10,283	94,146
Deferred tax assets.....	2,288		21,023
Customers' liabilities for acceptances and guarantees.....	12,231	10,782	112,386
Reserve for possible loan losses	(23,532)	(22,783)	(216,227)
TOTAL.....	¥3,378,917	¥3,311,114	\$31,047,661
LIABILITIES:			
Deposits	¥3,024,909	¥2,989,059	\$27,794,808
Call money.....		3,329	
Payables under repurchase agreements.....	18,773	10,337	172,498
Payables under securities lending transactions.....	8,517	4,824	78,259
Borrowed money.....	93,556	61,012	859,652
Foreign exchange liabilities	187	45	1,718
Bonds with subscription rights to shares		11,099	
Other liabilities.....	31,402	15,212	288,541
Liability for retirement benefits.....	6,086	6,222	55,922
Reserve for reimbursement of deposits	1,757	1,562	16,144
Deferred tax liabilities.....		3,998	
Deferred tax liabilities for land revaluation excess	4,448	4,590	40,871
Acceptances and guarantees	12,231	10,782	112,386
Total liabilities.....	3,201,871	3,122,077	29,420,849
EQUITY:			
Common stock- authorized, 30,000,000 shares; issued, 16,243,634 shares in 2020 and 2019.....	19,598	19,598	180,079
Capital surplus	10,592	10,602	97,326
Stock acquisition rights	237	234	2,177
Retained earnings:			
Legal reserve.....	10,431	10,431	95,846
Unappropriated.....	119,223	116,180	1,095,497
Total retained earnings.....	129,654	126,612	1,191,344
Unrealized gain (loss) on available-for-sale securities.....	10,878	25,920	99,954
Deferred gain (loss) on derivatives under hedge accounting	(593)	(530)	(5,448)
Land revaluation excess.....	8,958	8,926	82,311
Treasury stock- at cost, 503,082 shares in 2020 and 513,245 shares in 2019	(2,279)	(2,327)	(20,940)
Total equity.....	177,046	189,036	1,626,812
TOTAL.....	¥3,378,917	¥3,311,114	\$31,047,661

Note: Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at the rate of ¥108.83=U.S. \$1, the approximate exchange rate prevailing at March 31, 2020.

Summary of Nonconsolidated Statement of Changes in Equity (Unaudited)

THE OITA BANK, LTD.
Year Ended March 31, 2020

	Thousands Outstanding Number of Shares of Common Stock	Millions of Yen									Total Equity
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings		Unrealized Gain (Loss) on Available- for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	
BALANCE, APRIL 1, 2018	15,731	¥19,598	¥10,602	¥182	¥10,431	¥112,503	¥ 23,989	¥(712)	¥9,018	¥(2,322)	¥183,290
Net income						4,922					4,922
Cash dividends, ¥80.00 per share						(1,337)					(1,337)
Purchase of treasury stock	(1)									(5)	(5)
Transfer from land revaluation excess						92					92
Net change in the year				52			1,931	182	(92)		2,073
BALANCE, MARCH 31, 2019	15,730	19,598	10,602	234	10,431	116,180	25,920	(530)	8,926	(2,327)	189,036
Net income						4,333					4,333
Cash dividends, ¥80.00 per share						(1,258)					(1,258)
Purchase of treasury stock	(0)									(2)	(2)
Disposal of treasury stock	11		(9)							50	40
Transfer from land revaluation excess						(32)					(32)
Net change in the year				2			(15,042)	(62)	32		(15,070)
BALANCE, MARCH 31, 2020	15,740	¥19,598	¥10,592	¥237	¥10,431	¥119,223	¥ 10,878	¥(593)	¥8,958	¥(2,279)	¥177,046

	Thousands of U.S. Dollars									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Legal Reserve	Retained Earnings		Unrealized Gain (Loss) on Available- for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock
BALANCE, MARCH 31, 2019	\$180,079	\$97,417	\$2,150	\$95,846	\$1,067,536	\$ 238,169	\$(4,869)	\$82,017	\$(21,381)	\$1,736,984
Net income					39,814					39,814
Cash dividends, \$0.74 per share					(11,559)					(11,559)
Purchase of treasury stock									(18)	(18)
Disposal of treasury stock			(82)						459	367
Transfer from land revaluation excess					(294)					(294)
Net change in the year			18			(138,215)	(569)	294		(138,472)
BALANCE, MARCH 31, 2020	\$180,079	\$97,326	\$2,177	\$95,846	\$1,095,497	\$ 99,954	\$(5,448)	\$82,311	\$(20,940)	\$1,626,812

Note: Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at the rate of ¥108.83=U.S. \$1, the approximate exchange rate prevailing at March 31, 2020.

CORPORATE DATA

HEAD OFFICE

4-1, Funaimachi 3-chome, Oita 870-0021
Telephone: (097) 534-1111

INTERNATIONAL BUSINESS OFFICE

4-1, Funaimachi 3-chome, Oita 870-0021
Telephone: (097) 538-7513
Fax: (097) 533-6383
Swift: OITA JPJT

Hong Kong Representative Office

Room 1108, 11/F, The Metropolis Tower,
10 Metropolis Drive, Hung Hom,
Kowloon, Hong Kong
Telephone: 852-2522-8862
Fax: 852-2522-7298

FOREIGN EXCHANGE OFFICES

Main Office

4-1, Funaimachi 3-chome, Oita 870-0021
Telephone: (097) 534-1111

Osaka Branch

8-7, Hiranomachi 1-chome,
Chuo-ku, Osaka 541-0046
Telephone: (06) 6231-6067

Saiki Branch

2-7, Jyokanishimachi,
Saiki, Oita 876-0847
Telephone: (0972) 22-3311

Tokyo Branch

3-4, Nihonbashi 2-chome,
Chuo-ku, Tokyo 103-0027
Telephone: (03) 3273-0081

Fukuoka Branch

10-10, Kamigofukumachi,
Hakata-ku, Fukuoka 812-0036
Telephone: (092) 281-4381

Kokura Branch

1-21, Komemachi 1-chome,
Kokurakita-ku, Kita-Kyusyu 802-0003
Telephone: (093) 521-8336

Beppu Branch

18-21, Noguchinakamachi,
Beppu, Oita 874-0932
Telephone: (0977) 21-2121

Nakatsu Branch

2-10, Toyodamachi,
Nakatsu, Oita 871-0058
Telephone: (0979) 24-2211

Tsurusaki Branch

1-12, Minami-Tsurusaki 3-chome,
Oita 870-0104
Telephone: (097) 527-2121

Hita Branch

1-2, Sanbonmatsu 1-chome,
Hita, Oita 877-0016
Telephone: (0973) 23-2101

NUMBER OF MONEY EXCHANGE OFFICES

34

NUMBER OF OFFICES BY DISTRICT

Oita Prefecture	82
Miyazaki Prefecture	2
Kumamoto Prefecture	1
Fukuoka Prefecture	6
Osaka	1
Tokyo	1
Total	93

(As of September 30, 2020)

BOARD OF DIRECTORS AND AUDITORS

Chairman

Shoji Himeno

President

Tomiichiro Goto

Senior Managing Director

Kunihiro Kikuguchi

Managing Directors

Masayuki Takeshima
Yasuhide Takahashi
Nobuhiko Okamatsu

Outside Directors

Yoshimi Osaki
Akiko Yamamoto

Standing Auditors

Tadashi Kimoto
Masayuki Sagara

Outside Auditors

Kunihiko Okamura
Mitsuo Kawano

Managing Executive Officers

Kazuyoshi Kai
Yasunori Sato

Executive Officers

Hiroaki Shimonomura
Hideki Nagamatsu
Rikizo Hanada
Tatsuo Kuroki
Yu Ikeda
Katsuhiko Ueki

(As of June 30, 2020)

感動を、シェアしたい。

Emotions with you.