

Annual Report 2019

Year ended March 31, 2019
The Hyakujushi Bank, Ltd.





Foreword

I sincerely thank you for your continued patronage and support of the Hyakujushi Bank.

This year, we will help you to deepen your understanding of the Bank by presenting you with this Annual Report. In addition to the Bank’s management policy and business performance, this report summarizes the measures we are taking under the strategies set out in the medium-term management plan.

The business environment of regional financial institutions has become more severe due to declining birth rate and aging population, population decline, and large-scale monetary easing, represented by negative interest rates. We also face new challenges such as economic downturn risks and responses to digital technologies.

To address these issues, the Bank is working on the strategies of the medium-term management plan “Challenge Value Plus” (April 2017 to March 2020). This plan demonstrates our determination that the Bank aims to “Grow together with the region by going beyond the financial sphere in providing

whole-hearted support for the region’s aspirations”. Based on this plan, we will strive to improve our own sustainability by addressing the challenges of local communities and creating added value.

Medium-term management plan

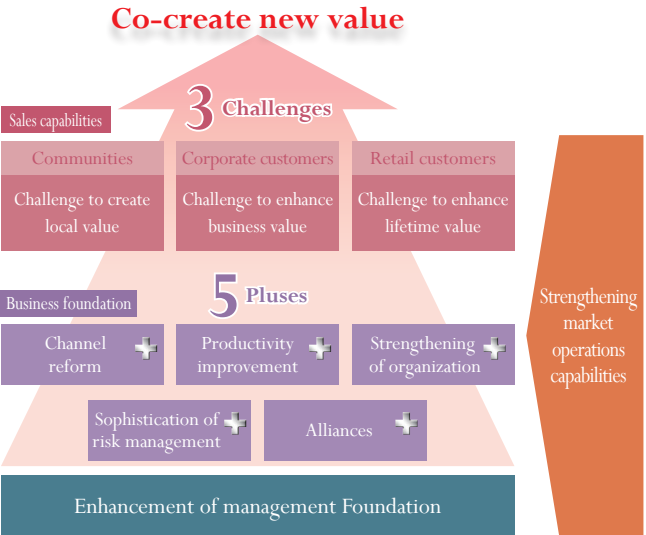
At the core of the medium-term management plan “Challenge Value Plus” are “three challenges” to strengthen sales capabilities and “five pluses” to reinforce the business foundation.

The “three challenges” are to support the creation of local value, to enhance business value for corporate customers, and to enhance lifetime value for retail customers. By doing so, we will be able to perform further financial intermediary functions and customer-oriented business operations.

With the “five pluses,” the Bank will carry out channel reform and productivity improvement measures to adapt to environmental changes, and will pursue a stronger framework for supporting the “three challenges” through the enhancement of organizational capabilities, utilization of alliances, and

greater sophistication in risk management. Two years have passed since the plan kicked off and these initiatives are progressing as planned and have achieved certain results.

Medium-term management plan “Challenge Value Plus” conceptual diagram



Toward a virtuous cycle in which the region, customers and the Bank grow together

Challenge to create local value

The Bank is working to create local value, with the aim of creating an independent and sustainable regional society that utilizes local resources. Revitalizing the local economy is the mission of a regional bank, and is vital to our future survival. In addition to providing loans to customers for business establishment, the Bank is providing a range of support for the creation of new industries, including assistance with formulating business plans and applying for subsidies, and introduction to purchasers. The number of entities we have helped to establish a business or second business (each year) has increased by about 25% in the last two years. We are also strengthening our efforts to attract business and are steadily accumulating results.

In addition, in response to the increase in foreign tourists visiting Kagawa Prefecture, we are strengthening our support for tourism-related businesses. At the Inbound Tourism Seminar, which we hosted last year, the number of applicants exceeded the capacity of the venue, showing the high level of interest in tourism industry among our customers. As a result of above initiatives and other efforts, the Bank’s balance of facility financing provided to accommodation businesses has doubled over the last two years.

Challenge to enhance business value

We are stepping up an initiative to increase business value for corporate customers by disclosing the feasibility assessment*1 conducted by the Bank. This initiative not only conveys the bank’s assessment of the customer’s business environment and growth potential, but also shares management issues revealed in the process and works together to solve them.

As of March 31, 2019, the number of corporate customers to whom we have disclosed evaluation of their business feasibility has surpassed 2,000, which resulted in new funding needs and the acquisition of fees through provision of solutions.

*1 Evaluation of business feasibility by gaining an understanding of the business through dialogue with the customer, and by analyzing from financial and industrial perspectives.

Challenge to enhance lifetime value

For retail customers, we strive to provide products and services tailored to their life stages and future plans, in order to increase their lifetime value. Japan is entering an era of “100-year life,” in which 25% of the male population will live for 90 years and 25% of the female population will live for 95. In the lead-up to such a society of longevity, our efforts include, for example, offering proposals focused on safe and sustainable, long-term, distributed, and installment products to customers with little investment experience. We are also committed to provide products that meet customers’ needs. The balance of assets under custody as of the end of the fiscal year ended March 31, 2019 showed a year-on-year increase thanks to our provision of single-premium insurance in response to the recent inheritance-related needs.

Responding to changes in customers’ behavior

As society and economy mature, values and lifestyles are diversifying, and the services and needs customers demand from banks are changing dramatically. While the number of customers at branch offices has decreased, the number of Internet banking transactions has increased rapidly. In response to such changes in the environment, we are promoting channel reform.

Enhancing non-face-to-face channels

For non-face-to-face channels, we are working to enhance our services with smartphones.

In January 2019, we launched services including: “114 Smart Passbook,” which enables customers to easily view account balances and transaction records from anywhere; “Household Accounts Function”; and “Life Planning Coach,” which allows customers to simulate the money they will need over their lifetime by merely answering a few simple questions. In response to the increasing number of customers who do not need a passbook, we have also started handling non-passbook (no passbook) accounts that do not issue paper passbooks.

Reorganizing the network of bank branches

While enhancing non-face-to-face channels, we are reorganizing the branch network in line with customer trends and

regional characteristics. In the past two years, five branches have been integrated, mainly in branches where the number of visiting customers has declined significantly. In the future, based on the needs of customers, we are planning to change our existing branch into formats such as highly functional branches that provide more specialized services and lightweight branches that can be operated by a small number of staff.

We will provide high-quality consulting services to more customers by allocating the personnel created through the reorganization of branches to consulting services that meet diverse needs.

Financial results for the fiscal year ended March 31, 2019

The above mentioned efforts led to an increase in fee income and cost reductions, which compensated for a decline in loan interest income in the context of negative interest rate policies.

However, market-related revenues declined significantly as a result of efforts to improve the quality of the securities portfolio, including the sale of securities with valuation losses, and the increase in non-performing loan disposal costs due to large-scale bankruptcies outside Kagawa Prefecture. As a result, “Profit attributable to owners of parent ” has decreased from the previous fiscal year.

Strengthening of our governance and compliance structures

It is essential for the Bank to strengthen its governance and compliance structures in order to achieve continuous growth as a regional financial institution and enhance its corporate value.

In addition to reflecting outside opinions in the Bank’s management, we have enhanced the capabilities of the Nomination and Remuneration Governance Committee, a voluntary committee, in order to ensure objectivity and transparency of our decision making.

Furthermore, with the addition of one Outside Director at the 150th Annual General Meeting of Shareholders held in June 2019, Outside Directors now account for one-third of the members of the Board of Directors. At the same time, we are striving to improve diversity of the Board of Directors, including the appointment of two female Directors. We have also established a policy to foster successors, abolished the Advisor System, and clarified procedures for dismissal of Directors.

Moreover, along with reorganizing the system for information collection and reporting related to compliance, we have strengthened the compliance structure through such initiatives as appointing a CCO*2 in April 2019 and setting up a Compliance Management Division.

*2 Chief Compliance Officer

Conclusion

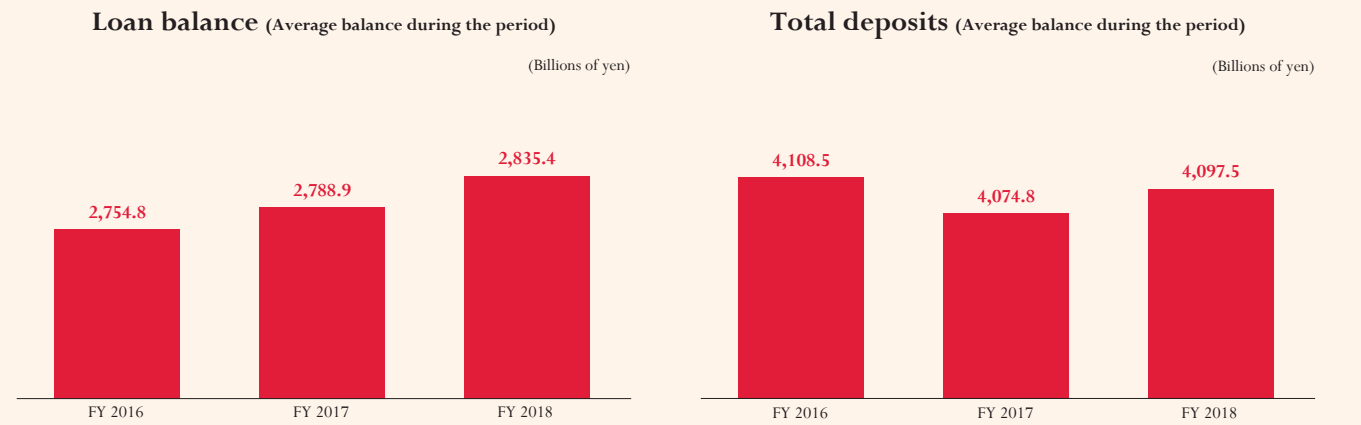
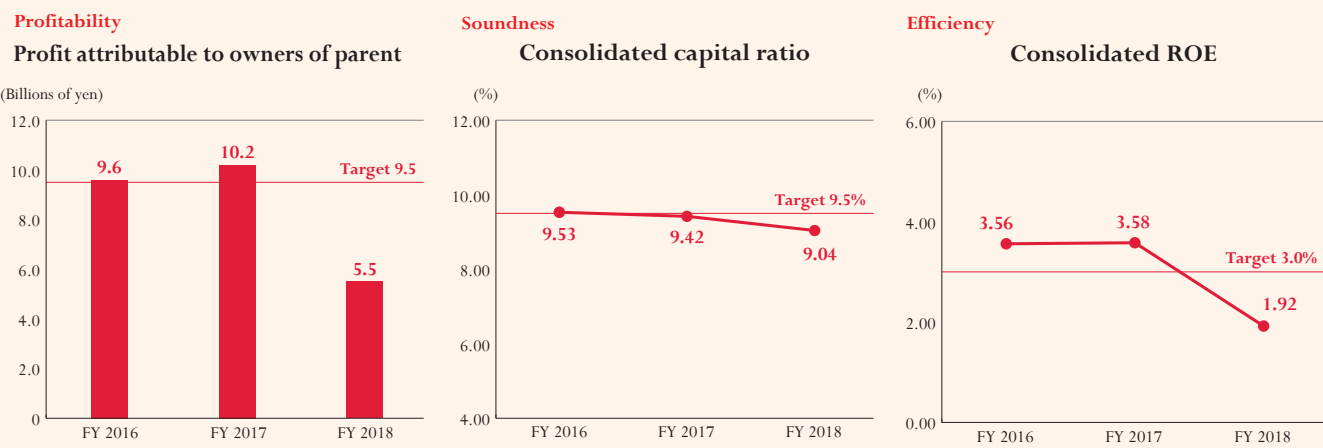
We established The Hyakujushi Bank’s Code of Conduct in March 2019 with the goal of fulfilling our mission as a regional financial institution, which is to provide thorough support to our customers at all times and thereby contribute to the regional development.

In addition, supporting the Sustainable Development Goals (SDGs)*3 advocated by the UN, we released The Hyakujushi Bank’s SDGs Declaration. Hoping that the Declaration will help us reconfirm the Bank’s role, we will make our utmost efforts to increase the value of the region and of the Bank in order to create a sustainable society.

I sincerely thank you and humbly request your continued support and patronage of the Bank.

*3 The Sustainable Development Goals were adopted at the UN summit held in September 2015. They consist of 17 goals and the 169 associated targets to be achieved by 2030.

Medium-term management plan: Progress of management targets





Activities aimed at accomplishing SDGs

The Hyakujushi Bank aims to realize its Corporate Vision to “prosper together with customers and communities” through initiatives to accomplish the SDGs advocated by the UN.

The Hyakujushi Bank’s SDGs Declaration

We selected four SDGs that have especially high affinity with the Bank’s Corporate Vision and business activities, and are working on such goals as our priority themes as shown on the right.

Major themes

Creating local value

Creating local value by unearthing local attractions and disseminating information on them



Developing the local economy

Creating a virtuous cycle of mutual growth by providing full support to our customers and the region beyond financial frameworks



Supporting the happiness of local residents

Supporting people’s happy lives by assisting their asset formation and revitalizing the region through social contribution



Creating opportunities for everyone to participate

Providing opportunities for our officers and employees, and local residents, that encourage them to achieve their full potential by embracing diverse ways of thinking



SDGs

SDGs (Sustainable Development Goals) were adopted at the UN summit held in September 2015. They consist of 17 goals—including the eradication of poverty and hunger, environmental conservation, diversity in the workforce, and technology innovation—and the associated 169 targets to be achieved by 2030.



Environment

We are working to create an environmentally friendly society through such measures as provision of financial products and services, local forest conservation activities, and energy-saving branches.



Environmental conservation

- Forest matching—collaboration of forest creation
- Promotion of paperless operations
- Energy-saving branches, introduction of eco-friendly vehicles
- “Cool Biz” casual business attire campaign in summer

Environmental business

- Environmentally friendly loans/issuance of private placement bonds
- Bank accounts without passbooks

Please refer to page 18 for details

Social

We support the growth of customers and the region through the “three challenges” set forth in the medium-term management plan and interaction with local communities. We are also actively working to create an environment where employees can work for many years with fulfillment through workstyle innovation.

Creating local value

- Support for startups
- Support for tourism promotion
- Cooperation agreements with local public entities
- Industrial development

Enhancing business value

- Evaluation of business feasibility
- Business matching
- M&A and business succession
- Support for business conducted overseas
- Support for management improvement and business revitalization
- Support in the field of agriculture
- Support in the medical and nursing care field



Enhancing lifetime value

- Support for asset formation
- Smartphone apps
- Internet banking

Social responsibility

- Promotion of culture, art, and sports
- Financial education
- Training of human resources
- Promotion of women’s participation
- Workstyle innovation

Please refer to pages 11-17 of this report and to pages 13-18 of the reference material for details



Governance

We are making efforts to strengthen governance structure based on the recognition that doing so is indispensable for the Bank’s sustainable growth and enhancement of medium- to long-term corporate value.



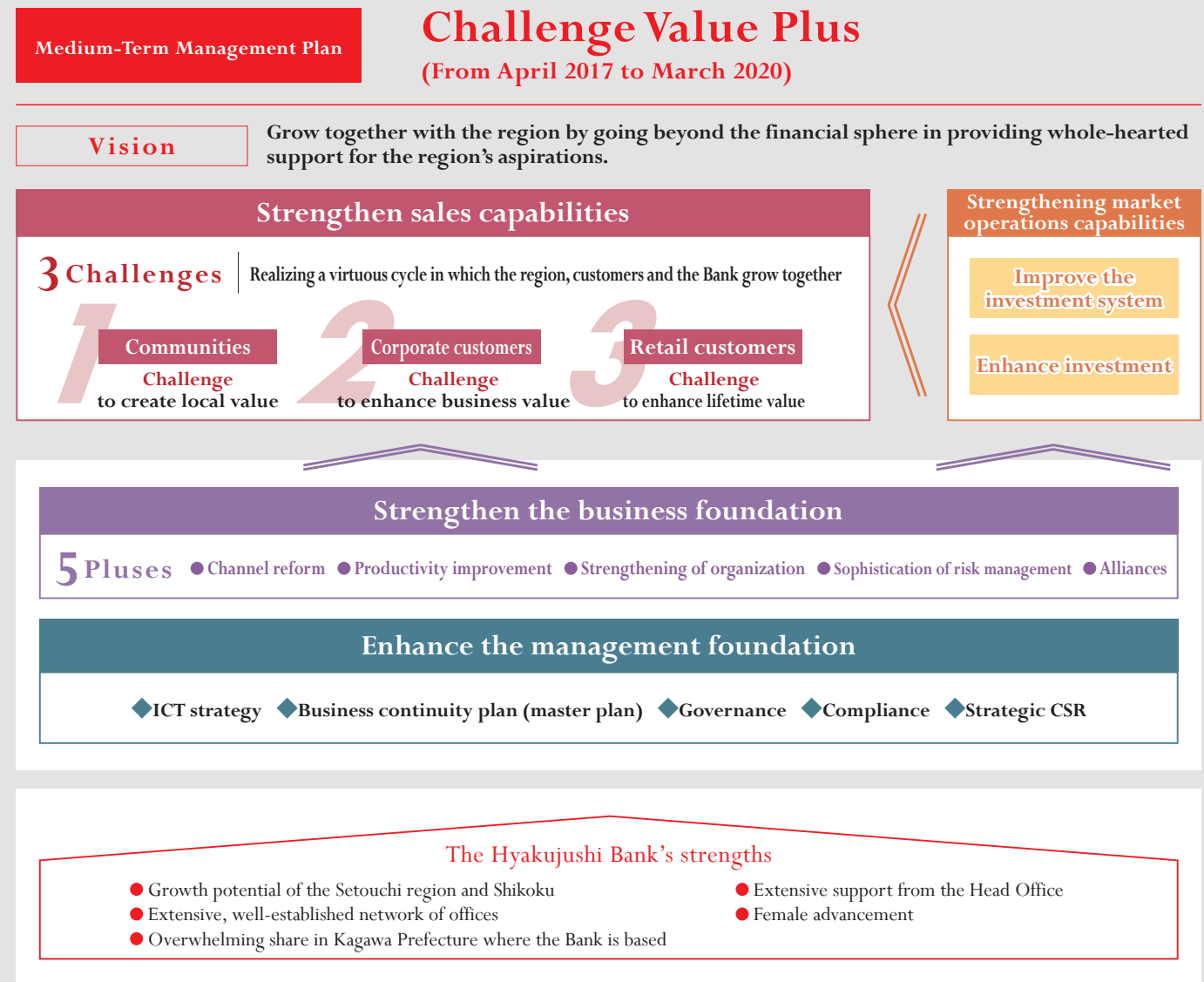
Enhancing the management foundation

- Corporate governance
- Compliance structure
- Risk management structure

Please refer to page 19 for details

Business Model Pursued by the Hyakujushi Bank(Our Medium-Term Management Plan)

Against the backdrop of a business environment that remains challenging for regional financial institutions, the Bank is doing its utmost to create regional value and enhance customers' value by utilizing its organizations, human resources, and sales network to the maximum. The Bank pursues a business model designed to achieve a "virtuous cycle of the regional economy" by contributing to growth of customers and the region, leading to stronger competitiveness and stable performance of the Bank.



Current state of the regional economy (Kagawa Prefecture)

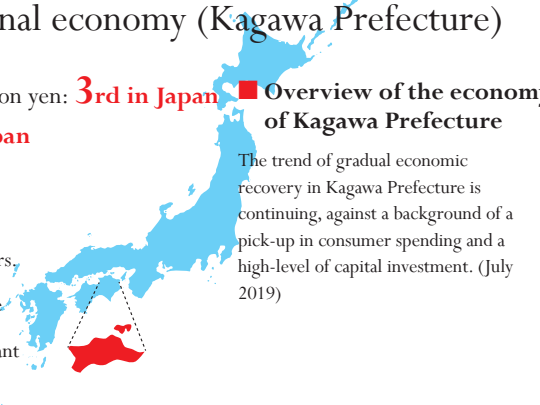
Deposit balance (per household)16.498 million yen: **3rd in Japan**

Jobs-to-applicants ratio 1.75: **9th in Japan**

Industrial structure

Overview of the economy of Kagawa Prefecture

The trend of gradual economic recovery in Kagawa Prefecture is continuing, against a background of a pick-up in consumer spending and a high-level of capital investment. (July 2019)



A balanced industrial structure centering on small and medium-sized enterprises without being overly dependent on any particular sectors. While the Kagawa Prefecture lacks a core industry or a group of companies that can serve as a powerful engine for the regional economy, the prefecture has the advantage of being resistant to changes in the economic environment.

TOPICS

Number of tourists visiting Kagawa Prefecture was the third-highest ever

The number of tourists visiting Kagawa Prefecture was 9.41 million in 2018, the third-highest level ever, exceeding 9 million for the sixth consecutive year. The number of people using domestic and international airlines from/to Takamatsu Airport was 2,062,920, exceeding 2 million for the first time.

Growth Strategy (Three Challenges)

2 JOB NUMBER

4 QUALITY EDUCATION

8 ECONOMIC REFORM AND ECONOMIC GROWTH

9 QUALITY INFRASTRUCTURE AND INFRASTRUCTURE

11 SUSTAINABLE LIFESTYLE AND COMMUNITIES

12 ECONOMICAL CONSUMPTION AND CONSUMPTION

17 PARTICIPATION FOR THE FUTURE

Create local value – Initiatives for communities –

Shikoku other than Kagawa Prefecture, Okayama, Hiroshima, Hyogo, and Fukuoka

Kagawa

Osaka

Nagoya

Tokyo

Regional strategy

The Bank classifies its sales territories into three zones consisting of Kagawa Prefecture, the greater Setouchi region, and metropolitan areas. We are supporting invigoration of the areas by formulating and implementing strategies corresponding to each region.

Greater Setouchi region

Secure profitability of individual branches

In the greater Setouchi region covering Shikoku excluding Kagawa Prefecture, and the territory from Hyogo to Fukuoka, we are working to strengthen the earnings base through resolution of issues of customers whose main bank is the Bank.

Kagawa Prefecture

Protect and develop local communities

In Kagawa Prefecture, where we emphasize protection and development of communities, we are striving to resolve issues in the region through our initiatives toward regional revitalization. We will also proactively invest management resources while aiming to become the main bank of customers for every transaction.

Metropolitan areas

Pursue return on assets

In the metropolitan areas, namely, Tokyo, Nagoya, and Osaka as strategic operation bases, we put the highest priority on efficiency of transactions (rate of increase in yield on loans). We are also working on business matching with customers in other regions.

Change in average loan balance and earnings in the greater Setouchi region

(Billions of yen)

872.1

926.7

966.9

10.6

11.0

11.1

FY 2016

FY 2017

FY 2018

Average total loan balance

Gross operating profits

Profit from provision of solutions in Kagawa Prefecture

(Millions of yen)

99

126

274

23

48

150

76

78

124

FY 2016

FY 2017

FY 2018

Business matching

Business succession / M&A

Yield on loans in metropolitan areas

0.83%

0.87%

0.89%

FY 2016

FY 2017

FY 2018

Regional revitalization

Centering on the Regional Vitalization Division established in April 2017, we are providing support that goes beyond the boundaries of finance for regional revitalization in collaboration with Kagawa Prefecture, local municipalities, external expert institutions, etc.

Support for startups

The Bank holds startup seminars for people who wish to launch businesses in the region, and provides support for formulation of management plans and market cultivation.

Number of recipients of support for startups or second startups

(Number of recipients)

4

22

45

249

274

273

FY 2016

FY 2017

FY 2018

Support for startups

Support for second startups

Support for tourism promotion

The Bank provides financial support to deal with the increase in inbound tourists, hold seminars on inbound tourism, and assists with making websites multilingual, among other types of support.

Equipment loans to accommodation businesses

(Millions of yen)

300

600

2,200

100%

123%

204%

FY 2016

FY 2017

FY 2018

Amount of newly loaned funds

Rate of increase

07

08

Enhance business value – Initiatives for corporate customers –

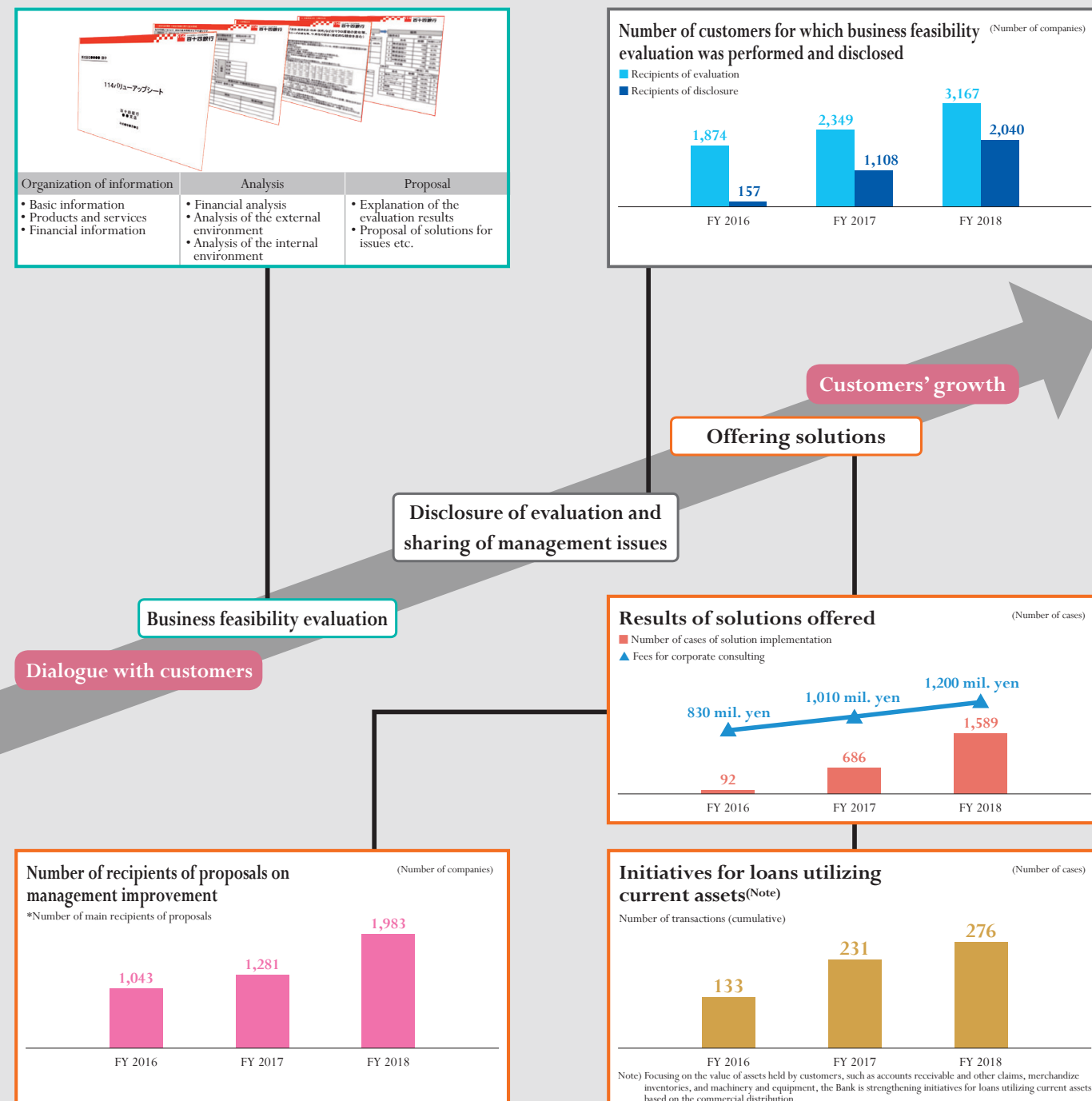
We offer strong support for our customers' growth by actively taking part in their overall business flows and stages.

Growth support through evaluation of business feasibility

The Bank provides support for corporate customers' growth by offering solutions for their management challenges and needs, based on evaluations of their business feasibility*.

Process of growth support

* Evaluation of business feasibility by gaining an understanding of the business through dialogue with the customer, and by analyzing from financial and industrial perspectives.



Enhance lifetime value – Initiatives for retail customers –

We provide meticulous comprehensive support for customers' asset accumulation by offering customer-centric proposals emphasizing long-term, installment, and distributed investment. We also focus on fostering bank staff with expert knowledge and establishing sales structure.

Basic policy for operations that support customers' asset management and accumulation

Provide honest, impartial support for asset management and accumulation

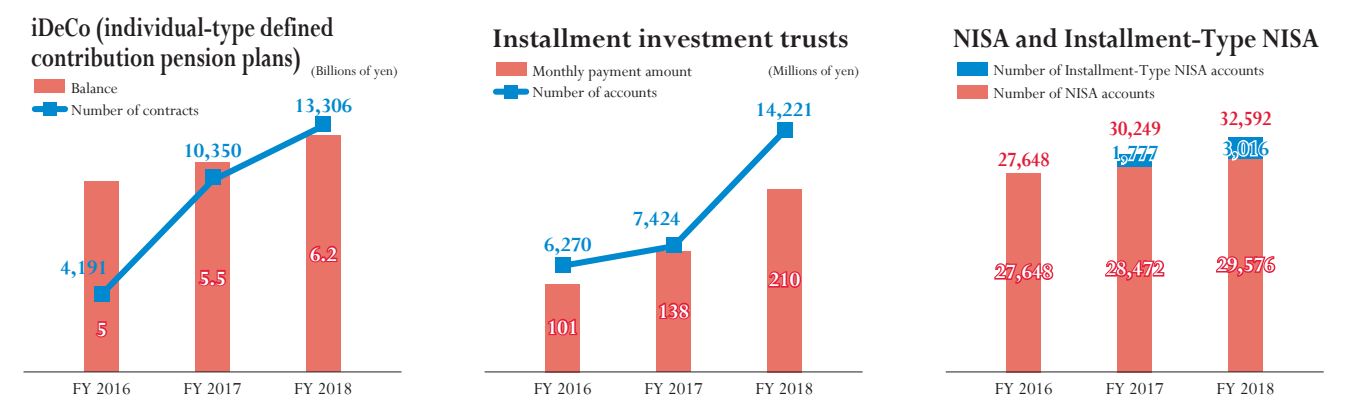
Deploy customer-centric sales systems

Enhance quality of services

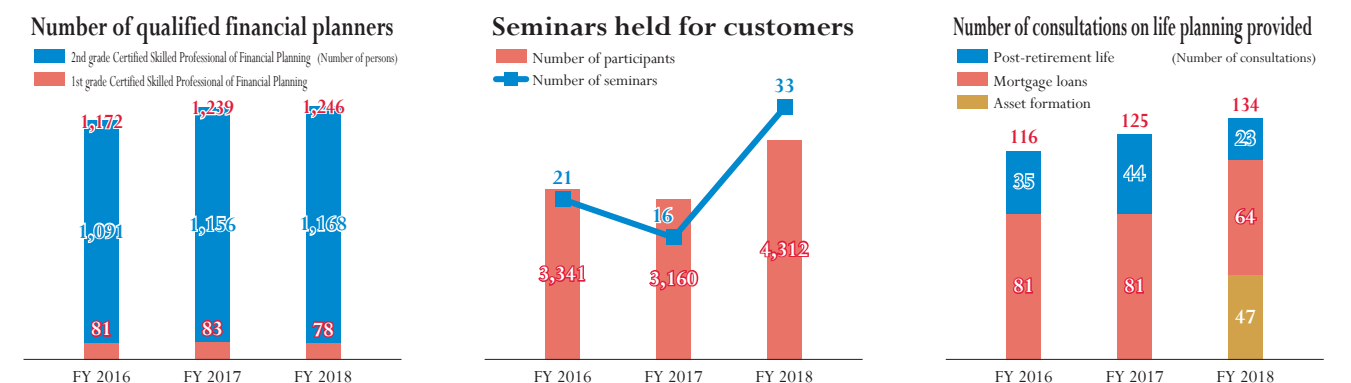
Thoroughly implement a customer-centric approach and foster experts



Promotion of long-term, distributed, and installment products



Training for bank staff/Establishment of sales systems



Growth Strategy (Five Pluses)



Strengthen the business foundation

Channel reform

The Bank is enhancing its smartphone services so that customers can use bank services anywhere at any time.

Enhancing functions of the Hyakujushi Bank App

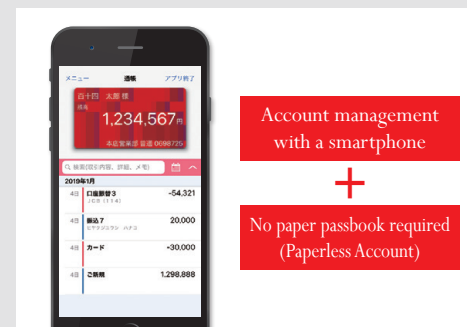
Providing counter and consulting services via smartphones



- 114 Smart Passbook**
 - Passbook-free account
 - Check account balance
- 114 Direct**
 - Payments & transfers / reference
 - Open an account / various notifications
 - Investment trust transactions
- Application for account opening**
- Application for personal loans**
- Robot advisor**
- Life planning coach**
- Apply for insurance**
- Household accounts function**
 - Asset management

Promotion of 114 Smart Passbook (passbook-free account)

This is a convenient service that allows you to check the deposit/withdrawal details of your deposit account anytime and anywhere, and it does not require any procedures related to the passbook (updating, carry-forward, lost re-issuance).



Productivity improvement

The Bank is promoting operational efficiency without compromising service quality.

Operational efficiency

Optimization of branch operations

Optimization of branch operations through introduction of "Express Counters*"

- Reduced administrative workload
- Elimination of cash handling



*Dedicated ATM is a contact point where customers and the Bank staff can confirm and perform simple and speedy processing.

Concentration of business

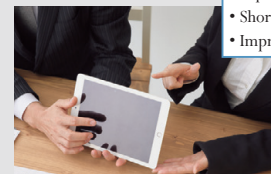
Centralize miscellaneous back-office operations of each branch at the headquarters

Optimized operations at branches

- Shorter waiting times
- No need to fill in forms

Paperless operations

Limit the use of paper for all types of transactions by utilizing tablets



- Paperless operations
- Shorter processing time
- Improved service quality

Strengthening organizational capabilities

The Bank is actively working on work style reforms (personnel system reform, strengthening of human resources and organizational capabilities, and personnel management) to create our own value. We are also working to strengthen the profitability of the entire Hyakujushi Group by providing comprehensive services in conjunction with the strength of the Banks and Group companies.

Sophistication of risk management

We are striving to implement integrated management of risk and profit to ensure soundness while creating corporate value.

Alliances

Through Shikoku Alliance, a comprehensive partnership of four regional banks in Shikoku, the partners are tackling revitalization of Shikoku by combining their strengths and expertise while maintaining sound competitive relationships.

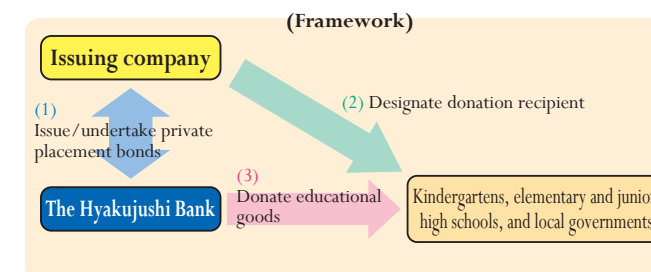
Activities for Social Contribution



The Bank supports growth of customers and the region through active participation in local events, financial education, and other initiatives.

CSR private placement bonds

The Bank offers donation-type private placement bonds. We use a portion of the issuing fees received from customers issuing private placement bonds to donate goods to their chosen schools or local public institutions.

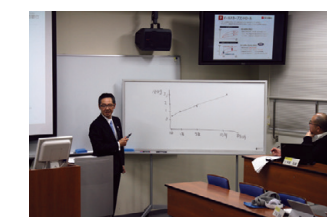


Financial education

As part of the Bank's support for financial education activities, we host workplace tours and work experience events for elementary, junior high, and high school students as well as holding the Summer Holiday Parent-Child bonding workshops for elementary school students. We also give special lectures at high schools and universities in Kagawa Prefecture for the purpose of deepening understanding of finance and banking.

Supporting Setouchi Triennale 2019

As is has done in previous years, the Group as a whole is supporting Setouchi Triennale 2019, which is being held from April 26, 2019. In addition to cleaning activities carried out before the opening of this event, we are participating by sending volunteer reception staff to exhibition sites.



Efforts to Improve Employee Satisfaction



We are making efforts to establish a working environment where employees can maintain a healthy work-life balance.

Fostering human resources (Introduction of the Company Qualification)

In June 2017 the Bank introduced the Company Qualification with the goal of nurturing personnel with comprehensive capabilities that combine knowledge with practical abilities. Under this system, we divide the branch operations into six categories and establish three levels of qualifications for each category: Officer (beginner), Leader (intermediate), and Meister (top level). The system enables employees to challenge themselves to acquire qualifications focusing on areas they have voluntarily selected.

Promoting work-life balance

Improving the workplace environment

The Bank announced "Health and Productivity Management Declaration" in August 2018, in order to drive initiatives for maintaining and improving the health of employees and their families. In February 2019, we were recognized as a "Certified Health & Productivity Management Outstanding Organization" under the large enterprise category in a program, which is led by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi to recognize outstanding enterprises engaging in efforts for health and productivity management.



Supporting women's participation and advancement

We are actively promoting female employees to managerial positions. The ratio of female managers at the Bank was 23.4% in April 2019, which exceeded the national average ratio of 14.9%*.

*Source: White Paper on Gender Equality 2019 edition

Establishment of in-house nursery school

We opened in-house nursery school Hyakujushi Momokko Land in April 2018 as part of our efforts to create a stress-free work environment for employees raising children.



Environmental Conservation Initiatives



We are working to create an environmentally friendly society through measures such as provision of environmentally friendly financial products and services, local forest conservation activities, and energy-saving branches.

Forest matching



We have concluded Hyakujushi Forest forest matching agreements with Kagawa Prefecture and other government entities and engage in forest conservation activities. Since 2017 the four partner banks in the Shikoku Alliance have been participating in one another's forest conservation activities.

Designation as a tsunami evacuation building

Our Kochi Branch, opened in April 2019, has an external staircase leading to the rooftop, and has been designated as a tsunami evacuation building* for local residents to use as an evacuation shelter. In addition, the branch is environmentally friendly, with solar panels on the rooftop.

*A building that satisfies certain conditions, including those on height and quake resistance, and can be used by local residents for emergency evacuation.



Eco-friendly financial products

We offer various products that correspond to the values of environmentally conscious individuals and companies.

Environmentally friendly private placement bonds

(Nickname: 114 Olive Bond)

We offer preferential interest rates to companies that have obtained third-party certification or whose practice of environmentally conscious management is confirmed.

Hyakujushi environment support loans

(Nickname: 114 Olive Fund)

We evaluate customers' environmental initiatives using a three-level rating scale and reflect the evaluation results in loan interest rates.

Hyakujushi renewable energy project support loans

(abbreviation: 114 Energy Support)

We meet the facilities funding needs of operators that utilize the feed-in tariff scheme for renewable energy to enter the solar power generation or other renewable energy businesses.

Promotion of paperless processes

We are working to minimize the use of paper documents and reduce environmental load through digitalization of meeting materials and other documents.



Energy-saving branches

As part of our measures to save energy, the Head Office building applies the double-skin construction method, which involves using double-layered glass screens with excellent insulation properties.



Governance



We are striving to improve our governance and compliance structures based on the recognition that such efforts are indispensable for the Bank's sustainable growth and medium- to long-term enhancement of corporate value.

Initiatives to strengthen governance and compliance structures

In February 2019, the Bank expanded the roles and capabilities of the Governance Council, which is an advisory body to the Board of Directors comprised of a majority of Outside Directors, in order to strengthen the governance structure, and renamed it the "Nomination and Remuneration Governance Committee." This committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; matters concerning assessment of the effectiveness of the Board of Directors; and other important matters in terms of governance and management. The Board of Directors is to respect the findings of the committee.

Furthermore, in April 2019, the Bank appointed a Chief Compliance Officer (CCO), who has the highest responsibility to centrally manage the overall compliance, in an aim to bolster the compliance structure. In addition to conducting investigations as necessary and reporting the results to the Board of Directors, the CCO gives instructions for prompt improvement and response in case of finding any compliance-related problem in measures and responses taken by each division.

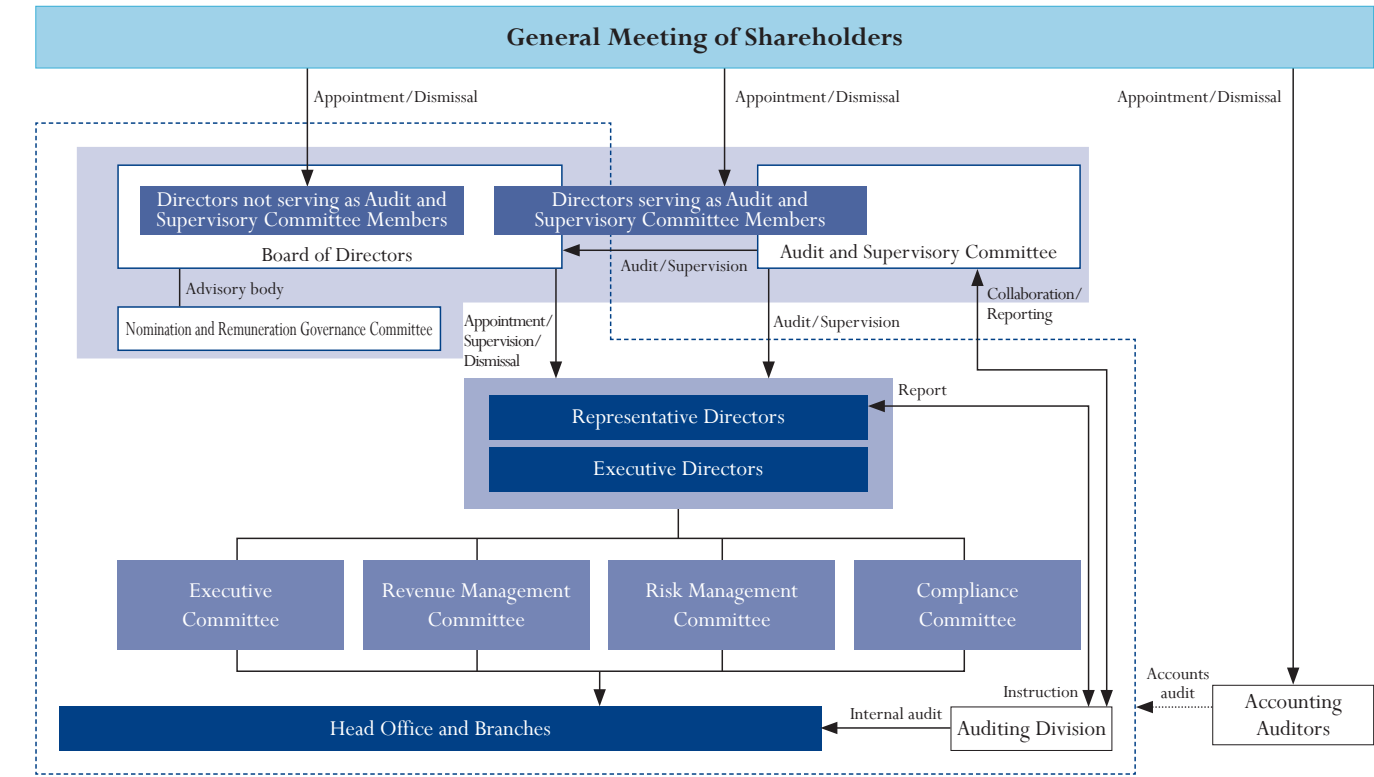
We have also established the Compliance Management Division as a division to oversee and control compliance issues, and are working to prevent compliance violation, enhance the early response system to prepare for such breach, and to enhance our internal reporting system.

Results of initiatives to strengthen governance

	Before 2013	2014	2015	2016	2017	2018	2019
Reinforce- ment of oversight as well as audit and supervi- sion		Appointment of one Outside Director	Increase to two		Increase to four		Increase to five (One-third of Directors now Outside Directors)
					Transition to a Company with Audit and Supervisory Committee		
				Creation and revision of Corporate Governance Guidelines			
				Establishment of the Governance Council			Establishment of the Nomi- nation and Remuneration Governance Committee
							Appointment of CCO
Revision of the executive remuneration system							Establishment of policy to foster successors
							Abolishment of the Advisor System
		Appointment of three Outside Audit & Supervisory Board Members					
Revision of the executive remuneration system		Introduction of stock option program					Introduction of a performance-linked stock compensation system
		Abolishment of the Retirement Benefit System for Officers		Revision of proportions of fixed remuneration and variable remuneration			
Other		Introduction of the executive officer system		Delegation of part of the decision-making authority of the Board of Directors for execution of business to the Executive Committee and other committees			Delegation of part of the decision-making authority for execution of important operations to the President and Representative Director
							Expedited distribution of Board of Directors' meeting agenda in advance
							Self-assessment of the Board of Directors and resolving of issues
							Introduction of third-party evaluations

System

Institutional Design	Number of Directors	Number of (Independent) Outside Directors	Term of Office of Directors	Adoption of an Executive Officer System	Accounting Auditors
Company with Audit and Supervisory Committee	15 (including 7 Audit and Supervisory Committee Members)	5	1 year (2 years for Audit and Supervisory Committee Members)	Yes	Ernst & Young ShinNihon LLC



Overview

Board of Directors	The Board of Directors consists of 15 directors (including 5 outside directors), in principle, meets once a month, and also meet as necessary. In addition to matters stipulated by laws and regulations or the articles of incorporation, the Board passes resolutions on important matters concerning management and oversees the execution of duties by directors and executive officers.
Audit and Supervisory Committee	The Audit and Supervisory Committee consists of 7 Directors (including 5 outside directors) serving as Audit and Supervisory Committee Members. In principle, the committee meets once a month, and occasionally as necessary to audit and supervise the execution of duties by directors.
Executive Committee	The Executive Committee consists of persons whose positions are Managing Executive Officer or higher, and holds periodic or occasional meetings as a decision-making body for important matters related to business execution. In addition, the Bank has established a “Revenue Management Committee”, “Compliance Committee” and “Risk Management Committee”, and set up a system to make consultation and decisions on more specialized matters.
Nomination and Remuneration Governance Committee (Voluntary committee)	The Nomination and Remuneration Governance Committee is chaired by an Outside Director appointed by mutual election. It is comprised of the President of the Bank, the Chairman of the Audit and Supervisory Committee, and Outside Directors, and meets twice per year as a general rule. As an advisory body to the Board of Directors, the committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; and other important matters in terms of governance and management. The Board of Directors is to respect the findings of the committee.
Executive Officer System	In order to speed up management decision-making and strengthen business execution functions, the Bank has introduced an Executive Officer System, and 23 executive officers (of whom seven serve concurrently as Directors) appointed by the Board of Directors, are executing their business with flexible decision-making and speedy corporate management.
Auditing Division	From the perspective of maintaining and improving the soundness and appropriateness of operations, the Auditing Division, which is an independent organization, also fulfills an internal audit role and conducts inspections of assets and risks and internal audits of the Head Office and branches as well as subsidiaries etc. to determine whether their operations are conducted appropriately in accordance with laws and regulations and administrative procedures. The results of audits are reported to The Board of Directors.
Accounting Auditors	The Bank’s Accounting Auditors are Ernst & Young ShinNihon LLC As Accounting Auditors, they conduct appropriate audits from an independent standpoint.

Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2019)

Yujiro Ayada
President
(Representative Director)

Ryohei Kagawa
Director and Senior Managing Executive Officer and CCO (Representative Director)

Ryuji Nishikawa
Director and Senior Managing Executive Officer (Representative Director)

Kiichiro Oyama
Director and Managing Executive Officer

Masakazu Toyoshima
Director and Managing Executive Officer

Akihiko Fujimura
Director and Managing Executive Officer

Hiroyuki Kurokawa
Director and Managing Executive Officer

Kazuhisa Anada
Director and Managing Executive Officer

Tadahiko Tamura
Director
(Audit and Supervisory Committee Member)

Toshiya Yoritomi
Director
(Audit and Supervisory Committee Member)

Hideki Kuwashiro
Director
(Audit and Supervisory Committee Member (outside))

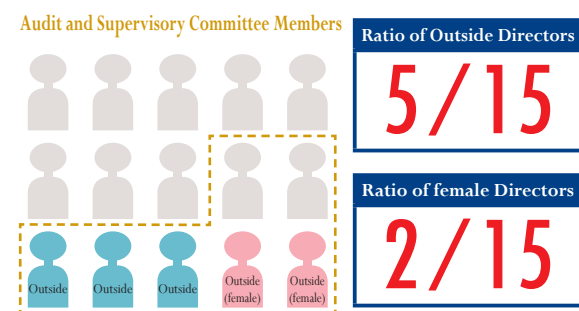
Michiyo Ihara
Director
(Audit and Supervisory Committee Member (outside))

Junichi Itoh
Director
(Audit and Supervisory Committee Member (outside))

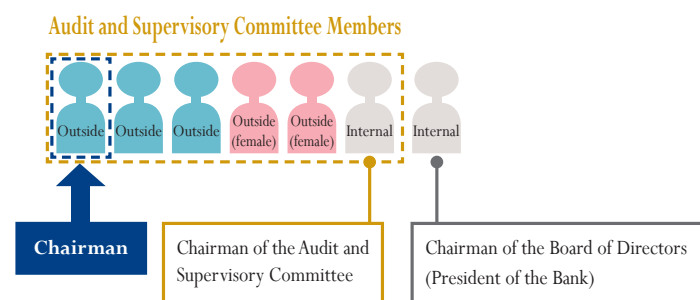
Yasuko Yamada
Director
(Audit and Supervisory Committee Member (outside))

Nobuyuki Souda
Director
(Audit and Supervisory Committee Member (outside))

Composition of the Board of Directors (as of July 1, 2019)



Composition of the Nomination and Remuneration Governance Committee



Interview with an Outside Director



Q1 Two years have passed since The Hyakujushi Bank transitioned to a Company with Audit and Supervisory Committee. Please tell us how your role has changed compared to your role in the previous Board of Auditors.

I now need to monitor management even more thoroughly as an Outside Director compared to my previous role as an Auditor. Working as a lawyer, it is easy for me to understand assessment of legality. However, in order to appropriately monitor management, it is essential to gain a thorough understanding of plans and strategies by having the management team explain them in detail. I now need to work harder than before.

As an Outside Director, I pay most attention to “risk/return” and “ESG.” Regarding risk/return, it is necessary to have lively discussion at the Board of Directors on what strategies to take to obtain how much return, while tolerating what level of risk. With respect to ESG, I think we should further strengthen regional financial institutions going forward and also share with external parties the Bank’s initiatives including environmental conservation efforts.

Q2 How do you evaluate The Hyakujushi Bank’s corporate governance?

As the Board of Directors has free and open discussion under the leadership of the Chairman, I think that the board is operating appropriately and that its effectiveness is ensured. Also, various measures are taken at the Bank to improve the quality of discussion including sharing key themes with the Executive Committee before they are brought up at the Board of Directors. I would like the board to

continue its efforts to improve management in order to further increase effectiveness.

Regarding compliance, for example, compliance issues are centrally managed by the Compliance Management Division under the supervision of the CCO (Chief Compliance Officer), who was appointed in April 2019 with the highest responsibility to centrally manage the overall compliance. I acknowledge such initiatives toward stronger compliance structure.

Going forward, I believe that I must thoroughly and carefully monitor the operation status of the Bank’s corporate governance.

Q3 What do you think are the key points in increasing the Bank’s corporate value?

The environment surrounding regional financial institutions is undergoing a significant change. I believe it is necessary to take risks with a completely different way of thinking in order for the Bank to build a sustainable business model.

It is also necessary for the Bank to distinguish itself from others so as to be selected by customers from among many financial institutions. To this end, human resources are essential. Fostering human resources while respecting the autonomy of individuals and improving workplace environment are also keys to strengthening the Bank’s capabilities to propose its retail customers options suited to their lifestyles as well as solutions for corporate customers through business feasibility evaluations.

The Bank established The Hyakujushi Bank’s Code of Conduct on March 26, 2019 to realize the Corporate Vision. I hope that the code truly permeates among all officers and employees.

Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2019	2018	2017	2016	2015	2019
FOR THE YEAR:						
Total income	¥77,292	¥80,890	¥90,552	¥81,416	¥77,671	\$696,387
Total expenses	68,477	65,775	71,655	61,927	60,339	616,965
Profit before income taxes	8,814	15,114	18,897	19,489	17,332	79,412
Income taxes-current	3,565	3,720	5,145	3,878	3,562	32,120
Income taxes-deferred	(450)	807	3,050	2,879	3,841	(4,054)
Profit attributable to non-controlling interests	115	359	1,054	1,099	970	1,036
Profit attributable to owners of parent	5,584	10,227	9,645	11,632	8,957	50,310
AT YEAR-END:						
Loans and bills discounted	2,825,869	2,833,526	2,776,554	2,747,341	2,696,444	25,460,573
Securities and trading account securities	1,046,956	1,031,025	1,444,834	1,415,126	1,454,691	9,432,885
Foreign exchange assets	5,750	6,997	3,684	8,649	13,507	51,806
Other assets	1,017,044	905,507	701,461	548,540	450,461	9,163,384
Total assets	4,895,624	4,777,061	4,926,538	4,719,661	4,615,105	44,108,694
Deposits and negotiable certificates of deposit	4,044,109	4,053,820	4,160,361	4,113,555	3,971,363	36,436,696
Foreign exchange liabilities	352	241	145	206	354	3,171
Other liabilities	564,580	419,385	472,896	323,862	347,911	5,086,764
Total liabilities	4,609,048	4,473,454	4,633,409	4,437,631	4,319,629	41,526,696
Common stock	37,322	37,322	37,322	37,322	37,322	336,264
Capital surplus	30,486	30,486	26,332	24,920	24,920	274,673
Retained earnings	167,615	164,359	160,985	153,335	143,886	1,510,181
Treasury stock	(2,041)	(2,096)	(6,220)	(6,179)	(4,730)	(18,389)
Total stockholders’ equity	233,382	230,072	218,420	209,398	201,398	2,102,729
Net unrealized gains on other securities, net of taxes	47,822	49,722	49,012	54,256	68,952	430,867
Net deferred losses on hedging instruments, net of taxes	(1,121)	(39)	(1,231)	(7,806)	(3,010)	(10,100)
Revaluation reserve for land	8,540	8,741	8,557	8,961	8,722	76,943
Remeasurements of defined benefit plans	(2,109)	4,984	2,139	(1,171)	1,631	(19,001)
Total accumulated other comprehensive income	53,131	63,408	58,478	54,239	76,297	478,700
Share subscription rights	61	124	142	201	196	549
Non-controlling interests	—	10,000	16,087	18,190	17,583	—
Total net assets	286,576	303,606	293,129	282,030	295,476	2,581,998
Total liabilities and net assets	¥4,895,624	¥4,777,061	¥4,926,538	¥4,719,661	¥4,615,105	\$44,108,694

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the common accounting practice in Japan.
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.99 to US\$1.00 on March 31, 2019.

Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank’s management as of the time of writing. Actual results may therefore differ substantially from such statements.

Risk Management

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. We regard sophisticated risk management techniques as being of primary importance for maintaining the soundness of a bank’s business, and we also recognize the importance of appropriate responses to changing customer needs. To achieve these goals, we make every effort to properly recognize, assess and manage risks.

Efforts toward Comprehensive Risk Management

Basic concepts of risk management

Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. We apply proper management to each risk depending on the characteristics of the operation and the risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we strive to achieve soundness and stability in our overall management and also to improve the efficiency of our operations: in other words, to practice integrated risk management.

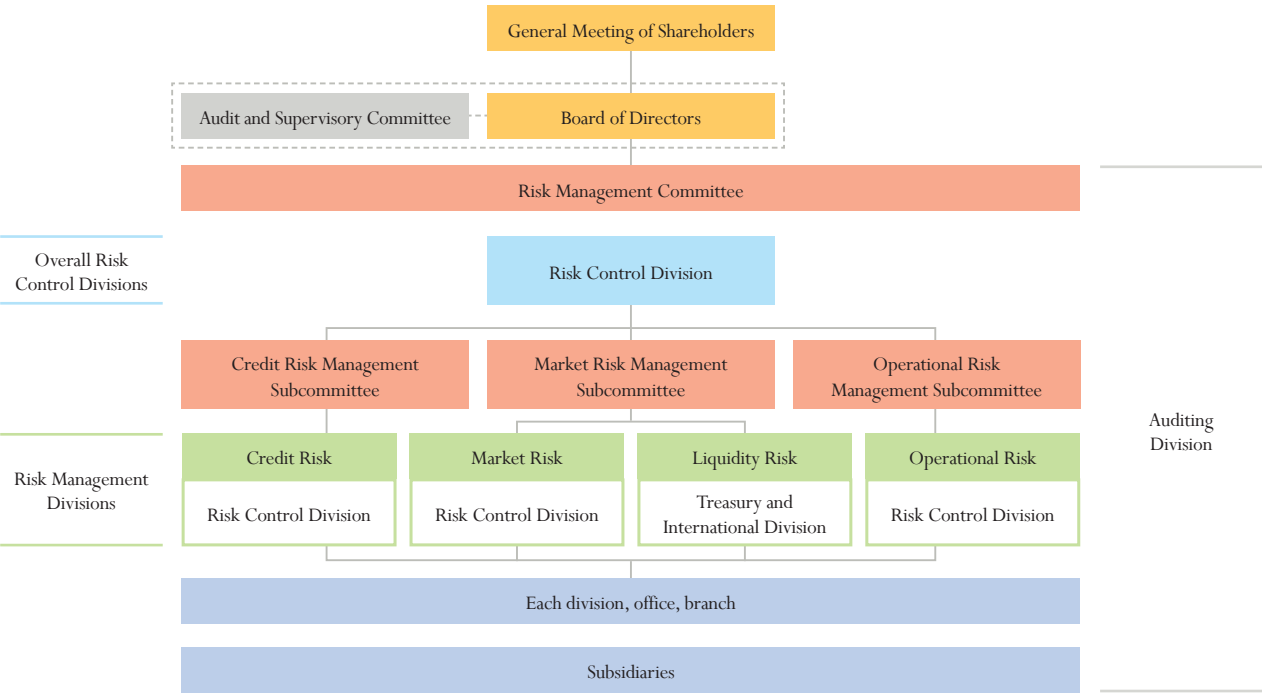
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

Risk Management Framework

We have defined the types of risks to manage in our risk management rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category, along with management rules. We have also established an independent Risk Control Division to integrate risk management and carry out comprehensive management.

Additionally, through the establishment of the Risk Management Committee and subcommittees for each risk category as organizations under the Committee, and cross-sectional consultations on matters regarding risk management on a regular basis, we have put in place a highly sophisticated framework for the maintenance and management of risk.

Risk Management Framework



Risks Subject to Management

Risk Classification	Outline of Risks	Division in Charge
Credit Risk	Risk of reduction in the value of assets or their loss altogether due to deteriorating financial position at customers to which the Bank has granted credit	Risk Control Division
Market Risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Control Division
Interest Rate Risk	Risk of reduced profits or total losses due to changes in interest rates arising because of discrepancies in interest rates on assets and liabilities, and in instrument maturities	
Foreign Exchange Risk	Risk of suffering loss due to a decrease in the yen-converted amount of foreign currency denominated assets and liabilities due to exchange market fluctuations	
Price Volatility Risk	Risk of a fall in asset values due to changes in the value of securities	
Liquidity Risk	Risk of suffering loss from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
Operational Risk	Risk of suffering loss due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Control Division
Process Risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System Risk	Risk of suffering loss due to partial or complete system breakdown, malfunction, system deficiency, or improper use of the computer system	Compliance Management Division
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Personnel Division
Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	General Administration Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	

Practice of comprehensive risk management

We have introduced a framework for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity. Under this framework, based on the amount of equity capital (core capital) less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance are monitored, enabling ascertainment and management of risk-adjusted profitability and efficiency.

In addition, stress tests are conducted on a regular basis and the impact that major changes in the economic and market environments have on Bank profits and management stability is monitored, and the management soundness is also assessed.

Definitions
Core capital: Equity capital established under Basel III (domestic standard)
Operational risk equivalent amount: Calculated using the Basic Indicator Approach
Return on risk-adjusted capital (RORAC): Profit and loss indicator, arrived at by deducting expenses, deemed allowance costs and capital costs from gross operating profits

Risk Audit and Inspection Readiness

To strengthen the risk management system, it is necessary to conduct regular inspections of the effectiveness of system functioning. At the Bank, the Auditing Division carries out periodic inspections of operations of the Bank’s Head Office departments, subsidiaries and individual branches to verify appropriateness of the risk management system. The Head

Office departments, subsidiaries and individual branches are also required to conduct self-inspections to confirm that procedures are being followed as laid down. These inspections improve the level of risk management and minimize the probability of human or system error.

Compliance System

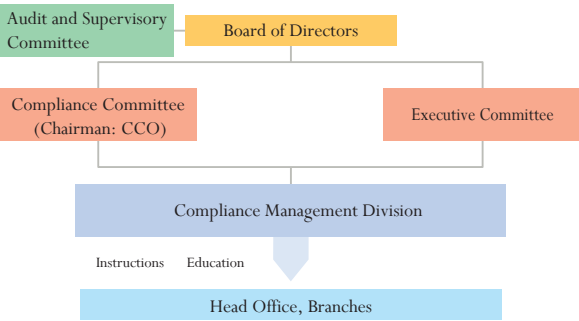
Basic Policy

Regional financial institutions have highly public and social nature and bear the social mission of contributing to the development of a sound regional economy. The Bank strives to practice thorough compliance as one of the top priorities in its management in order to win trust from customers, local residents, and shareholders. Specifically, we ensure that each officer and employee execute their duties in compliance with laws, regulations, and other rules, while they take actions based on high level of ethics.

Compliance System

In April 2019, the Bank appointed a CCO (Chief Compliance Officer), who has the highest responsibility to centrally manage the overall compliance, in an aim to further bolster the compliance structure. In addition, the Bank established the Compliance Management Division as a division to oversee and control compliance issues. The division is working on upgrading the anti-money laundering structure and managing all compliance-related issues. Furthermore, the Compliance Committee, chaired by the CCO, holds cross-organizational discussions to develop and sophisticate the Bank's compliance structure.

Compliance System



Anti-Money Laundering Policy

The operating methods of money laundering and criminal circumstances are constantly changing and in recent years have become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the

Bank has instituted a money laundering prevention policy that has been made public on its website as an expression of its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

The Hyakujushi Bank, Ltd. (hereinafter, “the Bank”) strongly recognizes the importance of measures to prevent money laundering and terrorism financing (hereinafter, “money laundering”). In response to stern demands from the international community, the Bank will build an internal control system as described below for the Anti- Money Laundering, and conduct the Bank’s business on that basis.

Money laundering is “the act of trying to hide the source and attribution of criminal profits” and terrorism financing is “the act of providing funds to terrorists for terrorist activities.”

The operating methods and criminal circumstances of money laundering are constantly changing and in recent years have become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the Bank stipulates this policy to reiterate its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

Operational policy

- The Bank will clarify its role internally concerning the Anti- Money Laundering and will create a system capable of taking appropriate measures in a timely manner.

Customer due diligence

- With respect to customer due diligence, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.

- With respect to customer due diligence, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

Confirmation of measures to freeze assets

- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

Notification of suspicious transactions

- With respect to suspicious transactions, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- The Bank will, under law, promptly notify authorities of suspicious transactions.
- The Bank will promptly take appropriate measures concerning suspicious transactions.
- With respect to suspicious transactions, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

Verification of compliance

- The Bank will review compliance concerning the Anti- Money Laundering and work to continuously improve its system based on the results of the review.

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	(Note 1)
Assets:			
Cash and due from banks	¥ 829,933	¥ 706,534	\$ 7,477,547
Monetary claims bought	38,993	32,844	351,319
Trading account securities	153	55	1,378
Money held in trust (Note 7)	4,748	4,795	42,778
Securities (Notes 6, 10 and 11)	1,046,803	1,030,970	9,431,507
Loans and bills discounted (Notes 9 and 12)	2,825,869	2,833,526	25,460,573
Foreign exchange assets (Note 9)	5,750	6,997	51,806
Lease receivables and lease investment assets	20,897	18,831	188,278
Other assets (Note 11)	64,861	76,419	584,385
Tangible fixed assets (Notes 14 and 15)	38,645	40,503	348,184
Intangible fixed assets	6,665	6,157	60,050
Net defined benefit asset	4,526	12,099	40,778
Deferred tax assets	883	845	7,955
Customers’ liabilities for acceptances and guarantees	23,684	22,661	213,388
Reserve for possible loan losses	(16,791)	(16,181)	(151,283)
Total assets	¥4,895,624	¥4,777,061	\$44,108,694

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2018	(Note 1)
Liabilities and net assets			
Liabilities:			
Deposits (Note 11)	¥3,953,878	¥3,957,552	\$35,623,731
Negotiable certificates of deposit	90,231	96,268	812,965
Call money and bills sold	43,374	11,669	390,791
Payables under securities lending transactions (Note 11)	142,634	52,003	1,285,106
Borrowed money (Notes 11 and 30)	269,620	246,615	2,429,227
Foreign exchange liabilities	352	241	3,171
Other liabilities	65,293	62,353	588,278
Reserve for bonuses for directors and corporate auditors	25	39	225
Net defined benefit liability	824	185	7,424
Reserve for retirement benefits for directors and corporate auditors	48	39	432
Reserve for claims on dormant accounts	445	395	4,009
Reserve for contingent liabilities	90	98	810
Reserve for stock-based compensation plan	63	41	567
Deferred tax liabilities	13,120	17,644	118,208
Deferred tax liability for land revaluation (Note 15)	5,360	5,643	48,292
Acceptance and guarantees	23,684	22,661	213,388
Total liabilities	4,609,048	4,473,454	41,526,696

Net assets :

Stockholders’ equity:			
Common stock	37,322	37,322	336,264
Capital surplus	30,486	30,486	274,673
Retained earnings	167,615	164,359	1,510,181
Treasury stock	(2,041)	(2,096)	(18,389)
Total stockholders’ equity	233,382	230,072	2,102,729
Accumulated other comprehensive income:			
Net unrealized gains on other securities, net of taxes	47,822	49,722	430,867
Net deferred losses on hedging instruments, net of taxes	(1,121)	(39)	(10,100)
Revaluation reserve for land (Note 15)	8,540	8,741	76,943
Remeasurements of defined benefit plans	(2,109)	4,984	(19,001)
Total accumulated other comprehensive income	53,131	63,408	478,700
Share subscription rights	61	124	549
Non-controlling interests	—	10,000	—
Total net assets	286,576	303,606	2,581,998
Total liabilities and net assets	¥4,895,624	¥4,777,061	\$44,108,694

As of March 31	Yen		U.S. dollars
	2019	2018	(Note 1)
Per share			
Net assets	¥9,708.42	¥9,948.53	\$87.471

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
For the years ended March 31			
Income:			
Interest on loans and bills discounted	¥31,153	¥31,481	\$280,682
Interest and dividends on securities	12,757	15,744	114,938
Other interest income	553	846	4,982
Fees and commissions	11,505	11,644	103,657
Other operating income	5,832	7,565	52,545
Other income (Note 18)	15,485	13,605	139,517
Total income	77,292	80,890	696,387
Expenses:			
Interest on deposits and negotiable certificates of deposit	2,521	2,150	22,713
Interest on call money and bills sold	780	566	7,027
Interest on borrowed money	94	126	846
Other interest expenses	3,928	3,012	35,390
Fees and commissions	3,328	3,492	29,984
Other operating expenses	5,674	8,285	51,121
General and administrative expenses (Note 19)	37,625	39,299	338,994
Other expenses (Note 6 and 20)	14,521	8,842	130,831
Total expenses	68,477	65,775	616,965
Profit before income taxes	8,814	15,114	79,412
Income taxes :			
Current	3,565	3,720	32,120
Deferred	(450)	807	(4,054)
Subtotal	3,114	4,528	28,056
Profit	5,700	10,586	51,355
Profit attributable to non-controlling interests	115	359	1,036
Profit attributable to owners of parent	¥ 5,584	¥10,227	\$ 50,310

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
For the years ended March 31			
Per share			
Basic earnings	¥189.25	¥346.40	\$1.705

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
For the years ended March 31			
Profit	¥ 5,700	¥10,586	\$ 51,355
Other comprehensive income (loss) (Note 21)	(10,076)	4,562	(90,782)
Net unrealized gains (losses) on other securities, net of taxes	(1,899)	525	(17,109)
Net deferred gains (losses) on hedging instruments, net of taxes	(1,082)	1,191	(9,748)
Remeasurements of defined benefit plans	(7,094)	2,844	(63,915)
Total comprehensive income (loss)	(4,376)	15,148	(39,426)
Total comprehensive income (loss) attributable to:			
Owners of parent	¥ (4,492)	¥14,973	\$(40,472)
Non-controlling interests	115	175	1,036

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31					
Balance as of March 31, 2017	¥37,322	¥26,332	¥160,985	¥(6,220)	¥218,420
Changes in items during the period					
Dividends from surplus	—	—	(2,364)	—	(2,364)
Profit attributable to owners of parent	—	—	10,227	—	10,227
Purchase of treasury stock	—	—	—	(232)	(232)
Disposal of treasury stock	—	—	(10)	63	52
Retirement of treasury stock	—	—	(4,293)	4,293	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	4,153	—	—	4,153
Provision for revaluation reserve for land	—	—	(184)	—	(184)
Transfer from revaluation reserve for land	—	—	—	—	—
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	4,153	3,374	4,124	11,652
Balance as of March 31, 2018	¥37,322	¥30,486	¥164,359	¥(2,096)	¥230,072
Changes in items during the period					
Dividends from surplus	—	—	(2,512)	—	(2,512)
Profit attributable to owners of parent	—	—	5,584	—	5,584
Purchase of treasury stock	—	—	—	(8)	(8)
Disposal of treasury stock	—	—	(16)	63	46
Retirement of treasury stock	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—
Provision for revaluation reserve for land	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	200	—	200
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	3,256	54	3,310
Balance as of March 31, 2019	¥37,322	¥30,486	¥167,615	¥(2,041)	¥233,382

	Millions of yen							
	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the years ended March 31								
Balance as of March 31, 2017	¥49,012	¥(1,231)	¥8,557	¥ 2,139	¥58,478	¥142	¥ 16,087	¥293,129
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,364)
Profit attributable to owners of parent	—	—	—	—	—	—	—	10,227
Purchase of treasury stock	—	—	—	—	—	—	—	(232)
Disposal of treasury stock	—	—	—	—	—	—	—	52
Retirement of treasury stock	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	4,153
Provision for revaluation reserve for land	—	—	—	—	—	—	—	(184)
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	—
Net changes in items other than stockholders' equity	709	1,191	184	2,844	4,930	(18)	(6,087)	(1,175)
Total changes in items during the period	709	1,191	184	2,844	4,930	(18)	(6,087)	10,476
Balance as of March 31, 2018	¥49,722	¥ (39)	¥8,741	¥ 4,984	¥63,408	¥124	¥ 10,000	¥303,606
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,512)
Profit attributable to owners of parent	—	—	—	—	—	—	—	5,584
Purchase of treasury stock	—	—	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	—	—	—	—	46
Retirement of treasury stock	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—
Provision for revaluation reserve for land	—	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	200
Net changes in items other than stockholders' equity	(1,899)	(1,082)	(200)	(7,094)	(10,277)	(62)	(10,000)	(20,339)
Total changes in items during the period	(1,899)	(1,082)	(200)	(7,094)	(10,277)	(62)	(10,000)	(17,029)
Balance as of March 31, 2019	¥47,822	¥(1,121)	¥8,540	¥(2,109)	¥53,131	¥ 61	¥ —	¥286,576

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31					
Balance as of March 31, 2018	\$336,264	\$274,673	\$1,480,845	\$(18,884)	\$2,072,907
Changes in items during the period					
Dividends from surplus	—	—	(22,632)	—	(22,632)
Profit attributable to owners of parent	—	—	50,310	—	50,310
Purchase of treasury stock	—	—	—	(72)	(72)
Disposal of treasury stock	—	—	(144)	567	414
Retirement of treasury stock	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—
Provision for revaluation reserve for land	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	1,801	—	1,801
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	29,335	486	29,822
Balance as of March 31, 2019	\$336,264	\$274,673	\$1,510,181	\$(18,389)	\$2,102,729

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains on other securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
For the years ended March 31								
Balance as of March 31, 2018	\$447,986	\$ (351)	\$78,754	\$ 44,904	\$571,294	\$1,117	\$ 90,098	\$2,735,435
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(22,632)
Profit attributable to owners of parent	—	—	—	—	—	—	—	50,310
Purchase of treasury stock	—	—	—	—	—	—	—	(72)
Disposal of treasury stock	—	—	—	—	—	—	—	414
Retirement of treasury stock	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—
Provision for revaluation reserve for land	—	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	1,801
Net changes in items other than stockholders' equity	(17,109)	(9,748)	(1,801)	(63,915)	(92,593)	(558)	(90,098)	(183,250)
Total changes in items during the period	(17,109)	(9,748)	(1,801)	(63,915)	(92,593)	(558)	(90,098)	(153,428)
Balance as of March 31, 2019	\$430,867	\$(10,100)	\$76,943	\$(19,001)	\$478,700	\$ 549	\$ —	\$2,581,998

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities			
Profit before income taxes	¥ 8,814	¥ 15,114	\$ 79,412
Depreciation	3,274	2,857	29,498
Impairment losses	1,450	151	13,064
Net change in reserve for possible loan losses	609	(308)	5,486
Net change in reserve for bonuses for directors and corporate auditors	(13)	6	(117)
Net change in net defined benefit asset	(1,989)	(906)	(17,920)
Net change in net defined benefit liability	7	13	63
Net change in reserve for retirement benefits for directors and corporate auditors	8	(6)	72
Net change in reserve for claims on dormant accounts	49	(21)	441
Net change in reserve for contingent liabilities	(7)	(18)	(63)
Net change in reserve for stock-based compensation plan	22	41	198
Interest income	(44,466)	(48,073)	(400,630)
Interest expenses	7,325	5,855	65,996
Net gain related to securities transactions	(3,033)	(674)	(27,326)
Net loss on money held in trust	46	—	414
Net loss (gain) related to foreign exchange	(6,117)	7,583	(55,113)
Net loss (gain) on disposal of fixed assets	79	(40)	711
Net change in trading account securities	(97)	(14)	(873)
Net change in loans and bills discounted	7,656	(56,971)	68,979
Net change in deposits	(3,673)	(55,579)	(33,093)
Net change in negotiable certificates of deposit	(6,037)	(50,961)	(54,392)
Net change in borrowed money excluding subordinated borrowings	23,004	40,503	207,261
Net change in due from banks other than Bank of Japan	9,497	6,161	85,566
Net change in call loans and others	(6,149)	(3,364)	(55,401)
Net change in call money and others	31,705	(40,012)	285,656
Net change in payables under securities lending transactions	90,630	(66,775)	816,560
Net change in foreign exchange assets	1,247	(3,313)	11,235
Net change in foreign exchange liabilities	110	95	991
Net change in lease assets and lease investment assets	(2,065)	(1,790)	(18,605)
Proceeds from fund operations	44,341	47,823	399,504
Payments on fund procurement	(7,312)	(6,061)	(65,879)
Other	6,721	(18,682)	60,555
Subtotal	155,640	(227,368)	1,402,288
Payment of income taxes	(2,620)	(5,678)	(23,605)
Net cash provided by (used in) operating activities	153,020	(233,047)	1,378,682
Cash flows from investing activities			
Purchase of securities	(941,512)	(1,106,238)	(8,482,854)
Proceeds from sales of securities	640,530	1,189,836	5,771,060
Proceeds from redemption of securities	296,789	318,510	2,674,015
Purchases of tangible fixed assets	(1,341)	(920)	(12,082)
Purchases of intangible fixed assets	(2,208)	(2,353)	(19,893)
Proceeds from sales of tangible fixed assets	250	279	2,252
Net cash provided by (used in) investing activities	(7,491)	399,114	(67,492)
Cash flows from financing activities			
Purchase of treasury stock	(8)	(1,568)	(72)
Proceeds from sales of treasury stock	2	24	18
Dividends paid	(2,512)	(2,364)	(22,632)
Dividends paid to non-controlling interests	(115)	(380)	(1,036)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(393)	—
Repayments to non-controlling interests	(10,000)	—	(90,098)
Net cash used in financing activities	(12,635)	(4,681)	(113,839)
Effect of exchange rate changes on cash and cash equivalents	1	(3)	9
Net change in cash and cash equivalents	132,895	161,382	1,197,360
Cash and cash equivalents at beginning of year	667,185	505,802	6,011,217
Cash and cash equivalents at end of year (Note 3)	¥ 800,081	¥ 667,185	\$ 7,208,586

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (hereinafter the “Bank”) and its consolidated subsidiaries (hereinafter collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.

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

2. Fiscal year ends

The account closing date of the Bank and its consolidated subsidiaries is the same.

3. Significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Bank and its 9 subsidiaries. Hyakujushi Preferred Capital Cayman Limited has been excluded from the scope of consolidation from the fiscal year ended March 31, 2019 because its liquidation has been completed. However, this company’s statement of income was consolidated for the period until liquidation was completed. There are no non-consolidated subsidiaries or affiliates accounted for by the equity method as of March 31, 2019.

Shikoku Alliance Capital Co., Ltd. is an affiliate not accounted for by the equity method. Affiliated companies not accounted for by the equity method are excluded from the scope of the equity method because the Bank’s interests in their respective amounts of net profits or losses, retained earnings or other accumulated comprehensive income do not have a material impact on the consolidated financial statements.

(2) Trading account securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value (cost of sales is calculated by the moving-average cost method).

(3) Securities

Marketable debt securities held to maturity are stated at amortized cost using the moving-average cost method. Investments in non-consolidated subsidiaries not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities of which market prices are available are stated at fair value based principally on their market prices at the balance-sheet date (cost of sales is calculated by the moving-average cost method), whereas those for which the market value is not readily determinable are stated at cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

(4) Derivatives

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value.

(5) Depreciation

(a) *Tangible fixed assets (excluding lease assets)*

Depreciation of tangible fixed assets is calculated principally using the declining-balance method (However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016). Useful lives of tangible fixed assets are as follows:

- Buildings: 10 to 50 years
- Equipment: 5 to 15 years

Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.

(b) *Intangible fixed assets (excluding lease assets)*

Intangible fixed assets are amortized by the straight-line method. Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

(c) *Lease assets*

Lease assets held by the Bank are depreciated over the leasing contract periods by the straight-line method with residual value at zero.

(6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for bankrupt or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.

Reserve for possible loan losses for borrowers not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided based on loan loss experience as calculated using historical default rates.

In accordance with the Bank’s asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.

In the case of loans to borrowers who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥13,964 million (\$125,813 thousand) and ¥10,931 million for the fiscal years ended March 31, 2019 and 2018, respectively.

A reserve for possible losses on ordinary loans held by the Bank’s consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible losses on specific loans held by the Bank’s consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.

(7) Reserve for bonuses for directors and corporate auditors

A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.

(8) Reserve for retirement benefits for directors and corporate auditors

In order to provide for the payment of retirement benefits to directors and corporate auditors of consolidated subsidiaries, a provision is made for the payments of retirement benefits to directors and corporate auditors based on the estimated amount incurred at the end of the consolidated reporting period.

(9) Reserve for claims on dormant accounts

A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank’s historical refund record.

(10) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

(11) Reserve for stock-based compensation plan

In order to provide for the delivery of the Bank’s shares from the BIP Trust, a provision is made for an estimated amount of benefits corresponding to the number of points allotted to directors in accordance with BIP Trust’s share delivery rules.

(12) Accounting method for retirement benefits

To calculate retirement benefit obligations, the Bank used the benefit formula as a method for attributing estimated retirement benefits over the period until March 31, 2019. The amortization method for prior service costs and actuarial differences is as follows:

Prior Service Costs:

Prior service costs are charged fully to income at the time of occurrence.

Actuarial Differences:

Actuarial differences of the plans are to be amortized from the fiscal year following their occurrence by the straight-line method over a fixed period of 10 years, which is within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating net defined benefit liability and retirement benefit costs, some consolidated subsidiaries apply a simplified method that provides their retirement benefit obligation at an amount to be paid for voluntary termination at the balance sheet date.

(13) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen primarily at the year-end rates.

(14) **Accounting standards for posting of earnings and expenses**

Consolidated subsidiaries engaged in the leasing business post income and expenses relating to lease transactions as “Other income” and “Other expenses,” respectively, at the time of receipt of lease charges.

(15) Hedge accounting

(a) *Hedges against interest rate fluctuations*

The Bank applies the deferred hedge accounting method to interest rate swaps used to hedge interest rate risk on certain financial assets when the critical terms of the underlying hedged items and hedging instruments match.

Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter.

(b) *Hedging against currency fluctuations*

The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Audit Committee Report No. 25 issued on July 29, 2002 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts corresponding to the foreign-currency positions.

(16) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2019	2018	2019
Cash and due from banks.....	¥829,933	¥706,534	\$7,477,547
Time deposits with banks other than Bank of Japan.....	(29,542)	(39,042)	(266,168)
Deposits with banks other than Bank of Japan.....	(228)	(239)	(2,054)
Other	(80)	(67)	(720)
Cash and cash equivalents	¥800,081	¥667,185	\$7,208,586

(17) Consumption taxes

In the accounting treatment of the Bank and its domestic consolidated subsidiaries, the National Consumption Tax and the Local Consumption Tax are excluded from the transaction amounts.

4. Additional information

(Board Incentive Plan (BIP) Trust)

The Bank has introduced a BIP Trust for directors (excluding directors serving as audit and supervisory committee members, outside directors and non-residents of Japan; hereinafter collectively referred to as the “Bank’s directors”).

1. Transaction overview

The BIP Trust is a stock incentive plan for directors, aimed at further raising motivation to contribute to the medium- to long-term improvement of business performance and enhance the Bank’s corporate value. Under the plan, a certain number of points are granted to the Bank’s directors based on their ranks and the level of achievement of performance targets, and the Bank’s shares corresponding to the aggregate number of points or money equivalent to the value of the Bank’s shares are granted or delivered to the Bank’s directors upon their retirement.

2. Accounting treatment for transactions delivering the Company’s own stock through the trust

The Bank applies the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015).

3. Matters relating to the Bank’s shares held by the trust

- (1) The book values of the shares held by the trust were ¥221 million (\$1,991 thousand) and ¥226 million as of March 31, 2019 and 2018, respectively.
- (2) The Bank’s shares held by the trust have been recorded as treasury stock in stockholders’ equity.
- (3) The numbers of shares at year-end were 59 thousand and 611 thousand for the fiscal years ended March 31, 2019 and 2018, respectively. The average numbers of shares during the year were 60 thousand and 356 thousand for the fiscal years ended March 31, 2019 and 2018, respectively.
- (4) The number of shares at year-end and the average number of shares during the year in (3) above are included in the number of treasury stock to be deducted in the calculation of per share information.

5. Changes in net assets

(1) Type and number of shares issued and treasury shares are as follows:

2019	Thousands of shares			
	March 31, 2018	Increase	Decrease	March 31, 2019
Shares issued				
Common stock (Note 1)	300,000	—	270,000	30,000
Total	300,000	—	270,000	30,000
Treasury stock				
Common stock (Notes 2, 3 and 4)	5,000	9	4,521	488
Total	5,000	9	4,521	488

Notes: 1. Based on the resolution made at the 149th Regular Annual General Meeting of Shareholders held on June 28, 2018, the Bank has implemented a 1-for 10 reverse stock split as of October 1, 2018. As a result, total number of shares outstanding has decreased by 270,000 thousand to 30,000 thousand.
2. The number of shares of common stock at the end of the fiscal years ended March 31, 2019 and 2018 includes 59 thousand and 611 thousand shares, respectively, of the Bank's shares held by the Board Incentive Plan (BIP) Trust.
3. The 9 thousand share increase is due to a purchase demand for fractional shares from shareholders.
4. The 4,521 thousand share decrease in the number of common shares of treasury stock consists of decreases of 4,480 thousand shares due to the reverse stock split, 13 thousand shares due to the delivery of shares to the beneficiaries from the BIP Trust, and 26 thousand shares due to the exercise of share subscription rights.

2018	Thousands of shares			
	March 31, 2017	Increase	Decrease	March 31, 2018
Shares issued				
Common stock (Note 1)	310,076	—	10,076	300,000
Total	310,076	—	10,076	300,000
Treasury stock				
Common stock (Notes 2, 3, 4 and 5)	14,608	625	10,233	5,000
Total	14,608	625	10,233	5,000

Notes: 1. The 10,076 thousand share decrease in the number of shares issued is due to the retirement of treasury stock.
2. The number of shares of common stock at the beginning of the fiscal year ended March 31, 2018 includes 65 thousand shares of the Bank's shares held by the Employee Stock Ownership Plan (ESOP) Trust.
3. The number of shares of common stock at the end of the fiscal year ended March 31, 2018 includes 611 thousand shares of the Bank's shares held by the Board Incentive Plan (BIP) Trust.
4. The 625 thousand share increase in the number of common shares of treasury stock consists of increases of 611 thousand shares due to a share acquisition by the BIP Trust and 14 thousand shares due to a purchase demand for fractional shares from shareholders.
5. The 10,233 thousand share decrease in the number of common shares of treasury stock consists of decreases of 10,076 thousand shares due to retirement of treasury stock, 65 thousand shares due to the termination of ESOP Trust and 92 thousand shares due to the exercise of share subscription rights.

(2) Matters concerning share subscription rights and own share options

The balance of share subscription rights (for stock options) at the end of March 31, 2019 and 2018 stood at ¥61 million (\$549 thousand) and ¥124 million, respectively. At end of the previous and current fiscal years, no shares had been earmarked for share subscription rights.

(3) Information on dividends

(a) Dividends paid

2019					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 28, 2018 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,182	¥4.0	March 31, 2018	June 29, 2018
November 9, 2018 (Meeting of the Board of Directors) (Notes 1, 2 and 3)	Common stock	1,330	4.5	September 30, 2018	December 10, 2018

2018					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2017 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,182	¥4.0	March 31, 2017	June 30, 2017
November 10, 2017 (Meeting of the Board of Directors) (Note 1)	Common stock	1,182	4.0	September 30, 2017	December 8, 2017

2019					
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 28, 2018 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	\$10,649	\$0.036	March 31, 2018	June 29, 2018
November 9, 2018 (Meeting of the Board of Directors) (Notes 1, 2 and 3)	Common stock	11,983	0.040	September 30, 2018	December 10, 2018

Notes: 1. In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on June 28, 2018 and June 29, 2017, the total amount of dividends paid includes the ¥2 million (\$18 thousand) dividend payment to the Board Incentive Plan (BIP) Trust and the ¥0 million dividend payment to the Employee Stock Ownership Plan (ESOP) Trust, respectively.
Moreover, the total amount of dividends paid includes the ¥2 million (\$18 thousand) and ¥2 million dividend payment to the Board Incentive Plan (BIP) Trust pursuant to the resolutions approved by the Board of Directors at meetings held on November 9, 2018 and November 10, 2017, respectively.
These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock.
2. In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on November 9, 2018, dividend per share includes a commemorative dividend of ¥0.5 (\$0.004) to celebrate the Bank's 140th Anniversary.
3. In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on November 9, 2018, the reverse stock split as of October 1, 2018 is not taken into account for dividend per share since the record date is September 30, 2018.

(b) Dividends paid after the balance-sheet date

2019						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 27, 2019 (Regular Annual General Meeting of Shareholders)	Common stock	¥1,330	Retained earnings	¥45.0	March 31, 2019	June 28, 2019

2018						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 28, 2018 (Regular Annual General Meeting of Shareholders)	Common stock	¥1,182	Retained earnings	¥4.0	March 31, 2018	June 29, 2018

2019						
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 27, 2019 (Regular Annual General Meeting of Shareholders)	Common stock	\$11,983	Retained earnings	\$0.405	March 31, 2019	June 28, 2019

Notes: 1. The total dividend amount includes the ¥2 million (\$18 thousand) dividends for the Board Incentive Plan (BIP) Trust.
2. The Bank conducted a 1-for-10 reverse stock split as of October 1, 2018.

6. Securities and trading account securities

(1) Investments in affiliates

Investments in affiliates as of March 31, 2019 and 2018 totaled ¥25 million (\$225 thousand) and ¥25 million, respectively.

(2) Trading account securities

Valuation losses of ¥(0) million (\$(0) thousand) and ¥(0) million were recognized for the fiscal years ended March 31, 2019 and 2018, respectively.

(3) Held-to-maturity debt securities

Not applicable.

(4) Other securities

(a) Consolidated balance sheet amount and acquisition cost of other securities and their difference as of March 31, 2019 and 2018 were as follows:

2019	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 117,132	¥ 52,958	¥64,173
Bonds:			
National	279,920	275,219	4,700
Local	145,997	144,080	1,916
Corporate	143,716	142,861	855
	569,634	562,160	7,473
Other	158,536	154,714	3,821
Subtotal	845,302	769,834	75,468
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	17,619	21,350	(3,731)
Bonds:			
Local	—	—	—
Corporate	4,843	4,847	(3)
	4,843	4,847	(3)
Other	174,887	178,120	(3,233)
Subtotal	197,350	204,319	(6,968)
Total	¥1,042,653	¥974,153	¥68,499

2018	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 135,228	¥ 58,236	¥ 76,991
Bonds:			
National	244,572	241,290	3,282
Local.....	54,411	53,290	1,120
Corporate.....	157,764	156,968	796
	456,748	451,549	5,199
Other	111,401	109,403	1,998
Subtotal	703,378	619,189	84,189
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	14,708	18,682	(3,973)
Bonds:			
Local.....	9,907	9,975	(68)
Corporate.....	38,171	38,410	(239)
	48,078	48,385	(307)
Other	260,972	269,658	(8,685)
Subtotal	323,759	336,726	(12,966)
Total	¥1,027,137	¥ 955,915	¥ 71,222

2019	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	\$1,055,338	\$ 477,142	\$578,187
Bonds:			
National	2,522,029	2,479,673	42,346
Local.....	1,315,406	1,298,134	17,262
Corporate.....	1,294,855	1,287,151	7,703
	5,132,300	5,064,960	67,330
Other	1,428,380	1,393,945	34,426
Subtotal	7,616,019	6,936,066	679,953
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	158,744	192,359	(33,615)
Bonds:			
Local.....	—	—	—
Corporate.....	43,634	43,670	(27)
	43,634	43,670	(27)
Other	1,575,700	1,604,829	(29,128)
Subtotal	1,778,088	1,840,877	(62,780)
Total	\$9,394,116	\$8,776,943	\$617,163

(b) Gains and losses on sale of securities available for sale for the fiscal years ended March 31, 2019 and 2018 are as follows:

2019	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	¥ 8,325	¥6,001	¥ —
Bonds:			
National	268,120	698	802
Local.....	97,182	610	—
Corporate.....	39,160	213	—
	404,463	1,522	802
Other	220,226	1,478	4,840
Total	¥633,015	¥9,001	¥5,643

2018	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	¥ 5,776	¥4,129	¥ —
Bonds:			
National	555,619	2,440	2,425
Local.....	322,933	1,143	173
Corporate.....	126,013	367	88
	1,004,567	3,951	2,687
Other	183,579	879	5,504
Total	¥1,193,922	¥8,959	¥8,191

2019	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	\$ 75,006	\$54,067	\$ —
Bonds:			
National	2,415,713	6,288	7,225
Local.....	875,592	5,495	—
Corporate.....	352,824	1,919	—
	3,644,139	13,712	7,225
Other	1,984,196	13,316	43,607
Total	\$5,703,351	\$81,097	\$50,842

(5) Impairment losses on securities

Securities with fair values that have fallen significantly below their acquisition cost and whose fair values are not expected to recover are recorded at fair value on the consolidated balance sheet with the valuation differences expensed on the consolidated statements of income (“impairment loss”).

Impairment losses of ¥293 million (\$2,639 thousand) and ¥nil were recorded in the fiscal years ended March 31, 2019 and 2018, respectively.

The Bank has standards for determining whether fair value has decreased significantly, based on “Practical Guidelines on Accounting Standards for Financial Instruments” (JICPA Accounting Practice Committee Report No. 14, February 16, 2018). The following are the details of this policy.

If, as of the end of the fiscal year, fair value has decreased by 50 percent or greater than acquisition cost, the entire holding is deemed to have decreased materially. If the decrease is between 30 percent and 50 percent, the determination shall be made in light of the issuing entity's credit risk and other factors (classification of creditor according to self-assessment; and external credit rating).

7. Matters relating to money held in trust

Money held in trust classified as held for trading purposes

The amounts on the consolidated balance sheet as of March 31, 2019 and 2018 were ¥4,748 million (\$42,778 thousand) and ¥4,795 million, respectively.

8. Net unrealized gains on securities available for sale

The following is a breakdown of net unrealized gains on securities available for sale recorded in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference	¥ 68,499	¥ 71,222	\$ 617,163
Other securities.....	68,499	71,222	617,163
Money held in trust	—	—	—
Deferred tax liabilities.....	(20,677)	(21,499)	(186,296)
Net unrealized gains on securities available for sale (before equity equivalent).....	47,822	49,722	430,867
Net unrealized gains attributable to non-controlling interests	—	—	—
Parent's ownership interest of affiliates' unrealized gains on securities available for sale	—	—	—
Net unrealized gains on securities available for sale	¥ 47,822	¥ 49,722	\$ 430,867

9. Loans and bills discounted

Loans and bills discounted as of March 31, 2019 and 2018 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loans under bankruptcy.....	¥ 941	¥ 1,134	\$ 8,478
Non-accrual loans	27,224	23,864	245,283
Loans past due over 3 months	324	567	2,919
Restructured loans	23,874	23,854	215,100
Total	¥52,366	¥49,420	\$471,808

Bills discounted are treated as financial transactions in accordance with “Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks (JICPA Industry Audit Committee Report No. 24, February 13, 2002).” Commercial bills and foreign bills bought are permitted to be sold or pledged and their total face value was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Bills discounted	¥21,173	¥23,246	\$190,764

10. Guarantee obligations

Guarantee obligations for bonds in private placement (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) included in corporate bonds under “Securities” in the consolidated balance sheets were ¥18,935 million (\$170,600 thousand) and ¥15,558 million as of March 31, 2019 and 2018, respectively.

11. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets pledged as collateral:			
Securities.....	¥433,613	¥317,995	\$3,906,775
Liabilities corresponding to assets pledged as collateral:			
Deposits.....	34,909	15,545	314,523
Payables under securities lending transactions	142,634	52,003	1,285,106
Borrowed money	244,367	219,613	2,201,702

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Securities.....	¥ 409	¥ 6,457	\$ 3,685
Other assets	30,000	29,000	270,294

As of March 31, 2019 and 2018, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥4,658 million (\$41,967 thousand) and ¥5,660 million, and guarantees and household deposits of ¥1,177 million (\$10,604 thousand) and ¥1,186 million, respectively.

12. Commitment line agreements on overdrafts and loans

Commitment line agreements on overdrafts and loans are agreements to lend funds to customers upon application up to a prescribed amount as long as there is no violation of any condition established in the contract. The balance of unused loans under these agreements as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unused commitments	¥1,015,611	¥1,037,364	\$9,150,473
Contracts with less than a year of contract period or contacts that are cancellable unconditionally any time ...	952,242	977,212	8,579,529

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily have effect on the future cash flow of the Group. Many of these commitments have clauses that allow the Group to refuse an application from customers or reduce the limit amount with proper reasons (e.g. changes in financial situation, to secure claims, etc.). In addition, the Group may request the customers to pledge collateral such as real estate and securities at the time of the contracts if necessary and take necessary measures periodically based on a prescribed internal procedure after conclusion of contracts such as monitoring customers' business status, revising contracts and securing claims.

13. Income taxes

(1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Excess reserve for possible loan losses.....	¥ 7,876	¥ 6,918	\$ 70,961
Net defined benefit liability	2,866	212	25,822
Valuation loss on securities available for sale	2,118	3,941	19,082
Excess depreciation	1,012	940	9,117
Net deferred losses on hedging instruments, net of taxes	506	131	4,558
Reserve for bonuses.....	429	480	3,865
Other	2,715	2,433	24,461
Subtotal	17,525	15,058	157,897
Valuation reserve	(6,787)	(6,160)	(61,149)
Deferred tax assets	10,737	8,898	96,738
Deferred tax liabilities:			
Net unrealized gains on securities, net of taxes	(22,795)	(25,441)	(205,378)
Reserve for advanced depreciation of non-current assets.....	(140)	(141)	(1,261)
Net deferred gains on hedging instruments, net of taxes	(16)	(113)	(144)
Other	(23)	—	(207)
Net deferred tax assets (liabilities)	¥(12,237)	¥(16,798)	\$ (110,253)

(2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting for the fiscal years ended March 31, 2019 and 2018.

	2019	2018
Statutory income tax rate	30.4%	30.6%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	0.8	0.5
Non-taxable income, including dividend income	(4.9)	(1.7)
Per-capita resident tax.....	0.7	0.4
Increase of valuation reserve	7.1	0.8
Other	1.2	(0.7)
Effective income tax rate under tax-effect accounting	35.3%	29.9%

14. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2019 and 2018 amounted to ¥37,644 million (\$339,165 thousand) and ¥36,616 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,458 million (\$22,146 thousand) and ¥2,401 million as of March 31, 2019 and 2018, respectively. Reduction entry for the fiscal year ended March 31, 2019 amounted to ¥57 million (\$513 thousand).

15. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank's land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liability for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as revaluation reserve for land in stockholders' equity.

As of March 31, 2019 and 2018, the difference between the carrying amount and the fair value of the revalued land was ¥13,869 million (\$124,957 thousand) and ¥15,334 million, respectively.

16. Asset retirement obligations

Notes on asset retirement obligations have been omitted due to immateriality.

17. Investment and rental property

Notes on investment and rental property have been omitted due to immateriality.

18. Other income

Other income consists of the following.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease revenue	¥6,970	¥6,524	\$62,798
Gain on sale of equity securities ...	6,001	4,129	54,067

19. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥15,478 million (\$139,454 thousand) and ¥15,742 million for the fiscal years ended March 31, 2019 and 2018, respectively.

20. Other expenses

(1) Other expenses consist of the following.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cost of lease	¥5,727	¥5,380	\$51,599
Loan write-offs	4,360	2,450	39,282

(2) Impairment losses

During the fiscal years ended March 31, 2019 and 2018, the Bank recorded impairment losses on fixed assets as described below:

			Millions of yen	
			Impairment losses	
			2019	2018
Kagawa Pref ...	Idle assets and/or assets for business use (2019: 16 items 2018: 17 items)	Land, buildings and movables	¥ 852 land: 793 buildings: 56 movables: 2	¥ 53 land: 38 buildings: 12 movables: 1
Other	Idle assets and/or assets for business use (2019: 11 items 2018: 7 items)	Land, buildings and/or movables, etc.	¥ 596 land: 560 buildings: 36 movables: —	¥ 97 land: 86 buildings: 10 movables: 0
Total			¥1,450 land: 1,354 buildings: 93 movables: 2	¥151 land: 125 buildings: 23 movables: 1

			Thousands of U.S. dollars
			Impairment losses
			2019
Kagawa Pref ...	Idle assets and/or assets for business use (2019: 16 items)	Land, buildings and movables	\$ 7,676 land: 7,144 buildings: 504 movables: 18
Other	Idle assets and/or assets for business use (2019: 11 items)	Land, buildings and/or movables, etc.	\$ 5,369 land: 5,045 buildings: 324 movables: —
Total			\$13,064 land: 12,199 buildings: 837 movables: 18

The Bank posted impairment losses of ¥1,450 million (\$13,064 thousand) and ¥151 million, respectively, during the fiscal years ended March 31, 2019 and 2018 on land, buildings and/or movables, etc. due to a fall in operating cash flows and continuous declines in land prices. The Bank reduced the carrying amounts of the corresponding assets to the recoverable amounts, and recorded the difference between the carrying amount and recoverable amount of each asset as impairment losses under other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment losses; however, jointly managed branches are treated as a single cash generating unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future. At the Bank's consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

For the fiscal year ended March 31, 2019, the recoverable amounts are measured using the higher of either the net selling prices or value in use. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal, and value in use is calculated by discounting the future cash flow at a discount rate of 0.3% for the fiscal year ended March 31, 2019.

For the fiscal year ended March 31, 2018, the recoverable amounts are measured using net selling prices, which are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal.

21. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income (loss):

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains (losses) on other securities, net of taxes:			
Amount recognized during the year	¥ 1,457	¥ 2,978	\$ 13,127
Amount of recycling	(4,186)	(2,222)	(37,715)
Prior to income tax effect.....	(2,729)	755	(24,587)
Income tax effect	829	(229)	7,469
Net unrealized gains (losses) on other securities, net of taxes	(1,899)	525	(17,109)
Net deferred gains (losses) on hedging instruments, net of taxes:			
Amount recognized during the year	(3,835)	(161)	(34,552)
Amount of recycling	2,280	1,873	20,542
Prior to income tax effect.....	(1,554)	1,712	(14,001)
Income tax effect	472	(520)	4,252
Net deferred gains (losses) on hedging instruments	(1,082)	1,191	(9,748)
Revaluation reserve for land:			
Amount recognized during the year	—	—	—
Amount of recycling	—	—	—
Prior to income tax effect.....	—	—	—
Income tax effect	—	—	—
Revaluation reserve for land..	—	—	—
Remeasurements of defined benefit plans:			
Amount recognized during the year	(9,884)	3,303	(89,053)
Amount of recycling	(308)	784	(2,775)
Prior to income tax effect.....	(10,192)	4,087	(91,828)
Income tax effect	3,098	(1,242)	27,912
Remeasurements of defined benefit plans	(7,094)	2,844	(63,915)
Total other comprehensive income (loss)	¥(10,076)	¥ 4,562	\$ (90,782)

22. Finance leases

Information on finance leases for the fiscal years ended March 31, 2019 and 2018 are as follows:

1. As lessee

Finance lease transactions that do not transfer ownership

(1) Components of lease assets

(a) Tangible fixed assets

Primarily consisting of ATMs

(b) Intangible fixed assets

Not applicable.

(2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in “3.

Significant accounting policies (5) Depreciation”.

2. As lessor

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease receivables	¥19,485	¥17,703	\$175,556
Estimated residual value.....	2,689	2,218	24,227
Interest received	(2,276)	(2,059)	(20,506)
Lease investment assets.....	¥19,897	¥17,862	\$179,268

(2) Schedule for collection of lease receivables and receivables on lease investment assets by leasing contract maturity

	Millions of yen	
	Lease receivables	Receivables on lease investment assets
2019		
Up to 1 year	¥288	¥5,802
Over 1 year, up to 2 years	249	4,813
Over 2 years, up to 3 years	227	3,770
Over 3 years, up to 4 years	164	2,645
Over 4 years, up to 5 years	45	1,412
Over 5 years	30	1,040

	Millions of yen	
	Lease receivables	Receivables on lease investment assets
2018		
Up to 1 year	¥256	¥5,470
Over 1 year, up to 2 years	221	4,384
Over 2 years, up to 3 years	182	3,410
Over 3 years, up to 4 years	165	2,353
Over 4 years, up to 5 years	105	1,265
Over 5 years	37	818

	Thousands of U.S. dollars	
	Lease receivables	Receivables on lease investment assets
2019		
Up to 1 year	\$2,594	\$52,274
Over 1 year, up to 2 years	2,243	43,364
Over 2 years, up to 3 years	2,045	33,967
Over 3 years, up to 4 years	1,477	23,830
Over 4 years, up to 5 years	405	12,721
Over 5 years	270	9,370

(3) Regarding finance lease transactions that do not transfer ownership of the leased assets to the lessee and whose date of commencement of leasing was prior to the start of application of the new accounting standards, the book value (after deduction of accumulated depreciation expenses) of the tangible fixed assets and intangible fixed assets at the end of the last business term prior to the start of application of the new accounting standards is taken as the beginning balance of the lease assets.

Regarding the lease investment assets in question, amounts equivalent to interest receivable under the new accounting standards will be allocated by the straight-line method to the remaining interest period.

In contrast to applying the new accounting standards for leasing transactions at the beginning of the leasing transactions in question, there is no effect on the fiscal profit before income taxes in the fiscal years ended March 31, 2019 and 2018.

23. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Group provides banking services, including leasing and other financial services. The Group limits risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. It categorizes capital (risk capital) according to the size of the risk, engaging in “integrated risk management,” incorporating a capital allocation system that monitors risk versus return. The Group continues to improve efficiency in risk management, ensuring greater stability and soundness for the business as a whole.

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

The major types of financial assets held by the Group are loans and bills discounted and securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group’s stockholders’ equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are used as a pure investment vehicle or as part of a Group investment policy. In addition, certain bonds are held for resale. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and/or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

For certain interest rate swaps, individual deferred hedge accounting is applied so that the hedged items and hedging instruments directly match. Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter. In addition, the Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Audit Committee Report No. 25 for currency swap and foreign exchange swap transactions that are concluded for the purpose of hedging foreign exchange rate risk associated with foreign currency denominated financial assets. Hedge effectiveness of these hedge transactions is evaluated by confirming the correspondence of the position to the amount of foreign currency denominated financial assets hedged.

(3) Risk management for financial instruments

(a) Credit risk management

The Group has compiled Credit Risk Management Rules and related documents, and the Risk Management Committee (Credit Risk Management Subcommittee) monitors and manages credit risk exposures.

In addition, the Risk Management Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits.

(b) Market risk management

The Group has established Market Risk Management Rules along with relevant documentation, and the Risk Management Committee (Market Risk Management Subcommittee) monitors market risk and maintains management systems. The Revenue Management Committee (Budget ALM Subcommittee) deliberates on the stability of medium and long-term profit in light of risk circumstances.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

(i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and/or profits and losses for securities, derivatives, and other market transactions.

The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of ALM.

(ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

(iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

(iv) Quantitative information regarding market risks

a. Financial instruments held for trading purposes

In measuring the VaR of interest rate risks associated with trading securities, interest rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Group applies the historical simulation method with a holding period of 10 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2019 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥17 million (\$153 thousand) (compared with ¥6 million at the end of the previous fiscal year).

b. Financial instruments not held for trading purposes

In measuring the VaR of interest rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares and investment trusts, etc. the Group applies the historical simulation method with a holding period of 120 days, a confidence interval of 99% and an observation period of 1,200 business days.

In addition, in measuring the VaR of risks involving interest rates of money held in trust, price volatility or exchange rates, the Group applies the historical simulation method with a holding period of 20 days, a confidence interval of 99% and an observation period of 1,200 business days. The VaR of financial instruments not held for trading purposes amounted to ¥43,402 million (\$391,044 thousand) and ¥43,336 million as of March 31, 2019 and 2018, respectively.

c. VaR

The Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.

However, VaR determined using the historical simulation method is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances. To supplement the limitations of VaR, the Group conducts stress testing periodically in addition to the management using VaR.

(c) Liquidity risk management

The Group has established Liquidity Risk Management Rules and other related guidelines as a basis for managing liquidity risk. The Group has also established Liquidity Crisis Response Rules to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classify them into the categories of “caution” and “crisis”, thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group’s investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on said risk.

(4) Supplementary information regarding fair value of financial instruments

The fair value of financial instruments includes their respective market prices, and rationally calculated values if the fair value of the financial instrument is not available. Certain assumptions are used to calculate said values, and said values may vary when differing assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2019 and 2018 are as follows. Private equity shares or other shares whose fair values are not readily determinable are not included in the following table.

2019	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 829,933	¥ 829,933	¥ —
(2) Monetary claims bought	38,993	38,993	—
(3) Trading account securities	153	153	—
(4) Money held in trust.....	4,748	4,748	—
(5) Securities			
Other securities	1,042,653	1,042,653	—
(6) Loans and bills discounted.....	2,825,869		
Reserve for possible loan losses*1	(14,957)		
	2,810,911	2,838,583	27,672
Total assets	4,727,392	4,755,065	27,672
(1) Deposits	3,953,878	3,954,181	302
(2) Negotiable certificates of deposit	90,231	90,233	2
(3) Call money and bills sold	43,374	43,374	—
(4) Payables under securities lending transactions.....	142,634	142,634	—
(5) Borrowed money.....	269,620	269,817	197
Total liabilities	4,499,739	4,500,241	502
Derivative Transactions*2			
Not subject to hedge accounting	492	492	—
Subject to hedge accounting	(2,117)	(2,117)	—
Total Derivative Transactions	¥ (1,624)	¥ (1,624)	¥ —

2018	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 706,534	¥ 706,534	¥ —
(2) Monetary claims bought	32,844	32,844	—
(3) Trading account securities	55	55	—
(4) Money held in trust.....	4,795	4,795	—
(5) Securities			
Other securities	1,027,137	1,027,137	—
(6) Loans and bills discounted.....	2,833,526		
Reserve for possible loan losses*1	(14,380)		
	2,819,145	2,842,239	23,094
Total assets	4,590,513	4,613,607	23,094
(1) Deposits	3,957,552	3,957,868	316
(2) Negotiable certificates of deposit	96,268	96,271	2
(3) Call money and bills sold	11,669	11,669	—
(4) Payables under securities lending transactions.....	52,003	52,003	—
(5) Borrowed money.....	246,615	246,732	116
Total liabilities	4,364,109	4,364,545	435
Derivative Transactions*2			
Not subject to hedge accounting	539	539	—
Subject to hedge accounting	3,308	3,308	—
Total Derivative Transactions	¥ 3,847	¥ 3,847	¥ —

2019	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	\$ 7,477,547	\$ 7,477,547	\$ —
(2) Monetary claims bought	351,319	351,319	—
(3) Trading account securities	1,378	1,378	—
(4) Money held in trust.....	42,778	42,778	—
(5) Securities			
Other securities	9,394,116	9,394,116	—
(6) Loans and bills discounted.....	25,460,573		
Reserve for possible loan losses*1	(134,759)		
	25,325,804	25,575,123	249,319
Total assets	42,592,954	42,842,283	249,319
(1) Deposits	35,623,731	35,626,461	2,720
(2) Negotiable certificates of deposit	812,965	812,983	18
(3) Call money and bills sold	390,791	390,791	—
(4) Payables under securities lending transactions.....	1,285,106	1,285,106	—
(5) Borrowed money.....	2,429,227	2,431,002	1,774
Total liabilities	40,541,841	40,546,364	4,522
Derivative Transactions*2			
Not subject to hedge accounting	4,432	4,432	—
Subject to hedge accounting	(19,073)	(19,073)	—
Total Derivative Transactions	\$ (14,631)	\$ (14,631)	\$ —

*1 General reserve for possible loans losses and specific reserve for possible loan losses for loans and bills discounted are deducted from above.

*2 Derivative transactions in the above table are recorded on a net basis with liabilities presented in parentheses.

*3 Items with no material impact have not been listed.

Calculation method for fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity date is valued at book value, since the book value approximates the fair value. Due from banks with a maturity date is valued at present value in each category by deposit term, discounting by an assumed applicable interest rate when new deposit are accepted.

Items with a short contract period are valued at book value, since book value approximates their fair value.

(2) Monetary claims bought

Items with a short contract period are valued at book value, since the book value approximates their fair value.

(3) Trading account securities

Corporate bonds and other available-for-sale securities are valued at market prices and using an internal model.

(4) Money held in trust

With respect to securities that are managed as trust assets in individually managed money held in trust accounts whose main purpose is securities investment, stocks are valued at the stock market price, while debt-securities are valued at the stock market price or the price stated by the correspondent financial institution.

Notes concerning money held in trust by purpose held are presented in “7. Matters relating to money held in trust.”

(5) Securities

Stocks and corporate bonds are valued at market prices. Investment trusts are valued at their published base price. Private placement bonds guaranteed by the Group are categorized according to internal credit rating and maturity, and valued at fair value, discounting by a projected interest rate applicable when a bond in the same total amount of principal and interest is issued.

See “6. Securities and trading account securities” for further information about the securities by intent of holding.

(6) Loans and bills discounted

Loans and bills discounted are valued at present value in each category by internal rating and maturity, discounting the total amount of principal and interest by an assumed applicable interest rate when similar loans are made.

Loans to borrowers who are bankrupt, substantially bankrupt, or likely to go bankrupt are valued net of the estimated uncollectible amount based on the current value of estimated future cash flows, or the estimated collectible portion based on the collateral or guarantee underlying the loan. As such, the balance of the loan on the consolidated balance sheet as of the last day of the fiscal period less the current estimated uncollectible amount approximates the fair value.

For loans and bills discounted with no repayment deadline, due to their nature, such as the limited range of pledged assets for said loans, their fair values are valued at book value, because they are assumed to approximate the fair values due to expected repayment deadlines and interest rate conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The Group considers the fair value of demand deposits to be the payment (book value) of the instrument as if demanded on the last day of the fiscal year. The fair value of time deposits is valued at present value in each category by specific deposit term, discounting future cash flow by the interest rate used when accepting new deposits. Since book value approximates fair value for items with a short deposit term, the book value shall be the fair value for these instruments.

(3) Call money and bills sold

Due to the short contract period of these instruments, the Group considers their book value to approximate the fair value.

(4) Payables under securities lending transactions

Due to the short contract period, the Group considers their book value to approximate the fair value.

(5) Borrowed money

Borrowed money subject to variable interest rates reflects market interest rates over a short-term. As the credit status of the Group has not significantly changed since these transactions were executed, the Group believes that the book value approximates the fair value of these instruments. The fair value for borrowed money subject to fixed interest rates is valued at present value, discounting the total amount of principal and interest categorized by specific term by an assumed applicable interest rate when similar borrowings are entered into.

Derivative Transactions

See “26. Derivative transactions” for further information about derivatives.

The following are financial instruments whose fair values are not readily determinable as of March 31, 2019 and 2018. These are not included in the “Assets (5) Securities” section under fair value information for financial instruments.

Category	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
	2019	2018	2019
1. Private equity shares*1*2	¥2,714	¥2,723	\$24,452
2. Investments in partnership*3.....	1,435	1,108	12,929
Total	¥4,150	¥3,832	\$37,390

*1 As private equity shares have no market price, and their fair values are not readily determinable, their fair values are not stated.
*2 The Group did not recognize any impairment loss for unlisted equity stock for the fiscal years ended March 31, 2019 and 2018, respectively.
*3 For investments in partnership for which the fair value is not readily determinable, the fair value has not been disclosed because the underlying partnership assets are comprised of unlisted equity stock.

The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2019 and 2018 are as follows:

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2019						
Deposits.....	¥ 784,986	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought.....	38,993	—	—	—	—	—
Securities:						
Other securities with maturities	177,576	152,466	126,047	87,793	227,535	72,897
National government bonds	100,000	45,300	25,000	40,000	10,000	54,000
Local government bonds	15,976	3,806	7,300	13,350	99,590	4,000
Corporate bonds.....	38,842	29,546	12,627	4,285	57,500	4,576
Other	22,758	73,813	81,119	30,158	60,445	10,321
Loans and bills discounted*.....	1,086,700	494,976	292,316	219,162	215,044	463,909
Total	¥2,088,256	¥647,442	¥418,363	¥306,956	¥442,580	¥536,807

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2018						
Deposits.....	¥ 667,226	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought.....	32,844	—	—	—	—	—
Securities:						
Other securities with maturities	146,246	281,789	158,213	65,767	138,131	26,455
National government bonds	42,600	133,300	55,000	—	10,000	—
Local government bonds	11,963	19,282	1,000	13,000	13,500	4,500
Corporate bonds.....	73,144	59,178	6,388	3,976	50,104	2,196
Other	18,538	70,029	95,825	48,791	64,527	19,758
Loans and bills discounted*.....	1,103,336	507,637	310,329	191,911	214,693	447,670
Total	¥1,949,654	¥789,427	¥468,543	¥257,679	¥352,825	¥474,125

	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2019						
Deposits.....	\$ 7,072,583	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought.....	351,319	—	—	—	—	—
Securities:						
Other securities with maturities	1,599,927	1,373,691	1,135,660	790,999	2,050,049	656,788
National government bonds	900,982	408,144	225,245	360,392	90,098	486,530
Local government bonds	143,940	34,291	65,771	120,281	897,288	36,039
Corporate bonds.....	349,959	266,204	113,767	38,607	518,064	41,228
Other	205,045	665,041	730,867	271,718	544,598	92,990
Loans and bills discounted*.....	9,790,972	4,459,645	2,633,714	1,974,610	1,937,507	4,179,736
Total	\$18,814,812	\$5,833,336	\$3,769,375	\$2,765,618	\$3,987,566	\$4,836,534

*Loans and bills discounted do not include ¥28,181 million (\$253,905 thousand) and ¥25,021 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥25,577 million (\$230,444 thousand) and ¥32,924 million in loans with no established maturity as of March 31, 2019 and 2018, respectively.

The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2019 and 2018 is as follows:

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2019						
Deposits*	¥3,741,698	¥205,158	¥ 6,530	¥ 298	¥192	¥ —
Negotiable certificates of deposit	89,549	590	92	—	—	—
Call money and bills sold.....	43,374	—	—	—	—	—
Payables under securities lending transactions.....	142,634	—	—	—	—	—
Borrowed money.....	9,852	226,152	31,821	875	793	125
Total	¥4,027,109	¥431,900	¥38,443	¥1,173	¥985	¥125

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2018						
Deposits*	¥3,750,627	¥198,980	¥ 7,432	¥303	¥208	¥ —
Negotiable certificates of deposit	96,086	—	142	40	—	—
Call money and bills sold.....	11,669	—	—	—	—	—
Payables under securities lending transactions.....	52,003	—	—	—	—	—
Borrowed money.....	13,723	150,939	80,401	594	693	262
Total	¥3,924,110	¥349,919	¥87,975	¥938	¥902	¥262

	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2019						
Deposits*	\$33,712,028	\$1,848,436	\$ 58,834	\$ 2,684	\$1,729	\$ —
Negotiable certificates of deposit	806,820	5,315	828	—	—	—
Call money and bills sold.....	390,791	—	—	—	—	—
Payables under securities lending transactions.....	1,285,106	—	—	—	—	—
Borrowed money.....	88,764	2,037,588	286,701	7,883	7,144	1,126
Total	\$36,283,530	\$3,891,341	\$346,364	\$10,568	\$8,874	\$1,126

*Among deposits, demand deposits are included in “Up to 1 year.”

24. Accrued retirement benefits

(1) Overview of retirement benefit scheme adopted by the Bank
As defined-benefit type plans, the Bank has established a contract-type defined benefit corporate pension plan and a retirement lump-sum payment plan. In some cases, an extra severance package is provided to employees on their retirement and so on. In addition, the Bank has set up a retirement benefit trust.
The Bank's domestic consolidated subsidiaries have established a retirement lump-sum payment plan as defined-benefit type plans, and a defined contribution pension plan as defined-contribution type plan. Further, for the retirement lump-sum payment plan of domestic consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated by the simplified method.

(2) Defined benefit plan

(a) Reconciliation of retirement benefit obligations at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2019	2018	2019
Retirement benefit obligations at beginning of period	¥52,638	¥52,614	\$474,258
Service costs*	1,483	1,484	13,361
Interest costs	482	482	4,342
Actuarial differences	6,614	409	59,590
Retirement benefits paid	(2,393)	(2,352)	(21,560)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥58,824	¥52,638	\$529,993

*Retirement benefit costs of domestic consolidated subsidiaries that apply the simplified method are all recorded within “Service costs.”

(b) Reconciliation of pension assets at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31,	2019	2018	2019
Pension assets at beginning of period	¥64,551	¥59,547	\$581,592
Expected return on pension assets	718	673	6,469
Actuarial differences	(3,270)	3,712	(29,462)
Contribution from employer	2,038	2,081	18,362
Retirement benefits paid	(1,511)	(1,463)	(13,613)
Pension assets at end of period	¥62,527	¥64,551	\$563,357

(c) Reconciliation of retirement benefit obligations and pension assets at end of period and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2019	2018	2019
Retirement benefit obligations of funded plan	¥ 58,824	¥ 52,638	\$ 529,993
Pension assets	(62,527)	(64,551)	(563,357)
	(3,702)	(11,913)	(33,354)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥ (3,702)	¥(11,913)	\$ (33,354)

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2019	2018	2019
Net defined benefit liability	¥ 824	¥ 185	\$ 7,424
Net defined benefit asset	(4,526)	(12,099)	(40,778)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(3,702)	¥(11,913)	\$ (33,354)

(d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31,	2019	2018	2019
Service costs*	¥1,483	¥1,484	\$13,361
Interest costs	482	482	4,342
Expected return on pension assets	(718)	(673)	(6,469)
Amortization of actuarial differences	(308)	784	(2,775)
Amortization of past service costs	—	—	—
Retirement benefit costs for defined benefit plans	¥ 938	¥2,078	\$ 8,451

*Retirement benefit costs of domestic consolidated subsidiaries that use the simplified method are recorded in a lump-sum in “Service costs.”

(e) Remeasurements of defined benefit plans in other comprehensive income
The breakdown of items (before adjusting for tax effects) recorded in remeasurements of defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31,	2019	2018	2019
Actuarial differences	¥(10,192)	¥4,087	\$(91,828)
Total	¥(10,192)	¥4,087	\$(91,828)

(f) Remeasurements of retirement benefit plans in accumulated other comprehensive income

The following is a breakdown of items (before adjusting for tax effects) recorded in remeasurements of retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2019	2018	2019
Unrecognized actuarial differences	¥(3,031)	¥7,161	\$(27,308)
Total	¥(3,031)	¥7,161	\$(27,308)

(g) Items related to pension assets
(i) The following is the percentage of total pension assets by main category:

As of March 31,	2019	2018
Bonds	15%	13%
Stocks	45	54
Life insurers' general account	26	24
Other	14	9
Total	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (20.16% and 21.70 % as of March 31, 2019 and 2018, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (20.71% and 22.62% as of March 31, 2019 and 2018, respectively).

(ii) Method for determining expected long-term rate of return on pension assets:
To determine expected long-term rate of return on pension assets, the Bank considers the current and projected pension asset allocations, as well as long-term rate of current returns and expected returns from each category consisting pension assets.

(h) Assumptions for making actuarial calculation
Major assumptions for actuarial calculations at the end of the fiscal year

	2019	2018
1) Discount rate	0.23%	0.92%
2) Expected long-term rate of return	2.00%	2.00%
3) Assumed salary increase rate	3.10%	3.10%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$63 thousand) and ¥7 million for the years ended March 31, 2019 and 2018, respectively.

25. Stock options

1. Stock option expenses and accounts for the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating expense	¥—	¥9	\$—

2. Gain recognized as a result of stock options not being exercised before expiration for the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Other income	¥20	¥—	\$180

3. Stock option details, size, and changes

(1) Stock option details

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Category and number of grant recipients	The bank's twelve directors	The bank's ten directors	The bank's ten directors	The bank's ten directors	The bank's ten directors	The bank's ten directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 12,850 shares	Common stock: 15,900 shares	Common stock: 18,730 shares	Common stock: 17,500 shares	Common stock: 17,250 shares	Common stock: 13,660 shares
Grant date	July 24, 2009	July 26, 2010	July 26, 2011	July 24, 2012	July 23, 2013	July 25, 2014
Vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified
Exercise period	July 25, 2009 to July 24, 2039	July 27, 2010 to July 26, 2040	July 27, 2011 to July 26, 2041	July 25, 2012 to July 24, 2042	July 24, 2013 to July 23, 2043	July 26, 2014 to July 25, 2044

	2015 stock options	2016 stock options
Category and number of grant recipients	The bank's nine directors (excluding outside directors)	The bank's eight directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 9,430 shares	Common stock: 13,770 shares
Grant date	July 24, 2015	July 26, 2016
Vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified
Exercise period	July 25, 2015 to July 24, 2045	July 27, 2016 to July 26, 2046

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

(2) Stock option size and changes

(a) Number of stock options

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Prior to vesting (shares):						
Prior fiscal year end	1,670	2,390	2,830	4,110	5,490	5,490
Granted	—	—	—	—	—	—
Expired	—	—	—	—	—	—
Vested shares	1,670	2,390	2,830	2,650	2,610	2,070
Unvested shares	—	—	—	1,460	2,880	3,420
After vesting (shares):						
Prior fiscal year end	—	—	—	—	—	—
Vested shares	1,670	2,390	2,830	2,650	2,610	2,070
Exercised	1,670	2,390	2,830	2,650	2,610	—
Expired	—	—	—	—	—	2,070
Unexercised	—	—	—	—	—	—

	2015 stock options	2016 stock options
Prior to vesting (shares):		
Prior fiscal year end	5,000	12,290
Granted	—	—
Expired	—	—
Vested shares	1,560	4,170
Unvested shares	3,440	8,120
After vesting (shares):		
Prior fiscal year end	—	—
Vested shares	1,560	4,170
Exercised	—	1,480
Expired	1,560	2,690
Unexercised	—	—

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

(b) Unit price information (in year)

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	Per share: ¥3,000	Per share: ¥3,000	Per share: ¥3,000	Per share: ¥3,000	Per share: ¥3,000	Per share: ¥ —
Fair value on grant date	Per share: ¥4,180	Per share: ¥3,150	Per share: ¥2,790	Per share: ¥2,560	Per share: ¥3,210	Per share: ¥3,350

	2015 stock options	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	Per share: ¥ —	Per share: ¥3,570
Fair value on grant date	Per share: ¥4,090	Per share: ¥2,850

Note: Converted to the price equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

4. Method for estimating number of vested stock options

In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

26. Derivative transactions

(1) Type of transactions

The Group undertakes the following derivative transactions: interest-rate swaps and others for interest-rate related transactions; currency swaps, forward exchange contracts and currency options for currency-related transactions; and bond futures for bond-related transactions.

(2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank's assets and liabilities.

Market prices of interest-rate related transactions as of March 31, 2019 and 2018 were as follows:

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2019	Total	Over 1 year		
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	¥21,740	¥20,405	¥ 681	¥ 681
Variable rate receivable/fixed rate payable	21,740	20,405	(390)	(390)
Others:				
Sell	5,120	5,110	(5)	88
Buy	5,120	5,110	5	(19)
Total			¥ 290	¥ 360

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2018	Total	Over 1 year		
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	¥20,465	¥15,969	¥ 528	¥ 528
Variable rate receivable/fixed rate payable	20,465	15,969	(350)	(350)
Others:				
Sell	728	713	(0)	37
Buy	728	713	0	(9)
Total			¥ 177	¥ 205

	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
2019	Total	Over 1 year		
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	\$195,873	\$183,845	\$ 6,135	\$ 6,135
Variable rate receivable/fixed rate payable	195,873	183,845	(3,513)	(3,513)
Others:				
Sell	46,130	46,040	(45)	792
Buy	46,130	46,040	45	(171)
Total			\$ 2,612	\$ 3,243

Market prices of currency-related transactions as of March 31, 2019 and 2018 were as follows:

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2019	Total	Over 1 year		
Over the Counter				
Currency swaps	¥246,303	¥66,554	¥ 25	¥ 25
Forward exchange contracts:				
Sell	38,704	7,431	(135)	(135)
Buy	45,169	5,150	312	312
Currency options:				
Sell	326,412	227,707	(10,142)	5,377
Buy	326,412	227,707	10,142	(2,363)
Others:				
Sell	5,172	5,172	75	75
Buy	5,172	5,172	(75)	2
Total			¥ 201	¥ 3,293

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
2018	Total	Over 1 year		
Over the Counter				
Currency swaps	¥309,233	¥242,540	¥ 48	¥ 48
Forward exchange contracts:				
Sell	57,905	4,133	566	566
Buy	38,022	4,015	(252)	(252)
Currency options:				
Sell	275,481	196,027	(11,447)	1,677
Buy	275,481	196,027	11,447	848
Total			¥ 362	¥2,887

(3) Derivative transactions subject to hedge accounting

The following are the contracted value, the equivalent principal and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the fiscal year, as well as the market price calculation method. The contracted value, other price or value below does not indicate by itself the market risk of the derivative transaction.

(a) Interest rate related transactions

As of March 31, 2019

			Millions of yen		
			Contracted value over 1 year		Fair value
Hedge accounting method	Type	Main hedged item	Contracted value		
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥119,000	¥50,000	¥(1,450)
		Total			¥(1,450)

As of March 31, 2018

			Millions of yen		
			Contracted value over 1 year		Fair value
Hedge accounting method	Type	Main hedged item	Contracted value		
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥80,000	¥69,000	¥309
		Total			¥309

As of March 31, 2019

			Thousands of U.S. dollars		
			Contracted value over 1 year		Fair value
Hedge accounting method	Type	Main hedged item	Contracted value		
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	\$1,072,168	\$450,491	\$(13,064)
		Total			\$(13,064)

Notes: 1. In general, deferred hedge accounting method is applied to hedging transactions for interest rate risk arising from financial assets.
2. Calculation of fair value
Fair value is calculated based on the discounted cash flow method, etc.

(b) Currency related transactions

As of March 31, 2019

Millions of yen					
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥79,387	¥30,551	¥(605)
	Monetary swaps		27,804	—	(61)
	Total				¥(666)

As of March 31, 2018

Millions of yen					
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥111,909	¥44,977	¥2,757
	Monetary swaps		36,593	—	241
	Total				¥2,998

As of March 31, 2019

Thousands of U.S. dollars					
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	\$715,262	\$275,259	\$(5,450)
	Monetary swaps		250,509	—	(549)
	Total				\$(6,000)

Notes: 1. In general, deferred hedge accounting is applied according to “Accounting and Auditing for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).
2. Calculation of fair value
Fair value is calculated based on discounted cash flow method, etc.

27.Segment information

(1) Overview of reportable segments

Reportable segments are the Group’s constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities. The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable securities and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by Hyakujushi Lease Co., Ltd.

(2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment

The method of accounting treatment applied to reportable segments is the same as that described in “Notes to Consolidated Financial Statements.”

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

(3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment

Information about industry segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2019 and 2018 is as follows:

Millions of yen							
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
2019							
Ordinary income:							
Outside customers	¥ 68,038	¥ 7,118	¥ 75,157	¥ 2,039	¥ 77,196	¥ —	¥ 77,196
Inter-segment transactions.....	791	587	1,378	3,819	5,198	(5,198)	—
Total	¥ 68,830	¥ 7,705	¥ 76,535	¥ 5,858	¥ 82,394	¥ (5,198)	¥ 77,196
Segment profit	¥ 9,155	¥226	¥ 9,382	¥ 1,592	¥ 10,974	¥ (544)	¥ 10,430
Segment assets	¥4,876,689	¥29,893	¥4,906,582	¥21,672	¥4,928,255	¥(32,630)	¥4,895,624
Segment liabilities	¥4,603,241	¥25,630	¥4,628,871	¥ 9,943	¥4,638,815	¥(29,767)	¥4,609,048
Other items:							
Depreciation	¥ 2,780	¥ 97	¥ 2,877	¥ 303	¥ 3,180	¥ 93	¥ 3,274
Interest income	44,723	319	45,042	242	45,284	(818)	44,466
Interest expenses	7,427	79	7,507	54	7,562	(236)	7,325
Gain from disposal of tangible assets	34	0	34	—	34	(1)	32
State subsidy.....	57	—	57	—	57	—	57
Other extraordinary income	—	6	6	—	6	—	6
Loss from disposal of tangible assets	89	0	90	13	104	—	104
Impairment losses	1,450	—	1,450	—	1,450	—	1,450
Loss on tax purpose reduction entry of tangible assets	57	—	57	—	57	—	57
Other extraordinary loss	—	100	100	—	100	—	100
Tax expenses	2,599	(5)	2,593	501	3,095	19	3,114
Increases in property, plant and equipment and intangible assets	3,213	5	3,218	209	3,427	92	3,520

Millions of yen							
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
2018							
Ordinary income:							
Outside customers	¥ 72,023	¥ 6,683	¥ 78,706	¥ 2,107	¥ 80,813	¥ —	¥ 80,813
Inter-segment transactions.....	394	380	774	3,978	4,752	(4,752)	—
Total	¥ 72,417	¥ 7,064	¥ 79,481	¥ 6,085	¥ 85,566	¥ (4,752)	¥ 80,813
Segment profit	¥ 13,018	¥ 247	¥ 13,265	¥ 2,051	¥ 15,317	¥ (37)	¥ 15,279
Segment assets	¥4,756,322	¥27,814	¥4,784,137	¥31,569	¥4,815,706	¥(38,645)	¥4,777,061
Segment liabilities	¥4,475,457	¥23,396	¥4,498,853	¥10,010	¥4,508,864	¥(35,409)	¥4,473,454
Other items:							
Depreciation	¥ 2,367	¥ 95	¥ 2,462	¥ 306	¥ 2,769	¥ 87	¥ 2,857
Interest income	48,049	150	48,199	436	48,635	(561)	48,073
Interest expenses	6,206	76	6,283	61	6,345	(489)	5,855
Gain from disposal of tangible assets	12	65	77	—	77	(0)	77
Loss from disposal of tangible assets	76	0	76	14	91	—	91
Impairment losses	151	—	151	—	151	—	151
Tax expenses	3,835	99	3,935	575	4,510	17	4,528
Increases in property, plant and equipment and intangible assets	2,963	10	2,974	200	3,174	128	3,303

Thousands of U.S. dollars							
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
2019							
Ordinary income:							
Outside customers	\$ 613,010	\$ 64,131	\$ 677,151	\$ 18,371	\$ 695,522	\$ —	\$ 695,522
Inter-segment transactions.....	7,126	5,288	12,415	34,408	46,833	(46,833)	—
Total	\$ 620,145	\$ 69,420	\$ 689,566	\$ 52,779	\$ 742,355	\$ (46,833)	\$ 695,522
Segment profit	\$ 82,484	\$ 2,036	\$ 84,530	\$ 14,343	\$ 98,873	\$ (4,901)	\$ 93,972
Segment assets	\$43,938,093	\$269,330	\$44,207,424	\$195,260	\$44,402,693	\$(293,990)	\$44,108,694
Segment liabilities	\$41,474,376	\$230,921	\$41,705,297	\$ 89,584	\$41,794,891	\$(268,195)	\$41,526,696
Other items:							
Depreciation	\$ 25,047	\$ 873	\$ 25,921	\$ 2,729	\$ 28,651	\$ 837	\$ 29,498
Interest income	402,946	2,874	405,820	2,180	408,000	(7,370)	400,630
Interest expenses	66,915	711	67,636	486	68,132	(2,126)	65,996
Gain from disposal of tangible assets	306	0	306	—	306	(9)	288
State subsidy.....	513	—	513	—	513	—	513
Other extraordinary income	—	54	54	—	54	—	54
Loss from disposal of tangible assets	801	0	810	117	937	—	937
Impairment losses	13,064	—	13,064	—	13,064	—	13,064
Loss on tax purpose reduction entry of tangible assets	513	—	513	—	513	—	513
Other extraordinary loss	—	900	900	—	900	—	900
Tax expenses	23,416	(45)	23,362	4,513	27,885	171	28,056
Increases in property, plant and equipment and intangible assets	28,948	45	28,993	1,883	30,876	828	31,714

Notes: 1. In place of sales which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.
2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.
3. The adjusted amounts of segment profit, segment assets, segment liabilities, depreciation, interest income, interest expenses, gain from disposal of tangible assets, tax expenses and increases in property, plant and equipment and intangible assets are recorded as eliminations.
4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

1. Information on each service

Millions of yen				
	Lending services	Securities investment services	Leasing services	Other
2019				
Income from external customers	¥31,881	¥23,255	¥7,118	¥14,941
				¥77,196

Millions of yen				
	Lending services	Securities investment services	Leasing services	Other
2018				
Income from external customers	¥32,193	¥26,661	¥6,683	¥15,274
				¥80,813

Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other
2019				
Income from external customers	\$287,242	\$209,523	\$64,131	\$134,615
				\$695,522

2. Information on each area

(1) Ordinary income

Information is omitted since the amount attributed to income from external customers in Japan accounts for more than 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Information is omitted since the amount attributed to tangible fixed assets located in Japan accounts for more than 90% of the tangible fixed assets in the consolidated balance sheets.

3. Information on each major customer

Information is omitted since there are no specific customers from whom ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

(Information on impairment losses on fixed assets by reportable segment)

Information regarding impairment losses on fixed assets by reportable segment for the years ended March 31, 2019 and 2018 was as follows:

2019	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	¥1,450	¥—	¥1,450	¥—	¥1,450

2018	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	¥151	¥—	¥151	¥—	¥151

2019	Thousands of U.S. dollars				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	\$13,064	\$—	\$13,064	\$—	\$13,064

28. Related-party transactions

Not applicable to the fiscal years ended March 31, 2019 and 2018.

29. Per share data

Amounts per share as of March 31, 2019 and 2018 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥9,708.42	¥9,948.53	\$87.471
Basic earnings per share	189.25	346.40	1.705
Diluted earnings per share	189.05	345.92	1.703

Notes: 1. The net assets per share figures are calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2019	2018	2019
Net assets	¥286,576	¥303,606	\$2,581,998
Amount excluded from net assets .	61	10,124	549
(of which share subscription rights)	61	124	549
(of which, non-controlling interests).....	—	10,000	—
Net assets attributable to common stock at the fiscal year-end	286,514	293,481	2,581,439
Number of common stock shares at fiscal-year end for calculation of net assets per share (in thousands)	29,511	29,499	

30. Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2019 is 0.02%.

Annual maturities of borrowed money as of March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year	¥ 9,852	\$ 88,764
Over 1 year, up to 2 years	145,917	1,314,686
Over 2 years, up to 3 years	80,234	722,893
Over 3 years, up to 4 years	30,576	275,484
Over 4 years, up to 5 years	1,245	11,217
Over 5 years	1,796	16,181

2. Basic earnings per share figures are calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2019	2018	2019
Basic earnings per share			
Profit attributable to owners of parent.....	¥5,584	¥10,227	\$50,310
Amount not attributable to common equity holders of parent.....	—	—	—
Profit attributable to common equity holders of parent	5,584	10,227	50,310
Average number of shares of common stock during the year (in thousands)	29,505	29,523	
Diluted earnings per share			
Increase in number of common stock shares (in thousands) ..	30	41	
(of which, share subscription rights)	30	41	

3. The Bank's own stock remaining in the ESOP Trust and BIP Trust and recorded as treasury stock in stockholders' equity is included in treasury stock to be deducted in the calculation of net assets per share, basic earnings per share, and diluted earnings per share.

The number of shares of said treasury stock to be deducted at year- end in the calculation of net assets per share was 59 thousand shares and 61 thousand shares as of March 31, 2019 and 2018, respectively. Moreover, the average number of shares of said treasury stock to be deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 60 thousand shares and 36 thousand shares for the fiscal years ended March 31, 2019 and 2018, respectively.

Although the Bank implemented a 1-for 10 reverse stock split as of October 1, 2018, per share data is calculated based on the assumption that the reverse stock split was implemented at the beginning of the fiscal year ended March 31, 2018.



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Independent Auditor's Report

The Board of Directors
The Hyakujushi Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

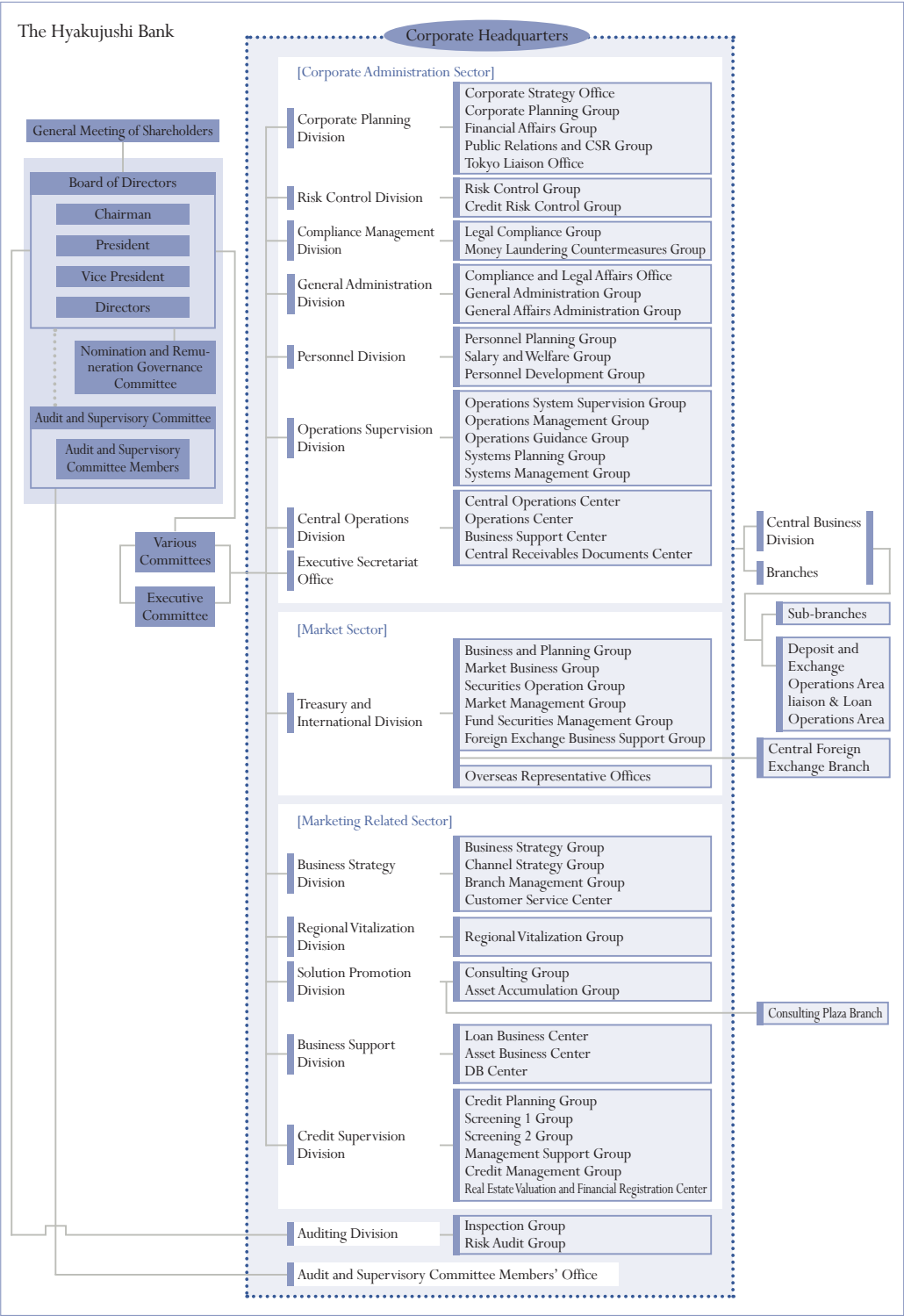
Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

Profile (as of March 31, 2019)

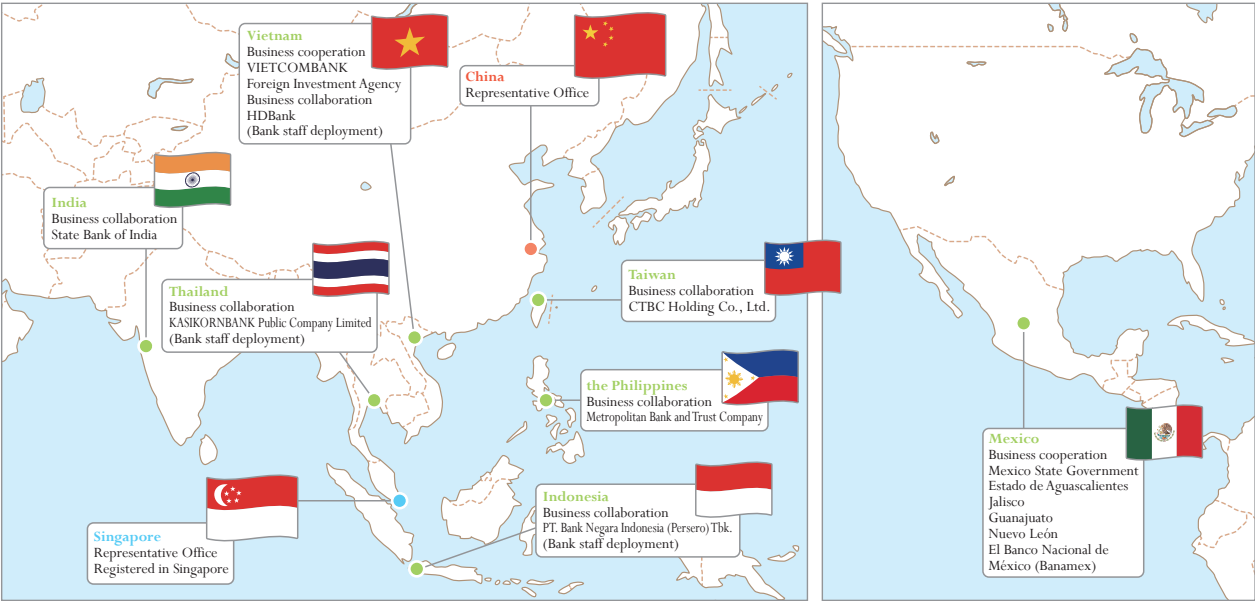
Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥4,877.5 billion
Deposits and negotiable certificates of deposit	¥4,056.9 billion
Loans and bills discounted	¥2,832.8 billion
Paid-in capital	¥37.3 billion
Total shares issued	30,000 thousand shares
Employees	2,199
Offices	124 (Head Office, 103 branches, 21 sub-branches)
	Overseas Representative Offices: 2 (Shanghai, Singapore)
Non-branch ATMs and CDs	166 locations

Organization (as of July 1, 2019)



*Liquidation procedures for Hyakujushi Preferred Capital Cayman Limited were completed on December 13, 2018.

Overseas Support Organizations



List of Major Shareholders (as of March 31, 2019)

Name	Address	No. of shares held (thousand shares)	Ratio of shares held to the total number of shares outstanding (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	1,730	5.85
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	900	3.04
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	709	2.40
NH Foods Ltd. (Note) 2	4-9, Umeda 2-Chome, Kita-ku, Osaka	632	2.13
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	628	2.12
TAIHEIYO CEMENT CORPORATION (Note) 3	3-5, Daiba 2-Chome, Minato-ku, Tokyo	595	2.01
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	569	1.92
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	556	1.88
SUMITOMO LIFE INSURANCE COMPANY	7-18-24, Tsukiji, Chuo-ku, Tokyo	500	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku)	473	1.60
Total	-	7,296	24.67

(Notes)

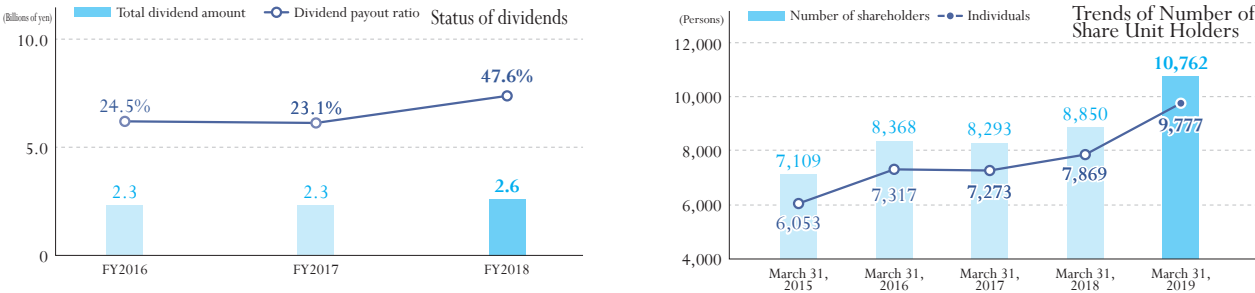
1. The 428 thousand treasury shares held by the Bank are excluded from the number of shares outstanding.

2. The number of shares held by NH Foods Ltd. includes 500 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.

3. The number of shares held by TAIHEIYO CEMENT CORPORATION includes 595 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by TAIHEIYO CEMENT CORPORATION.

Active Shareholder Return

In order to realize the Bank's Corporate Vision of "ensuring sound business management and enhancing corporate value," while endeavoring to improve our equity capital by increasing retained earnings, the Bank is also working to improve the satisfaction of our shareholders by continuing to pay stable dividends.



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