

Integrated Report

2020

Year ended March 31, 2020
The Hyakujushi Bank, Ltd.



Hyakujushi Group's Value Creation Process



Message from the President



I am deeply grateful for your continued wholehearted support for the Hyakujushi Bank.

The Bank commenced a new medium-term management plan “Try ☆ Mirai (Future)!” which covers the period from April 2020 to March 2023. By providing new value in our unique way, we aim to become a general consulting group that co-creates the future of customers and communities.

July, 2020

Yujiro Ayada

Yujiro Ayada, President

Foreword

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

Since its establishment in 1878, the Bank has grown together with its customers and communities as a local leading bank, building up its foundation of today. I am deeply grateful to all of you as this would not have been possible without your warm support.

External environment and understanding of the current situation

The environment surrounding the Bank is becoming harsher due to the continued low interest rate environment, intensifying competition resulting from business integration of other neighboring banks, and the entry of companies from other industries. In addition, it is expected that Kagawa Prefecture, where the Bank is based, will see a roughly 30% fall in its

working-age population in the next 30 years due to shrinking population, combined with declining birthrate and aging population, and that this will have a large impact on the growth of the local economy in the medium- to long-term. We must increase the Bank’s sustainability by responding appropriately to these changes in the environment.

Response to COVID-19

Furthermore, there has been a significant impact from the stagnation of production and consumption activities due to the spread of COVID-19 since the beginning of the year, and the number of enquiries from customers regarding their cash flow situations is increasing on a daily basis. It is the mission and purpose of the Bank as a regional financial institution to provide support at the very time when our communities and customers are facing difficult situations. To meet the needs of our customers, we support their cash flow situations by offering our unique products, “114 emergency special loans (in response to COVID-19)” and “deferment-type small ABL loans,” in addition, we will also working to support our customers’ core business after the recovery from COVID-19.

Accomplishments and challenges of the previous medium-term management plan

Under the previous medium-term management plan “Challenge Value Plus” (plan period: April 2017 to March 2020), which focused on “three challenges” to strengthen sales capabilities and “five pluses” to build the business foundation, the Bank aimed at transforming itself to a business model in which it would grow alongside its communities, by providing customers and communities with full support that goes beyond the realm of finance. In terms of “three challenges,” we were able to achieve some positive results in our strategies, such as the promotion of local branding, consulting sales through business feasibility evaluation, and provision of products and services tailored to the life stage of each customer. In terms of “five pluses,” we were able to carry out our initiatives largely as planned, expanding the functions of the smartphone app, reorganizing the network of bank branches in Kagawa Prefecture, reforming the

operations of branches and the Head Office, and reducing costs. However, with regard to management targets (consolidated profit, consolidated ROE, and consolidated capital ratio), profits were lower than planned mainly due to an increase in credit costs resulting from the rise in the number of bankruptcies nationwide, in addition to sluggish income from market investments caused by changes in the market environment. Consequently, we fell short of the final year targets, leaving some issues to be addressed going forward.

Final results against management targets

Management targets		Final year targets	FY 2016	Period of the previous medium-term management plan		
				FY 2017	FY 2018	FY 2019
Profitability	Consolidated profit	¥9.5 billion or higher	¥9.6 billion	¥10.2 billion	¥5.5 billion	¥7.7 billion
Efficiency	Consolidated ROE	3.0% or higher	3.56%	3.58%	1.92%	2.87%
Soundness	Consolidated capital ratio	9.5% or higher	9.53%	9.42%	9.04%	9.17%

New medium-term management plan

The new medium-term management plan “Try ☆ Mirai (Future)!” (plan period: April 2020 to March 2023) was formulated and launched in the current fiscal year in response to such business environment and challenges. Under the plan, the Hyakujushi Group will make every possible effort as a “local platformer^{*1}” to solve the issues faced by customers and communities, while trying to co-create a future where not only customers and communities but also all other stakeholders, such as shareholders, officers and employees can live their lives with a smile.

^{*1} Local platformer
A local platformer goes beyond the realm of finance to solve various issues faced by local customers by providing them with the Hyakujushi Group’s consulting functions and platforms, such as the information network.

To that end, we formulated three key strategies: transformation to a general consulting group, development of human resources with high market value, and structural reforms leading to the future.

Message from the President

●Transformation to a general consulting group

In terms of “transformation to a general consulting group,” we aim to create shared value with our customers and communities by providing a one-stop service covering the entire process from the identification of issues and provision of solutions to the supply of funds. To achieve this, we will first review our sales structure.

For corporate customers, bank staff from the Head Office with high problem-solving skills will be assigned to major locations in Kagawa Prefecture as Corporate SAs (Corporate Solution Advisors). Corporate SAs will support relationship managers at branches and strengthen cooperation with the Head Office to swiftly and accurately solve customers’ worries and problems. For retail customers, bank staff who can handle all types of retail operations will be assigned to branches as LPAs (Life Plan Advisors) and will help customers realize their life plans. Furthermore, we will assign bank staff from the Head Office with specialized knowledge to regional locations as LPCs (Life Plan Consultants) and have them cooperate with LPAs, thereby improving the quality of solution proposals. The

Corporate SA, LPA, and LPC system has started on a trial basis in some regions from this April, and it will be expanded gradually going forward.

In April 2020, we also co-founded a regional trading company SHIKOKU BRAND inc. through the Shikoku Alliance^{*2}. The new company engages in branding and promotion of Shikoku resources, as well as the development of sales channels for those resources. We intend to promote Shikoku’s attractions both in Japan and overseas to raise their recognition and create new added value.

In addition, in response to labor shortage, which has become a social issue, the Bank fully entered the recruiting business in April 2020 in collaboration with its group company Hyakujushi Jinzai Center Corporation. In this way and through other means, the Hyakujushi Group will work as one to resolve the issues for customers and local communities.

^{*2} Shikoku Alliance
A comprehensive partnership agreement signed by four first-tier regional banks in Shikoku in November 2016 with the aim of revitalizing Shikoku, while maintaining management independence.

●Development of human resources with high market value

For “development of human resources with high market value,” the Bank strive to develop and secure specialized human resources necessary to become a general consulting group. By systematically developing human resources, increasing mid-career hiring, creating rewarding workplaces and providing diverse career paths, we will build a highly sustainable organization that constantly produces human resources with high market value.

●Structural reforms leading to the future

In “structural reforms leading to the future,” the Bank will reorganize the network of bank branches, reduce administrative workloads, and curb costs as part of its efforts to realize low-cost management. At the same time, we aim to maintain and secure the profit level of the Group by increasing fee income, implementing structured finance, and strengthening market investments.

●Management targets of the new medium-term management plan

While these strategies will be steadily implemented, we presume that the impact of COVID-19, which has been spreading since the beginning of the year, will last for a long term. Accordingly, based on certain assumptions and in consideration of the long-term impact of COVID-19, we have set the management targets of the new medium-term management plan as follows: consolidated profit of ¥6.0 billion or higher, consolidated capital ratio of 9.0% or higher, and OHR (non-consolidated basis) of 75% or less for the final year of the plan (FY 2022).

Type	Indicators	FY 2019 (actual)	Targets (final year)
Profitability	Consolidated profit	¥7.7 billion	¥6.0 billion or higher
Soundness	Consolidated capital ratio	9.17%	9.0% or higher
Efficiency	Non-consolidated OHR (gross operating profit basis)	73.78%	75% or less

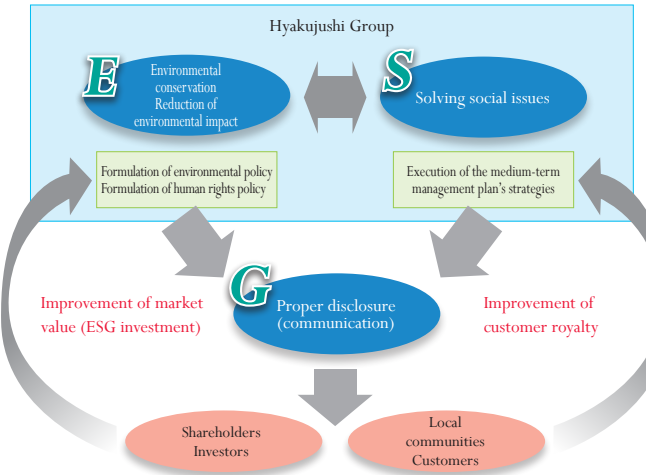
Unprecedented severe conditions are likely to continue during the three-year period of the plan, but we hope to overcome this difficult situation with our customers and local communities. By creating a virtuous cycle in which the Bank grows in line with the development of local communities, and

returns profits and value to communities, we strive to realize a future where all stakeholders can live their lives with a smile.

Towards the sustainable development of local communities

In addition to solving social issues through the new medium-term management plan, the Group is stepping up its efforts to protect the environment and respect human rights. In April 2020, the Bank compiled and announced the standards of conduct for its officers and employees as the Hyakujushi Bank’s Environmental Policy and the Hyakujushi Bank’s Human Rights Policy. We will continue to carry out responsible corporate activities and contribute to the sustainable development of our communities.

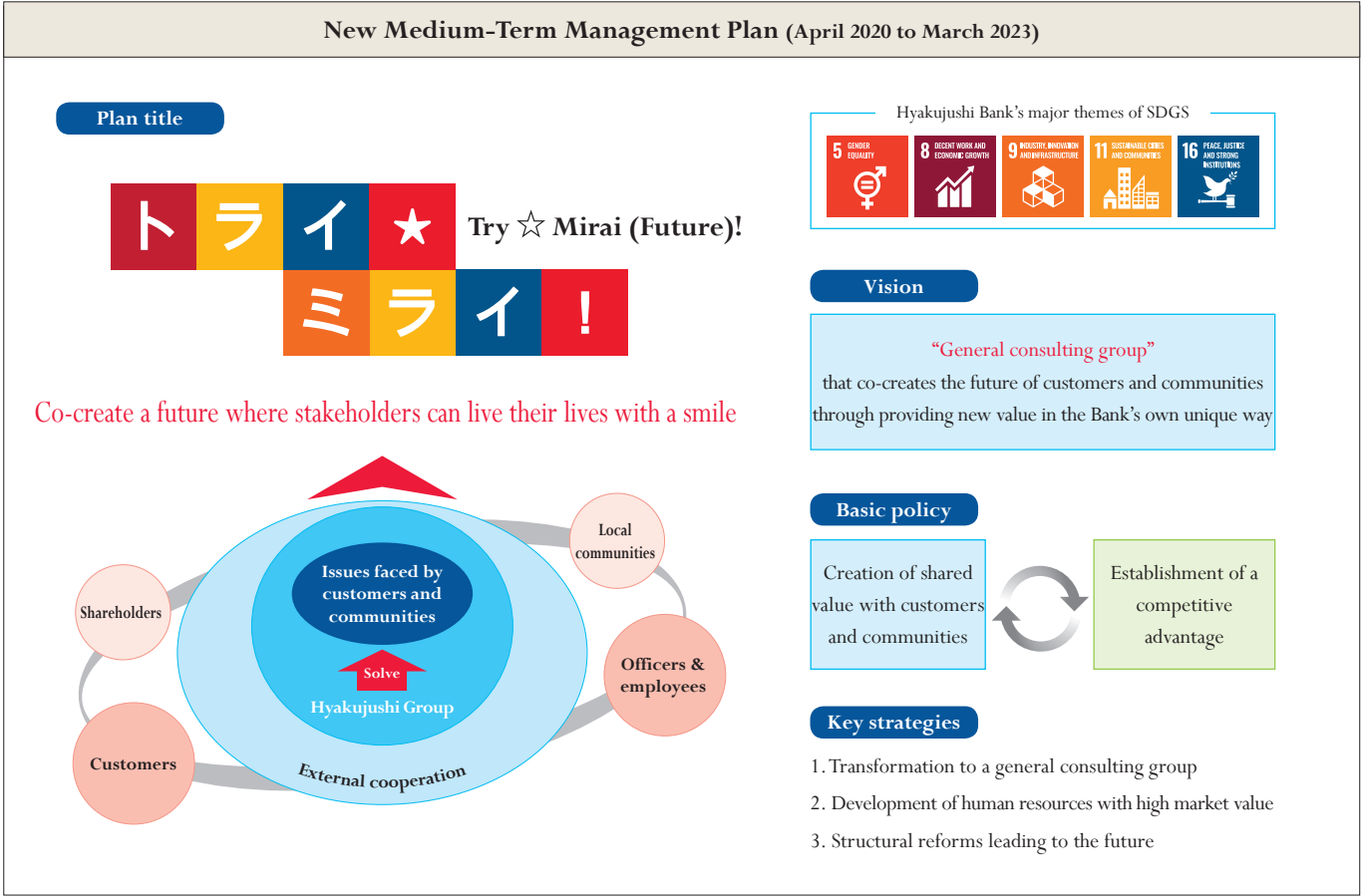
Three initiatives (Hyakujushi’s ESG)



Conclusion

Amid drastic changes in the domestic and overseas environment, we must adapt to the environment and change ourselves if we are to constantly meet the expectations of our customers, communities, and shareholders. The Bank will continue to take on challenges without fear of changing itself so that it can overcome various difficulties, grow further and present a better version of itself to the next generation.

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

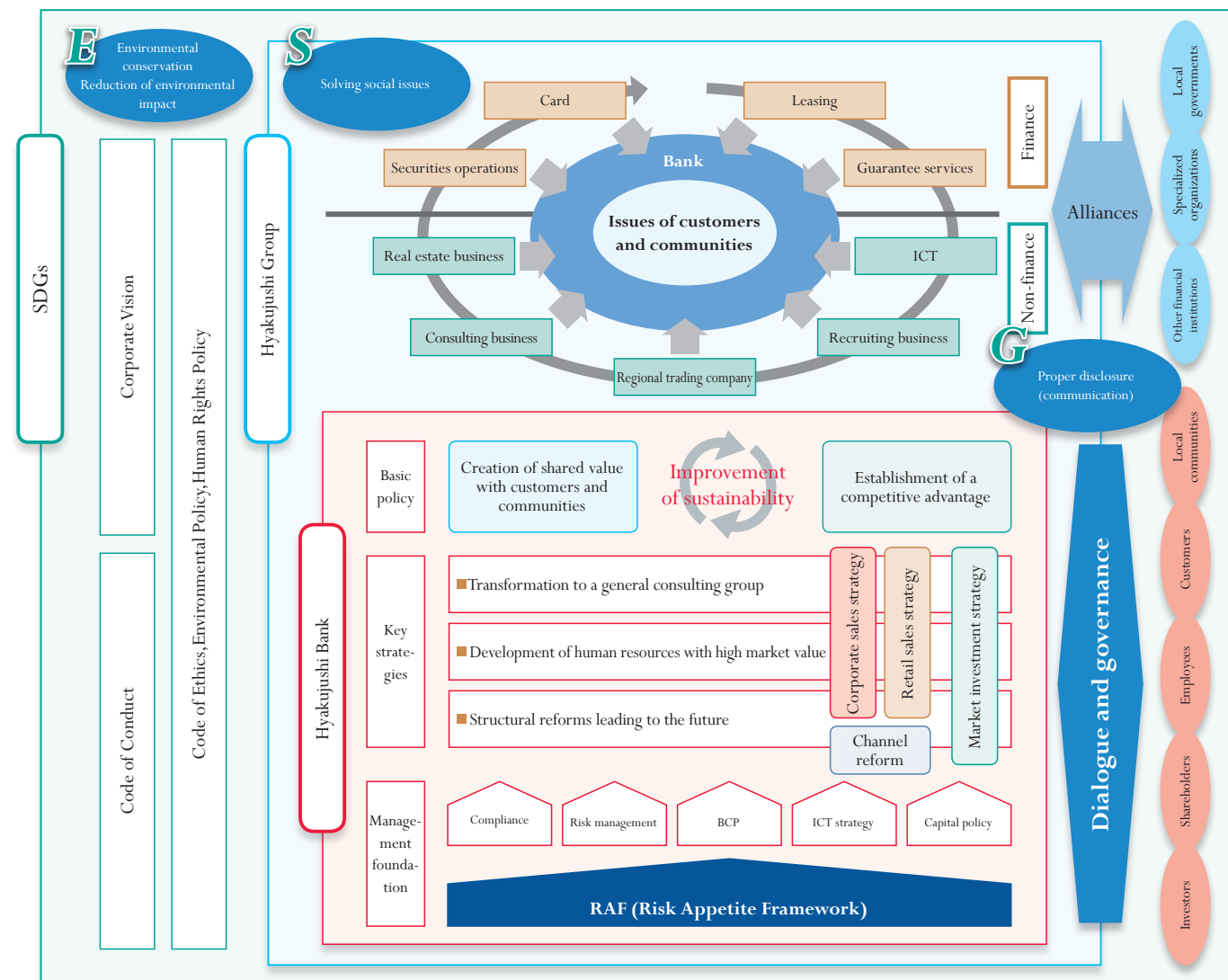


New Medium-Term Management Plan

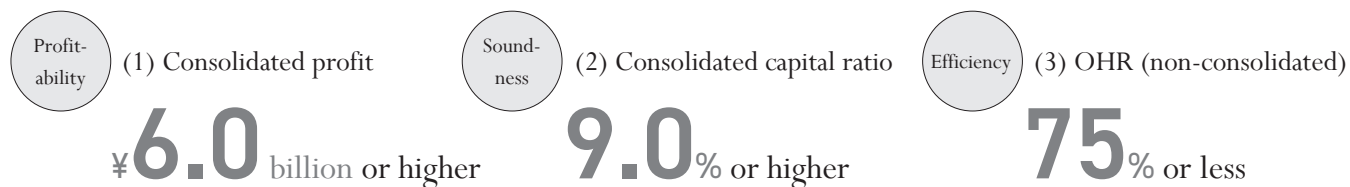
While a harsh environment continues for regional financial institutions, the Bank commenced a new medium-term management plan “Try ☆ Mirai (Future)!” (plan period: April 2020 to March 2023).

Under this medium-term management plan, the Hyakujushi Group strives to create shared value with its customers and local communities by going beyond the realm of finance to solve various issues that face the customers and communities as a “local platformer” and establish a competitive advantage by improving operational efficiency and strategically allocating human resources.

Plan diagram



Management targets (final year)



(1) Consolidated profit is profit attributable to owners of parent. (2) Consolidated capital ratio is consolidated core capital ratio based on Basel III that factors in transitional arrangements.

(3) OHR (non-consolidated basis) = Overhead costs / Gross operating profits

*The management targets are formulated based on certain assumptions and factor in the impact of COVID-19.

Key strategy

1 Transformation to a general consulting group

- Ensuring customer-oriented business operation
- Building systems to strengthen solutions

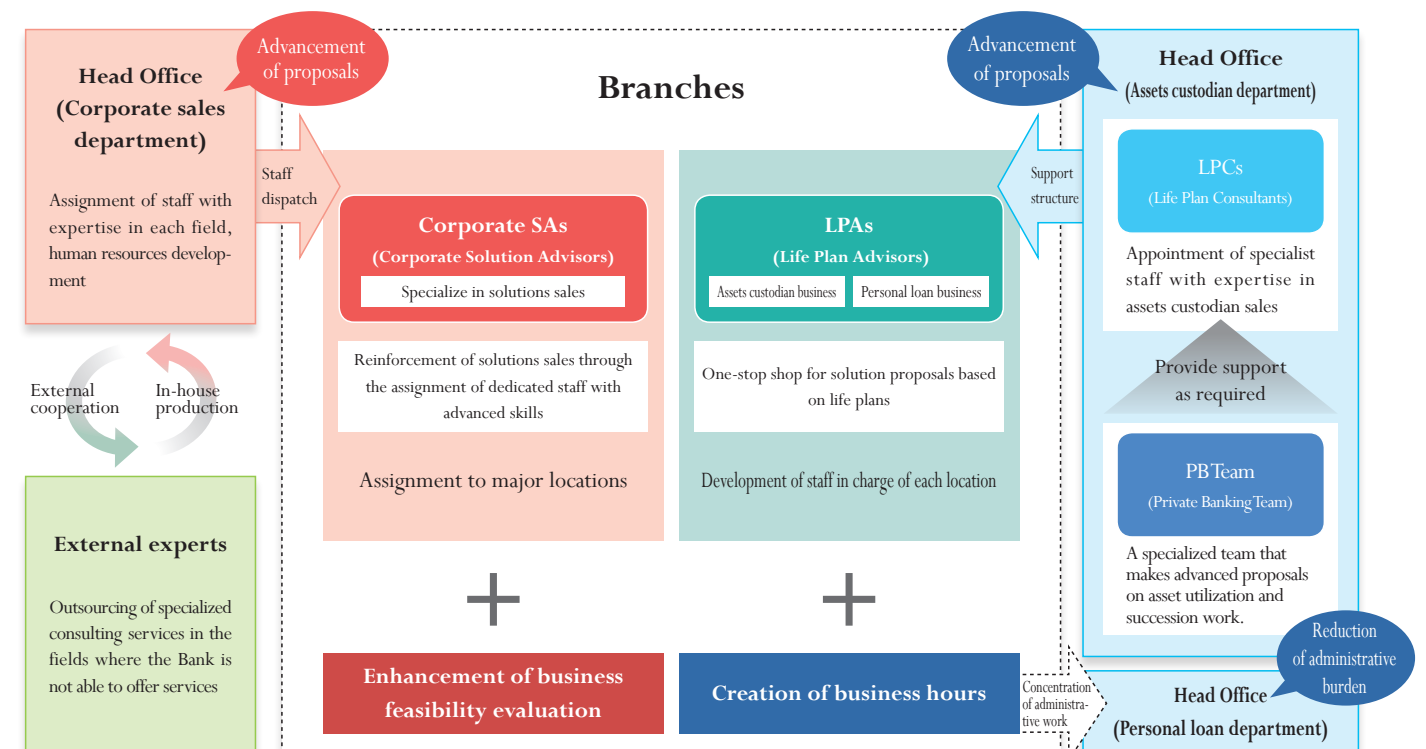
- Entry into the management consulting business
- Contributing to the development of local industry

Corporate customers

- Solving issues through the enhancement of business feasibility evaluation
- Understanding customer needs and strengthening proposal capabilities by assigning Corporate SAs
- Entry into the management consulting business

Retail customers

- Securing various points of contact with retail customers
- Shift to a life plan-based retail sales system
- Advancement of asset management and asset succession proposals



Local communities

- Expansion of local resources

- Strengthening initiatives for ship finance



TOPICS

Creation of Ship Financing Office (April 2020)

We will further strengthen our provision of financing and other types of support to customers in the maritime industry.

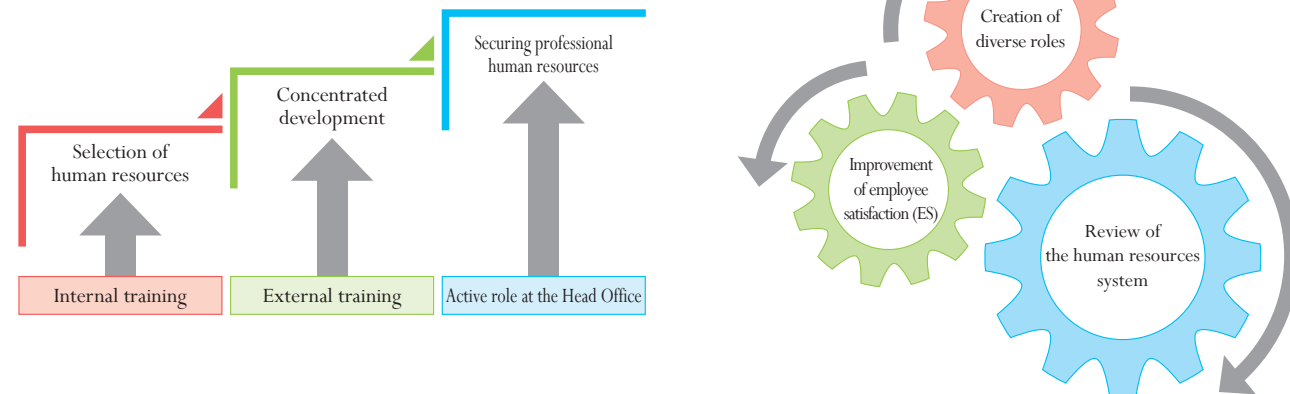
Key strategy 2 Development of human resources with high market value

■ Development of professional human resources

- Strengthen human resources development
- Recruitment of external human resources
- Review of the branch awarding system

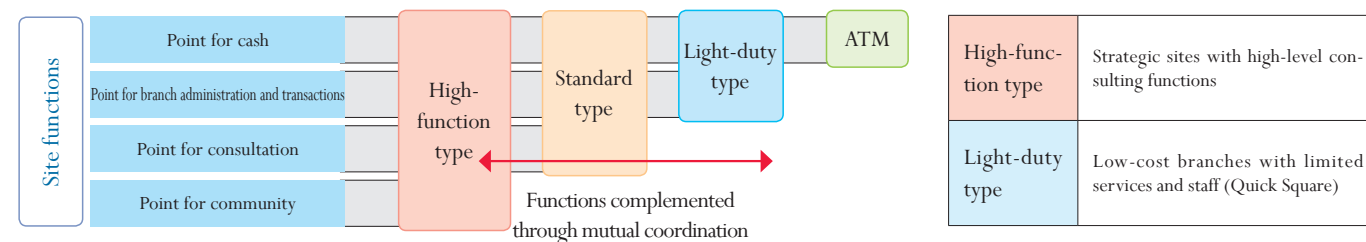
■ Creation of rewarding workplaces and providing diverse career paths

- Improvement of working environments and enhanced career development

**Key strategy 3** Structural reforms leading to the future

■ Channel reform to support sales strategies

- Reorganization of the branch network



- Expansion of non-face-to-face channels



■ Human resources creation through operational process reforms

- Reduction of branch administrative work
- Reinforcement of sales force by relocating human resources to sales departments

■ Reinforcement of earning power at branches and the Head Office

- Promotion of financial consulting utilizing IT
- Loan Examination with the use of AI screening
- Enhancement of market investment

■ Execution of thorough low-cost management

- Reduction of non-personnel expenses through cost management
- Staff optimization through personnel control

Hyakujushi Group's Sustainability

The Hyakujushi Bank's SDGs Declaration

The Hyakujushi Bank strives to create a sustainable society by linking the SDGs advocated by the UN to its corporate actions with the aim of realizing its Corporate Vision to "prosper together with customers and communities."

Major themes

The Bank's initiatives



Creation of local value

We will create local value by unearthing and promoting local attractions.

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



Developing the local economy

We will create a virtuous cycle of mutual growth by going beyond the realm of finance to provide full support to our customers and the communities.

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



Supporting the happiness of local residents

We will support people's happy lives by assisting their asset formation and revitalizing the region through social contribution.

- Support for asset formation
- Smartphone apps
- Internet banking
- Promotion of culture, art, and sports
- Environmental conservation
- Environmental business
- Financial education
- Social contribution



Creating opportunities for everyone

We will embrace diverse ways of thinking and provide opportunities for our officers, employees, and local residents to take an active role in communities and workplaces.

- Human resources development
- Promotion of women's participation and advancement in the workplace
- Workstyle innovation
- Corporate governance
- Compliance structure
- Risk management structure

Social issues
to be solved

Creating local value

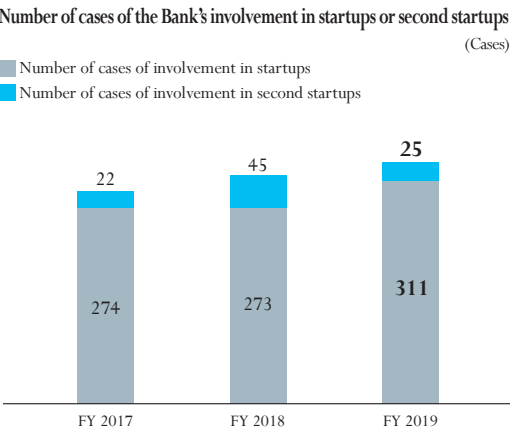
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DECENT WORK AND ECONOMIC GROWTH

Initiatives for regional revitalization

Support for startups

To solve various issues faced by customers at the time of startups and second startups, we assist clients with creating management plans and developing sales channels. We also hold startup support seminars in collaboration with each municipality and chamber of commerce.



Establishment of a regional trading company SHIKOKU BRAND inc.

In April 2020, we founded SHIKOKU BRAND inc., a regional trading company jointly invested by the four Shikoku Alliance banks. This is Japan's first regional trading company established by multiple financial institutions. The trading company will engage in integrated operations from product development utilizing on regional resources to branding and development of sales channels.



Case Study of Branding Business at the Hyakujushi Bank

The Bank assisted a client in the food manufacturing industry hoping to raise its name recognition with the development of new products and marketing activities using "Social Networking Service". The product we helped develop was awarded a prize at the prefectural product contest, and led to improvement of the company's name recognition.

Support for tourism promotion

Female staff members from the Bank and the Kagawa Prefecture government formed the "Setouchi Monitor Girls" and held "monitoring workshops" featuring the industry and tourism resources of Kagawa Prefecture. The Setouchi Monitor Girls shed light on local attractions from female perspectives and disseminate information on them.

Past activities of the Setouchi Monitor Girls	
	Main initiatives (FY 2019)
Teshima	Publication of the Teshima Sightseeing Leaflet in multiple languages (four languages including Japanese) (April 2019)
Tadotsu Town Sanuki City	JR Shikoku commercialized sightseeing plans developed through workshops as travel packages (Tadotsu Town: June 2019, Sanuki City: February 2020)

Developing the local economy

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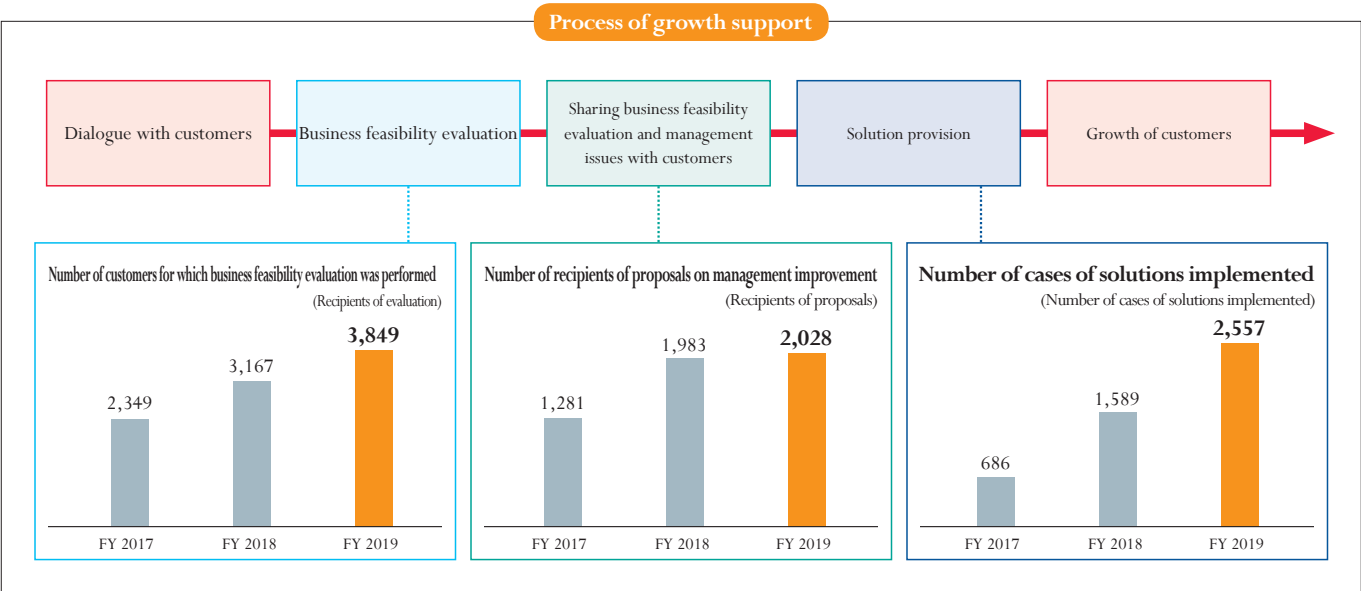
INDUSTRY, INNOVATION AND INFRASTRUCTURE

Initiatives for corporate customers

Growth support through business feasibility evaluation

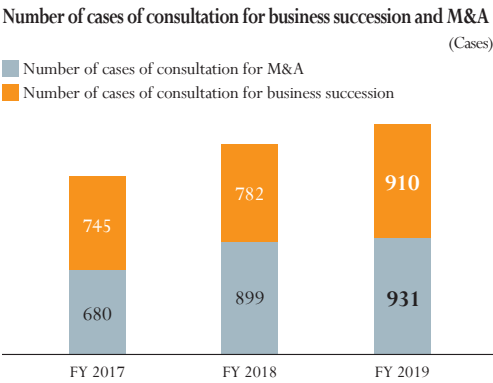
The Bank provides support for corporate customers' growth by offering solutions for their management challenges and needs, based on evaluations of their business feasibility*.

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



Support for business succession and M&A

To address customers' successor issues, the Bank leverages its extensive network to support the succession of treasury shares and offer support and consulting for business succession such as M&A. We also help business succession through the Shikoku Alliance Regional Revitalization Fund, which is run by Shikoku Alliance Capital Co., Ltd. jointly founded by the four Shikoku Alliance banks.



Response to COVID-19

We extend financial support to our customers who have been affected by the spread of COVID-19. We have set up consultation desks at all of our branches to respond swiftly and flexibly to various requests from customers, such as new financing needs and amendment of repayment conditions.

The Bank launched "114 emergency special loans (in response to COVID-19)" in February 2020 and "deferment-type small ABL loans" in March 2020 to support business funds of business operators.



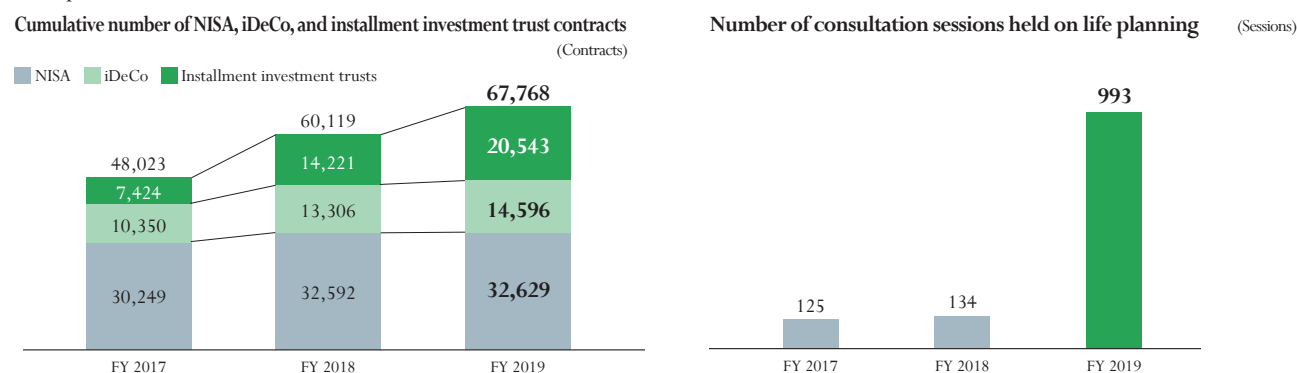
Supporting the happiness of local residents

Initiatives for retail customers

Support for customers' asset formation

We support customers' asset formation by offering customer-centric proposals focusing on long-term, diversified and asset accumulation.

The Bank also holds seminars and consultation sessions for employees of our corporate customers to offer opportunities for them to think about their own life plans.



Environmental conservation initiatives



Hyakujushi Bank's Environmental Policy

Protecting the abundant nature of local areas is the mission of the Hyakujushi Bank as a member of the local community, and is also an important management issue to improve its own corporate value.

The Bank will contribute to the creation of a sustainable society by reducing the environmental impact of its corporate activities and supporting customers who engage in environmental conservation.

- Compliance with laws and regulations**
We will comply with various environmental agreements and standards that the Bank endorses, in addition to laws and regulations for environmental conservation.
- Reduction of environmental impact**
We strive to reduce our environmental impact by implementing resource and energy conservation.
- Promotion of environmental conservation activities**
We will deepen our understanding of environmental issues, and each officer and employee will promote environmental conservation activities both inside and outside the Bank.
- Support for initiatives of our customers**
We will support our customers' environmental initiatives through providing eco-friendly products and services.
- Information disclosure and dialogue**
We strive to improve the Bank's initiatives for environmental conservation through proactive information disclosure and dialogue with our stakeholders.

Support for initiatives of our customers

- **Offering eco-friendly products**
We offer a variety of products, including those with preferential interest rates, to support customers who seek to be eco-friendly.
 - Eco-friendly private placement bonds (Nickname: 114 Olive Bond)
 - Hyakujushi SDGs and environment support loans (Nickname: 114 SDGs Loan)
 - Hyakujushi renewable energy project support loans (abbreviation: 114 Energy Support)
 - **Investment in sustainability bonds***
In August 2019, we invested in a sustainability bond issued by Japan Railway Construction, Transport and Technology Agency.
- * Sustainability bonds are bonds that are issued only for projects that contribute to environmental and social sustainability.

Cumulative underwriting amount of environmentally friendly private placement bonds (cumulative since FY 2007)

80 cases ￥11.9 billion

Electricity consumption (FY 2019)
Head Office and Sanjo Operations Center

down 47.51%
* Compared to FY 2010



Creating opportunities for everyone

Human rights initiatives



Hyakujushi Bank's Human Rights Policy

Respecting human rights is essential to realizing a safe, secure, and prosperous society, and fulfilling the social responsibility is an important management issue for the Hyakujushi Bank as a member of the local community.

We will respect human rights in all aspects of our corporate activities, including recruitment activities, and contribute to the creation of a sustainable society as a company trusted by society.

- Respect for international norms**
We will respect international norms regarding human rights, including the Universal Declaration of Human Rights.
- Elimination of discrimination**
We will not discriminate or infringe human rights based on race, nationality, belief, religion, disability, origin, gender, sexual orientation, gender identity, etc. in all of our corporate activities.
- Creation of comfortable working environments**
We will respect each person's human rights and create comfortable working environments free of harassment.
- Implementation Human rights education**
We will provide education on human rights issues on a continuous basis in order to deepen our correct understanding and awareness of human rights.
- Information disclosure and dialogue**
We strive to improve the Bank's initiatives for human rights through proactive information disclosure and dialogue with our stakeholders.

Promotion of diversity

- **Promotion of women's participation and advancement in the workplace**
We are actively promoting female employees to managerial positions. The ratio of female managers at the Bank was 24.0% at the end of March 2020, which exceeded the national average ratio of 14.9%*.
- Furthermore, Seeds Hanamomo, a group set up for promoting the active participation of women, leads the Bank's efforts to create working environments where female employees can work comfortably and play active roles.

* Source: The White Paper on Gender Equality 2019, the Cabinet Office

Improvement of working environments

The Bank announced "Health and Productivity Management Declaration" in order to drive initiatives for maintaining and improving the health of employees and their families.

In February 2020, we were recognized for two years in a row 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.

Ratio of female managers (as of the end of March 2020)



24.0%

2020
健康経営優良法人
Health and productivity
ホワイト500

Establishment of in-house nursery school

We have an in-house nursery school Hyakujushi Momokko Land as part of our efforts to create a stress-free working environment for employees raising children.



Rate of childcare leave taken

(FY 2019)

100%

Corporate Governance



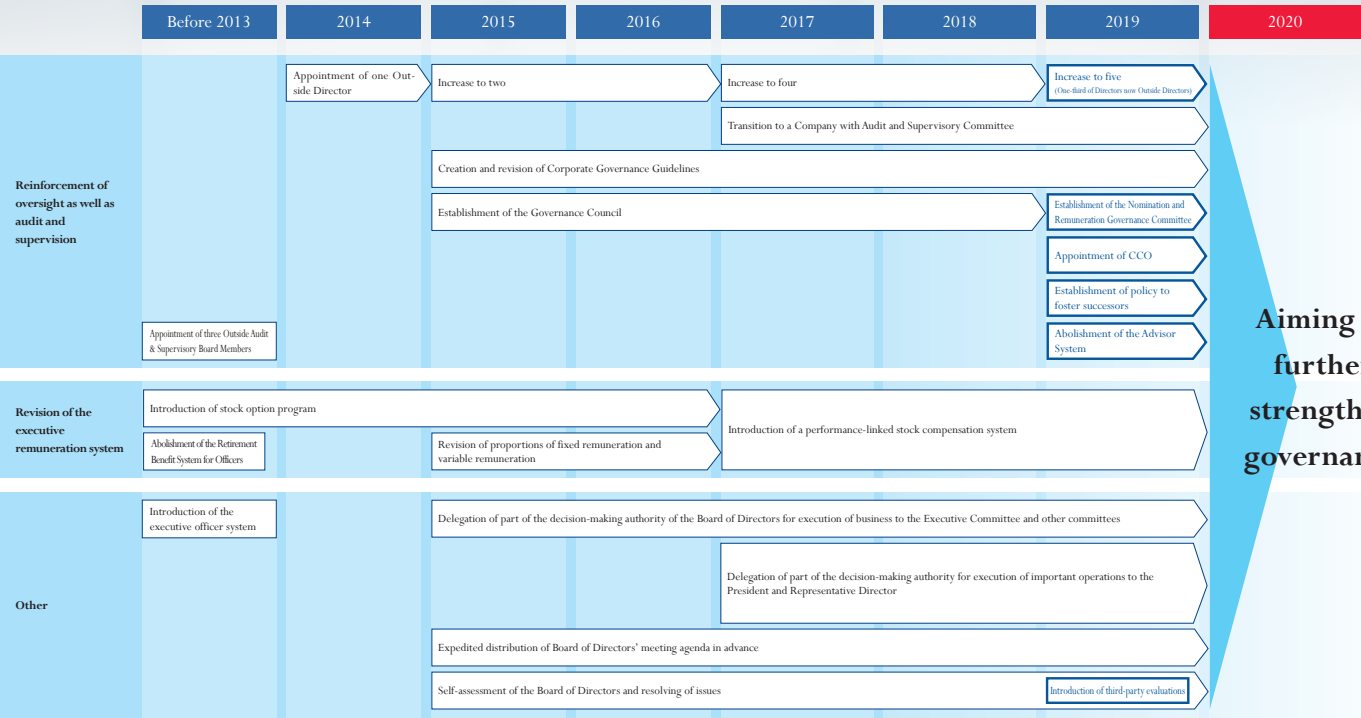
We are striving to improve our governance and compliance structures based on the recognition that such efforts are indispensable for the Bank’s sustainable growth and medium- to long-term enhancement of corporate value.

Initiatives to strengthen governance and compliance systems

The Bank established the “Nomination and Remuneration Governance Committee,” which is an advisory body to the Board of Directors comprised of a majority of Outside Directors, in order to strengthen the governance structure. 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, 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 systems. In addition to conducting investigations on compliance 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.

Results of initiatives to strengthen governance



Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2020)

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

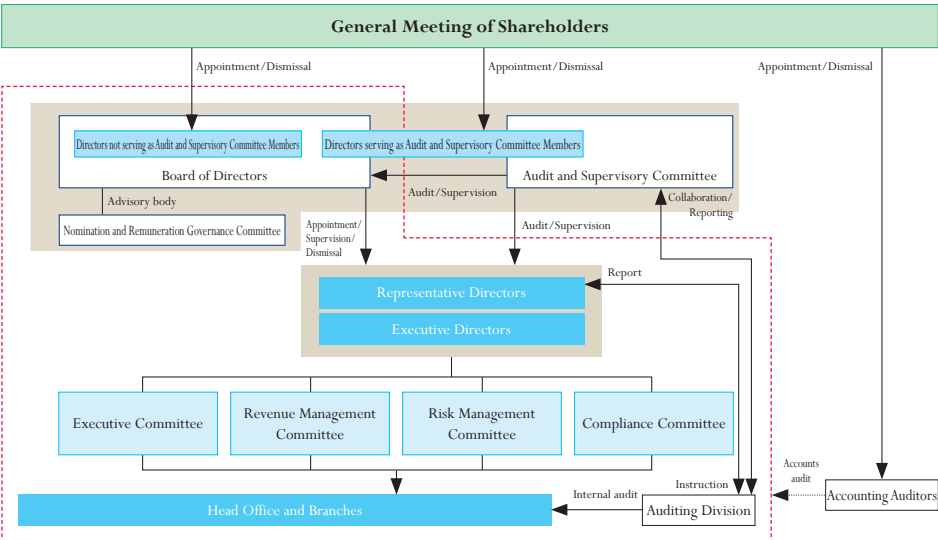
Hiroyuki Kurokawa
Director and Managing Executive Officer

Kazuhisa Anada
Director and Managing Executive Officer

Corporate Governance Framework (as of July 1, 2020)

System

Institutional Design
Company with Audit and Supervisory Committee
Number of Directors
15 (including 7 Audit and Supervisory Committee Members)
Number of (Independent) Outside Directors
5
Term of Office of Directors
1 year (2 years for Audit and Supervisory Committee Members)
Adoption of an Executive Officer System
Yes
Accounting Auditors
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 meets 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 which consists of Managing Executive Officers and above, 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 expedite management decision-making and strengthen business execution functions, the Bank has introduced an Executive Officer System, and 22 executive officers (of whom seven serve concurrently as Directors) appointed by the Board of Directors, are responsible for business execution, with the aim of achieving agile 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 Outside department, also fulfills an internal audit role and conducts inspections of assets and risks as needed, as well as 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.

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)

Interview with an Outside Director



Q1 Please tell us how you evaluate the Bank’s corporate governance system.

I view that the corporate governance structure has advanced in the five years since I became an Outside Director. The concurrent holding of the position as an Audit and Supervisory Committee Member as a result of the transition to a Company with Audit and Supervisory Committee three years ago has given me more opportunities to understand the actual situation within the Bank, and I believe that the supervisory function of the Board of Directors and the business execution function have been strengthened. The “Governance Structure Reconstruction Project” was set up two years ago, and progress has been made in a wide variety of areas, from governance to compliance and corporate culture. In addition, the ratio of Outside Directors reached one-third of all Directors last year, and the Board of Directors welcomed another female Outside Director, raising its objectivity and diversity. I will continue to fulfill my duties as an Outside Director to further enhance the governance system, with a view that there is no panacea system.

Q2 How were you involved as an Outside Director in formulating the new medium-term management plan? Please also tell us how you evaluate the process.

Outside Directors with different backgrounds and expertise exchanged frank questions and opinions from their respective positions about the policies, outlines, and drafts of the executive divisions. At the same time, we had many discussions based on the common wish of “creating a sustainable future for the Bank.” I view that the new medium-term business plan formulated in this way precisely meets this intention. The new medium-term management plan is based on the Sustainable Development Goals (SDGs), and contains key strategies, such as the transformation to a general consulting group that goes beyond the realm of finance. In recent years, the phrases “together with customers and

communities” and “reinforcement of consulting” are often used in the management plans of regional financial institutions, but those same phrases used by the Bank are more meaningful and truly represent the transformation of a business model, indicating a paradigm shift. In terms of “reinforcement of consulting” under the new medium-term management plan, instead of just presenting knowledge and tools, I would like everyone to think and contemplate together with customers using the enhanced business feasibility evaluation and solve their issues with unique ideas. I think that this is even more important in the harsh economic environment caused by COVID-19. With great expectation for the Bank’s efforts to “TRY” co-creating a “FUTURE” full of smiles with its customers and communities, I will continue to be fully involved in the progress of the efforts as an Outside Director with a neutral and objective perspective.

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

Perhaps the most important thing for the Bank to increase its corporate value is to come face to face with local communities. The Bank’s corporate value will be raised by working determinedly towards value co-creation with local communities, as stated in the new medium-term management plan, and contribution to the SDGs, on which the management plan is based, while establishing a competitive advantage unique to the Bank by earning the trust and empathy of local communities. To achieve this, I would like each employee to work on self-improvement with a passion for communities and to take on the challenge of creating shared value as a professional. Moreover, I strongly recognize the necessity of possessing a high sense of values and ethics that earn the trust and empathy of customers and communities, as well as the importance of governance structures. In that sense, I believe that none other than strengthening and enhancing the governance system and effectively executing the new medium-term management plan are paramount to increasing the Bank’s corporate value.

Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2020	2019	2018	2017	2016	2020
FOR THE YEAR:						
Total income	¥76,895	¥77,292	¥80,890	¥90,552	¥81,416	\$706,560
Total expenses	65,928	68,477	65,775	71,655	61,927	605,788
Profit before income taxes	10,966	8,814	15,114	18,897	19,489	100,762
Income taxes-current	3,518	3,565	3,720	5,145	3,878	32,325
Income taxes-deferred	(266)	(450)	807	3,050	2,879	(2,444)
Profit attributable to non-controlling interests	—	115	359	1,054	1,099	—
Profit attributable to owners of parent	7,715	5,584	10,227	9,645	11,632	70,890
AT YEAR-END:						
Loans and bills discounted	2,847,316	2,825,869	2,833,526	2,776,554	2,747,341	26,162,969
Securities and trading account securities	1,259,734	1,046,956	1,031,025	1,444,834	1,415,126	11,575,245
Foreign exchange assets	9,793	5,750	6,997	3,684	8,649	89,984
Other assets	837,097	1,017,044	905,507	701,461	548,540	7,691,785
Total assets	4,953,946	4,895,624	4,777,061	4,926,538	4,719,661	45,520,040
Deposits and negotiable certificates of deposit	4,155,267	4,044,109	4,053,820	4,160,361	4,113,555	38,181,264
Foreign exchange liabilities	296	352	241	145	206	2,719
Other liabilities	548,544	564,580	419,385	472,896	323,862	5,040,374
Total liabilities	4,704,115	4,609,048	4,473,454	4,633,409	4,437,631	43,224,432
Common stock	37,322	37,322	37,322	37,322	37,322	342,938
Capital surplus	30,486	30,486	30,486	26,332	24,920	280,124
Retained earnings	173,374	167,615	164,359	160,985	153,335	1,593,071
Treasury stock	(1,999)	(2,041)	(2,096)	(6,220)	(6,179)	(18,368)
Total stockholders’ equity	239,184	233,382	230,072	218,420	209,398	2,197,776
Net unrealized gains on other securities, net of taxes	15,048	47,822	49,722	49,012	54,256	138,270
Net deferred losses on hedging instruments, net of taxes	(7,447)	(1,121)	(39)	(1,231)	(7,806)	(68,427)
Revaluation reserve for land	7,976	8,540	8,741	8,557	8,961	73,288
Remeasurements of defined benefit plans	(4,971)	(2,109)	4,984	2,139	(1,171)	(45,676)
Total accumulated other comprehensive income	10,605	53,131	63,408	58,478	54,239	97,445
Share subscription rights	41	61	124	142	201	376
Non-controlling interests	—	—	10,000	16,087	18,190	—
Total net assets	249,831	286,576	303,606	293,129	282,030	2,295,607
Total liabilities and net assets	¥4,953,946	¥4,895,624	¥4,777,061	¥4,926,538	¥4,719,661	\$45,520,040

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 ¥108.83 to US\$1.00 on March 31, 2020.

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.

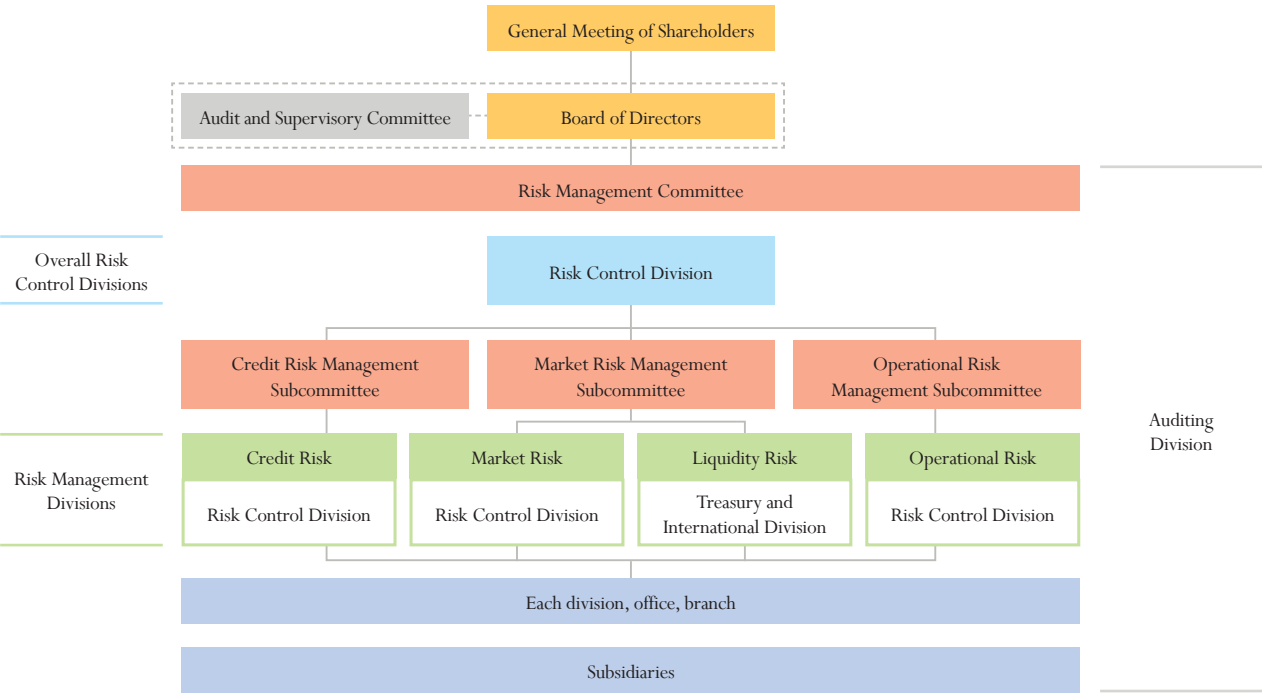
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

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 System

In order to enhance and strengthen risk management, it is necessary to verify whether the risk management system is functioning effectively. The Audit Department periodically audits the operations of the Bank’s head office, subsidiaries and branches to verify the adequacy of the risk management system.

In this way, the Bank is committed to the development of a risk management system that will enable us to manage a variety of risks appropriately and to identify and address issues at an early stage in order to gain the trust of our customers.

Compliance System

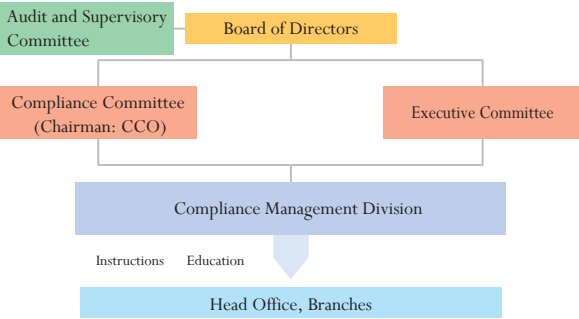
Basic Policy

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

At the Bank, under the oversight of CCO (Chief Compliance Officer), who has the highest responsibility for compliance, the Compliance Management Division centrally manages all compliance-related issues. We also appoint a manager or a person in charge at each department, office, and branch to put into practice and instill compliance, while aiming to spread compliance culture by checking the compliance status with a checklist and conducting study sessions. Furthermore, the Compliance Committee, chaired by the CCO, holds cross-organizational discussions to improve and upgrade the system.

Compliance System



Anti-Money Laundering Policy

In response to stern demands from the international community, the Bank regards the prevention of money laundering as one of the important issues in its management strategy and

other relevant policies, and strives to enhance its anti-money laundering system. Furthermore, we have in place an anti-money laundering policy and disclose it on our website.

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 regards the prevention of money laundering as one of the important issues in its management strategy and other relevant policies, and will build an internal control system as described below to conduct the Bank’s business on that basis.

Operation policy

- The Bank will comply with anti-money laundering laws and regulations.

Organizational structure

- The Bank will build a centralized management system by designating a person and a department responsible for anti-money laundering measures. In addition, we will advance our measures across the organization through the active involvement of management.

Risk-based approach

- The Bank will identify and assess its own risks pertaining to money laundering, and take measures commensurate with the risks in order to effectively reduce them.

Customer management policy

- To protect our customers from money laundering, the Bank will determine and implement risk reduction measures to be taken and appropriately manage customers, by creating a customer acceptance policy, as well as investigating and analyzing customer information and transaction details.

Notification of suspicious transactions

- The Bank will build a system utilizing IT systems and other tools to accurately detect, monitor, and analyze suspicious customers and transactions, while notifying authorities without delay in case of suspected money laundering.

Management of correspondent banks

- The Bank will collect information on correspondent banks, evaluate it properly, and take appropriate measures according to risks. In addition, we will cut off relationships with fictitious banks that have no actual status.

Training for officers and employees

- The Bank will provide appropriate and continuous training to all officers and employees to deepen their professional understanding of anti-money laundering as a whole organization.

Internal audit

- The Bank’s internal audit department with an independent standpoint, conducts regular audits on the status of the Bank’s anti-money laundering and other preventive measures, and will improve the Bank’s system based on the audits results.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	(Note 1)
Assets:			
Cash and due from banks	¥ 652,010	¥ 829,933	\$ 5,991,087
Monetary claims bought	29,264	38,993	268,896
Trading account securities	5	153	45
Money held in trust (Note 7)	—	4,748	—
Securities (Notes 6, 10 and 11)	1,259,729	1,046,803	11,575,199
Loans and bills discounted (Notes 9 and 12)	2,847,316	2,825,869	26,162,969
Foreign exchange assets (Note 9)	9,793	5,750	89,984
Lease receivables and investments in leases	24,486	20,897	224,993
Other assets (Note 11)	75,175	64,861	690,756
Tangible fixed assets (Notes 14 and 15)	37,319	38,645	342,910
Intangible fixed assets	5,897	6,665	54,185
Net defined benefit asset	3,351	4,526	30,791
Deferred tax assets	5,995	883	55,085
Customers’ liabilities for acceptances and guarantees	20,996	23,684	192,924
Reserve for possible loan losses	(17,396)	(16,791)	(159,845)
Total assets	¥4,953,946	¥4,895,624	\$45,520,040

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	(Note 1)
Liabilities and net assets			
Liabilities:			
Deposits (Note 11)	¥4,065,082	¥3,953,878	\$37,352,586
Negotiable certificates of deposit	90,185	90,231	828,677
Call money and bills sold (Note 11)	34,782	43,374	319,599
Payables under securities lending transactions (Note 11)	112,699	142,634	1,035,550
Borrowed money (Notes 11 and 30)	305,608	269,620	2,808,122
Foreign exchange liabilities	296	352	2,719
Other liabilities	66,883	65,293	614,563
Reserve for bonuses for directors and corporate auditors	29	25	266
Net defined benefit liability	1,836	824	16,870
Reserve for retirement benefits for directors and corporate auditors	37	48	339
Reserve for claims on dormant accounts	364	445	3,344
Reserve for contingent liabilities	127	90	1,166
Reserve for stock-based compensation plan	80	63	735
Deferred tax liabilities	—	13,120	—
Deferred tax liability for land revaluation (Note 15)	5,103	5,360	46,889
Acceptance and guarantees	20,996	23,684	192,924
Total liabilities	4,704,115	4,609,048	43,224,432

Net assets :

Stockholders’ equity:			
Common stock	37,322	37,322	342,938
Capital surplus	30,486	30,486	280,124
Retained earnings	173,374	167,615	1,593,071
Treasury stock	(1,999)	(2,041)	(18,368)
Total stockholders’ equity	239,184	233,382	2,197,776
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities, net of taxes	15,048	47,822	138,270
Net deferred losses on hedging instruments, net of taxes	(7,447)	(1,121)	(68,427)
Revaluation reserve for land (Note 15)	7,976	8,540	73,288
Remeasurements of defined benefit plans	(4,971)	(2,109)	(45,676)
Total accumulated other comprehensive income	10,605	53,131	97,445
Share subscription rights	41	61	376
Total net assets	249,831	286,576	2,295,607
Total liabilities and net assets	¥4,953,946	¥4,895,624	\$45,520,040

As of March 31	Yen		U.S. dollars
	2020	2019	(Note 1)
Per share			
Net assets	¥8,461.18	¥9,708.42	\$77.746

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income:			
Interest on loans and bills discounted	¥29,210	¥31,153	\$268,400
Interest and dividends on securities	12,772	12,757	117,357
Other interest income	604	553	5,549
Fees and commissions	11,374	11,505	104,511
Other operating income	8,965	5,832	82,376
Other income (Note 18)	13,966	15,485	128,328
Total income	76,895	77,292	706,560
Expenses:			
Interest on deposits and negotiable certificates of deposit	2,173	2,521	19,966
Interest on call money and bills sold	407	780	3,739
Interest on borrowed money	458	94	4,208
Other interest expenses	2,142	3,928	19,682
Fees and commissions	3,380	3,328	31,057
Other operating expenses	4,476	5,674	41,128
General and administrative expenses (Note 19)	36,972	37,625	339,722
Other expenses (Note 6 and 20)	15,916	14,521	146,246
Total expenses	65,928	68,477	605,788
Profit before income taxes	10,966	8,814	100,762
Income taxes :			
Current	3,518	3,565	32,325
Deferred	(266)	(450)	(2,444)
Subtotal	3,251	3,114	29,872
Profit	7,715	5,700	70,890
Profit attributable to non-controlling interests	—	115	—
Profit attributable to owners of parent	¥ 7,715	¥ 5,584	\$ 70,890

For the years ended March 31	Yen		U.S. dollars (Note 1)
	2020	2019	2020
Per share			
Basic earnings	¥261.35	¥189.25	\$2.401

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 7,715	¥ 5,700	\$ 70,890
Other comprehensive loss (Note 21)	(41,961)	(10,076)	(385,564)
Net unrealized losses on available-for-sale securities, net of taxes	(32,774)	(1,899)	(301,148)
Net deferred losses on hedging instruments, net of taxes	(6,325)	(1,082)	(58,118)
Remeasurements of defined benefit plans	(2,861)	(7,094)	(26,288)
Total comprehensive loss	¥(34,246)	¥ (4,376)	\$(314,674)
Total comprehensive loss attributable to:			
Owners of parent	¥(34,246)	¥ (4,492)	\$(314,674)
Non-controlling interests	—	115	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31	Millions of yen				
	Stockholders' equity				Total stockholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
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
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
Changes in items during the period					
Dividends from surplus	—	—	(2,513)	—	(2,513)
Profit attributable to owners of parent	—	—	7,715	—	7,715
Purchase of treasury stock	—	—	—	(3)	(3)
Disposal of treasury stock	—	—	(6)	45	38
Transfer from revaluation reserve for land	—	—	564	—	564
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	5,758	42	5,801
Balance as of March 31, 2020	¥37,322	¥30,486	¥173,374	¥(1,999)	¥239,184

For the years ended March 31	Millions of yen							
	Net unrealized gains on available-for-sale securities, net of taxes	Accumulated other comprehensive income	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
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
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
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,513)
Profit attributable to owners of parent	—	—	—	—	—	—	—	7,715
Purchase of treasury stock	—	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	—	—	38
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	564
Net changes in items other than stockholders' equity	(32,774)	(6,325)	(564)	(2,861)	(42,526)	(20)	—	(42,546)
Total changes in items during the period	(32,774)	(6,325)	(564)	(2,861)	(42,526)	(20)	—	(36,744)
Balance as of March 31, 2020	¥15,048	¥(7,447)	¥7,976	¥(4,971)	¥10,605	¥ 41	¥ —	¥249,831

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 stockholders' equity
For the years ended March 31					
Balance as of March 31, 2019	\$342,938	\$280,124	\$1,540,154	\$(18,754)	\$2,144,463
Changes in items during the period					
Dividends from surplus	—	—	(23,091)	—	(23,091)
Profit attributable to owners of parent	—	—	70,890	—	70,890
Purchase of treasury stock	—	—	—	(27)	(27)
Disposal of treasury stock	—	—	(55)	413	349
Transfer from revaluation reserve for land	—	—	5,182	—	5,182
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	52,908	385	53,303
Balance as of March 31, 2020	\$342,938	\$280,124	\$1,593,071	\$(18,368)	\$2,197,776

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale 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, 2019	\$439,419	\$(10,300)	\$78,471	\$(19,378)	\$488,201	\$560	\$ —	\$2,633,244
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(23,091)
Profit attributable to owners of parent	—	—	—	—	—	—	—	70,890
Purchase of treasury stock	—	—	—	—	—	—	—	(27)
Disposal of treasury stock	—	—	—	—	—	—	—	349
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	5,182
Net changes in items other than stockholders' equity	(301,148)	(58,118)	(5,182)	(26,288)	(390,756)	(183)	—	(390,939)
Total changes in items during the period	(301,148)	(58,118)	(5,182)	(26,288)	(390,756)	(183)	—	(337,627)
Balance as of March 31, 2020	\$138,270	\$(68,427)	\$73,288	\$(45,676)	\$ 97,445	\$376	\$ —	\$2,295,607

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
For the years ended March 31			
Cash flows from operating activities			
Profit before income taxes	¥ 10,966	¥ 8,814	\$ 100,762
Depreciation	3,380	3,274	31,057
Impairment losses	1,090	1,450	10,015
Net change in reserve for possible loan losses	604	609	5,549
Net change in reserve for bonuses for directors and corporate auditors	3	(13)	27
Net change in net defined benefit asset	(1,929)	(1,989)	(17,724)
Net change in net defined benefit liability	4	7	36
Net change in reserve for retirement benefits for directors and corporate auditors	(10)	8	(91)
Net change in reserve for claims on dormant accounts	(80)	49	(735)
Net change in reserve for contingent liabilities	37	(7)	339
Net change in reserve for stock-based compensation plan	17	22	156
Interest income	(42,587)	(44,466)	(391,316)
Interest expenses	5,183	7,325	47,624
Net gain related to securities transactions	(3,615)	(3,033)	(33,216)
Net loss (gain) on money held in trust	(119)	46	(1,093)
Net loss (gain) related to foreign exchange	1,436	(6,117)	13,194
Net loss on disposal of fixed assets	19	79	174
Net change in trading account securities	148	(97)	1,359
Net change in loans and bills discounted	(21,447)	7,656	(197,068)
Net change in deposits	111,203	(3,673)	1,021,804
Net change in negotiable certificates of deposit	(45)	(6,037)	(413)
Net change in borrowed money excluding subordinated borrowings	35,988	23,004	330,680
Net change in due from banks other than Bank of Japan	240	9,497	2,205
Net change in call loans and others	9,729	(6,149)	89,396
Net change in call money and others	(8,592)	31,705	(78,948)
Net change in payables under securities lending transactions	(29,934)	90,630	(275,052)
Net change in foreign exchange assets	(4,043)	1,247	(37,149)
Net change in foreign exchange liabilities	(56)	110	(514)
Net change in lease receivables and investments in leases	(3,589)	(2,065)	(32,978)
Proceeds from fund operations	43,826	44,341	402,701
Payments on fund procurement	(4,952)	(7,312)	(45,502)
Other	(24,237)	6,721	(222,705)
Subtotal	78,639	155,640	722,585
Payment of income taxes	(4,059)	(2,620)	(37,296)
Net cash provided by operating activities	74,580	153,020	685,288
Cash flows from investing activities			
Purchase of securities	(1,175,010)	(941,512)	(10,796,747)
Proceeds from sales of securities	673,893	640,530	6,192,162
Proceeds from redemption of securities	248,795	296,789	2,286,088
Decrease in money held in trust	4,867	—	44,721
Purchases of tangible fixed assets	(1,433)	(1,341)	(13,167)
Purchases of intangible fixed assets	(1,116)	(2,208)	(10,254)
Proceeds from sales of tangible fixed assets	253	250	2,324
Proceeds from sales of intangible fixed assets	0	—	0
Net cash used in investing activities	(249,748)	(7,491)	(2,294,845)
Cash flows from financing activities			
Purchase of treasury stock	(3)	(8)	(27)
Proceeds from sales of treasury stock	5	2	45
Dividends paid	(2,513)	(2,512)	(23,091)
Dividends paid to non-controlling interests	—	(115)	—
Repayments to non-controlling interests	—	(10,000)	—
Net cash used in financing activities	(2,511)	(12,635)	(23,072)
Effect of exchange rate changes on cash and cash equivalents	(1)	1	(9)
Net change in cash and cash equivalents	(177,681)	132,895	(1,632,647)
Cash and cash equivalents at beginning of year	800,081	667,185	7,351,658
Cash and cash equivalents at end of year (Note 3)	¥ 622,399	¥800,081	\$ 5,719,002

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, 2020, which was ¥108.83 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 all 9 subsidiaries.

There are no affiliates accounted for by the equity method as of March 31, 2020.

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

Held-to-maturity debt securities are stated at amortized cost using the moving-average cost method. Investments in affiliates 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 principally at the amounts of expected losses over the next 1 year or 3 years, which are determined by making necessary adjustments considering forecasts of loss rates calculated based on the average historical default rates corresponding to a certain period consistent with those for 1 year or 3 years.

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 ¥13,419 million (\$123,302 thousand) and ¥13,964 million for the fiscal years ended March 31, 2020 and 2019, 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, 2020. 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	2020	2019	2020
Cash and due from banks.....	¥652,010	¥829,933	\$5,991,087
Time deposits with banks other than Bank of Japan.....	(27,542)	(29,542)	(253,073)
Deposits with banks other than Bank of Japan.....	(413)	(228)	(3,794)
Other	(1,655)	(80)	(15,207)
Cash and cash equivalents	¥622,399	¥800,081	\$5,719,002

(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.

(18) Accounting Standards Issued but Not Effective

(a) *“Accounting Standard for Revenue Recognition”(the Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition”(ASBJ Guidance No. 30, March 31, 2020)*

(i) Overview

This is a comprehensive accounting standard for revenue recognition. Under the standard and guidance, revenue is recognized by applying following five steps:

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

(ii) Scheduled date of adoption

The Group expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(iii) Impact of adopting the accounting standard and implementation guidance

The Group is currently evaluating the impact of the adoption.

(b) *“Accounting Standard for Fair Value Measurement”(ASBJ Statement No. 30, July 4, 2019), “Implementation Guidance on Accounting Standard for Fair Value Measurement”(ASBJ Guidance No. 31, July 4, 2019), “Accounting Standard for Financial Instruments”(ASBJ Statement No. 10, July 4, 2019) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments”(ASBJ Guidance No. 19, March 31, 2020)*

(i) Overview

In order to enhance comparability with rules prescribed in international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (collectively, the “Accounting Standard for Fair Value Measurement, etc.”) have been developed. Thereby, guidance, etc. on the measurement methods for fair value have been prescribed. The Accounting Standard for Fair Value Measurement, etc. will be applied to fair value of financial instruments in “Accounting Standard for Financial Instruments.”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and related notes such as the breakdown of fair value of financial instruments by level have been prescribed.

(ii) Scheduled date of adoption

The Group expects to adopt the accounting standards and implementation guidances from the beginning of the fiscal year ending March 31, 2022.

(iii) Impact of adopting the accounting standards and implementation guidances

The Group is currently evaluating the impact of the adoption.

(c) *“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections”(ASBJ Statement No. 24, March 31, 2020)*

(i) Overview

This standard has been prescribed for the purpose of explaining an outline of accounting principles and treatments applied when relevant accounting standards are unspecified.

(ii) Scheduled date of adoption

The Group expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

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

(i) Overview

This standard has been prescribed for the purpose of disclosing information valuable for users of the financial statements regarding details of accounting estimates, which have been used for the financial statements for the current fiscal year, with the risk of significantly affecting the financial statements for the following year.

(ii) Scheduled date of adoption

The Group expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

4. Additional information

(a) 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”).

(i) 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.

(ii) 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).

(iii)Matters relating to the Bank’s shares held by the trust

- (1) The book values of the shares held by the trust were ¥203 million (\$1,865 thousand) and ¥221 million as of March 31, 2020 and 2019, 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 54 thousand and 59 thousand for the fiscal years ended March 31, 2020 and 2019, respectively. The average numbers of shares during the year were 56 thousand and 60 thousand for the fiscal years ended March 31, 2020 and 2019, 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) The Bank implemented a reverse stock split as of October 1, 2018. The average numbers of shares during the year in 3) above are calculated based on the assumption that the reverse stock split was implemented at the beginning of the fiscal year ended March 31, 2019.

(b) Impact on reserve for possible loan losses due to the spread of novel coronavirus disease (COVID-19)

The Group assumes that it will take approximately 1 year for COVID-19 to be contained and the economy will recover gradually after that.

Based on this assumption, the Group reviewed the classification of obligors and calculated reserve for possible loan losses taking into account the impact of COVID-19 on specified obligors (insolvent obligors) on an individual basis. As a result, reserve for possible loan losses as of March 31, 2020 amounted to ¥17,396 million (\$159,845 thousand).

The Group calculated reserve for possible loan losses based on information available at the time of preparing the consolidated financial statements. In case where highly uncertain circumstances continue and obligors’ medium- to long-term financial position, etc. deteriorate beyond the Group’s assumption, reserve for possible loan losses in the consolidated financial statements for the year ending March 31, 2021 might be affected.

5. Changes in net assets

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

2020	Thousands of shares			
	March 31, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock	30,000	—	—	300,000
Total	30,000	—	—	300,000
Treasury stock				
Common stock (Notes 1, 2 and 3)	488	1	11	478
Total	488	1	11	478

- Notes: 1. The number of shares of common stock at the end of the fiscal years ended March 31, 2020 and 2019 includes 54 thousand and 59 thousand shares, respectively, of the Bank’s shares held by the BIP Trust.
2. The 1 thousand share increase in the number of common shares of treasury stock is due to a purchase demand for fractional shares from shareholders.
3. The 11 thousand share decrease in the number of common shares of treasury stock consists of decreases of 6 thousand shares due to the exercise of share subscription rights, 4 thousand shares due to the delivery of shares to the beneficiaries from the BIP Trust, and 0 thousand shares due to an additional purchase demand for fractional shares from shareholders.

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 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.

(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, 2020 and 2019 stood at ¥41 million (\$376 thousand) and ¥61 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

2020					
Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 27, 2019 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,330	¥45.0	March 31, 2019	June 28, 2019
November 11, 2019 (Meeting of the Board of Directors) (Notes 1 and 2)	Common stock	1,183	40.0	September 30, 2019	December 10, 2019

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

2020					
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 27, 2019 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	\$12,220	\$0.413	March 31, 2019	June 28, 2019
November 11, 2019 (Meeting of the Board of Directors) (Notes 1 and 2)	Common stock	10,870	0.367	September 30, 2019	December 10, 2019
Notes: 1. In accordance with the resolutions approved at the Bank's Regular Annual General Meetings of Shareholders held on June 27, 2019 and June 28, 2018, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥2 million (\$18 thousand) and ¥2 million, respectively. Moreover, in accordance with the resolutions approved at the Meetings of the Board of Directors held on November 11, 2019 and November 9, 2018, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥2 million (\$18 thousand) and ¥2 million, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock. 2. In accordance with the resolutions approved at the Bank's Regular Annual General Meeting of Shareholders held on June 27, 2019 and the Meeting of the Board of Directors held on November 9, 2018, dividend per share includes a commemorative dividend of ¥5.0 (\$0.045) and ¥0.5, respectively, to celebrate the Bank's 140th Anniversary. 3. Concerning dividend per share in accordance with the resolution approved at the Meeting of Board of Directors held on November 9, 2018, the reverse stock split as of October 1, 2018 is not taken into account since the record date is September 30, 2018.					

(b) Dividends paid after the balance-sheet date

2020						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 26, 2020 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	¥1,183	Retained earnings	¥40.0	March 31, 2020	June 29, 2020

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) (Notes 1 and 2)	Common stock	¥1,330	Retained earnings	¥45.0	March 31, 2019	June 28, 2019

2020						
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 26, 2020 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	\$10,870	Retained earnings	\$0.367	March 31, 2020	June 29, 2020
Notes: 1. The total dividend amount includes the ¥2 million (\$18 thousand) dividends for the 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, 2020 and 2019 totaled ¥25 million (\$229 thousand) and ¥25 million, respectively.

(2) Securities lending transactions

National government bonds as of March 31, 2020 and 2019 included bonds of ¥28,000 million (\$257,281 thousand) and nil, respectively, which were lent to third parties without collateral under lending contracts.

(3) Trading account securities

Valuation profit (losses) of nil and ¥(0) million were recognized for the fiscal years ended March 31, 2020 and 2019, respectively.

(4) Held-to-maturity debt securities

Not applicable.

(5) Available-for-sale securities

(a) Consolidated balance sheet amount and acquisition cost of available-for-sale securities and their difference as of March 31, 2020 and 2019 were as follows:

					Millions of yen		
					Consolidated balance sheet amount	Acquisition cost	Difference
2020							
Consolidated balance sheet amount exceeding acquisition cost							
Equity stock					¥ 79,613	¥ 37,303	¥ 42,310
Bonds:							
National					153,641	151,051	2,590
Local					122,871	121,556	1,314
Corporate.....					80,638	80,236	402
					357,151	352,843	4,308
Other					199,732	189,926	9,805
Subtotal					636,497	580,073	56,423
Consolidated balance sheet amount not exceeding acquisition cost							
Equity stock					21,835	33,108	(11,273)
Bonds:							
National					176,282	178,987	(2,704)
Local					150,137	150,923	(785)
Corporate.....					69,286	69,745	(459)
					395,707	399,656	(3,949)
Other					201,292	220,979	(19,686)
Subtotal					618,835	653,744	(34,909)
Total					¥1,255,333	¥1,233,818	¥ 21,514

				Millions of yen		
				Consolidated balance sheet amount	Acquisition cost	Difference
2019						
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:						
National				—	—	—
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

				Thousands of U.S. dollars		
				Consolidated balance sheet amount	Acquisition cost	Difference
2020						
Consolidated balance sheet amount exceeding acquisition cost						
Equity stock				\$ 731,535	\$ 342,763	\$388,771
Bonds:						
National				1,411,752	1,387,953	23,798
Local				1,129,017	1,116,934	12,073
Corporate.....				740,953	737,259	3,693
				3,281,732	3,242,148	39,584
Other				1,835,266	1,745,162	90,094
Subtotal				5,848,543	5,330,083	518,450
Consolidated balance sheet amount not exceeding acquisition cost						
Equity stock				200,634	304,217	(103,583)
Bonds:						
National				1,619,792	1,644,647	(24,846)
Local				1,379,555	1,386,777	(7,213)
Corporate.....				636,644	640,861	(4,217)
				3,636,010	3,672,296	(36,285)
Other				1,849,600	2,030,497	(180,887)
Subtotal				5,686,253	6,007,020	(320,766)
Total				\$11,534,806	\$11,337,112	\$197,684

(b) Gains and losses on sale of available-for-sale securities for the fiscal years ended March 31, 2020 and 2019 are as follows:

				Millions of yen		
				Proceeds from sale	Gains on sale	Losses on sale
2020						
Equity stock				¥ 5,733	¥ 3,786	¥ —
Bonds:						
National				342,250	1,033	1,512
Local				51,261	232	—
Corporate.....				36,236	81	—
				429,748	1,347	1,512
Other				237,078	4,907	2,934
Total				¥672,559	¥10,041	¥4,446

				Millions of yen		
				Proceeds from sale	Gains on sale	Losses on sale
2019						
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

				Thousands of U.S. dollars		
				Proceeds from sale	Gains on sale	Losses on sale
2020						
Equity stock				\$ 52,678	\$34,788	\$ —
Bonds:						
National				3,144,813	9,491	13,893
Local				471,019	2,131	—
Corporate.....				332,959	744	—
				3,948,800	12,377	13,893
Other				2,178,425	45,088	26,959
Total				\$6,179,904	\$92,263	\$40,852

(6) 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 ¥1,948 million (\$17,899 thousand) and ¥293 million were recorded in the fiscal years ended March 31, 2020 and 2019, 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, all securities are 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

No money held in trust for trading purposes was recorded as of March 31, 2020. The amount on the consolidated balance sheet as of March 31, 2019 was ¥4,748 million.

8. Net unrealized gains on available-for-sale securities

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

			Thousands of U.S. dollars	
			2020	2019
Valuation difference			¥21,514	¥ 68,499
Available-for-sale securities...			21,514	68,499
Money held in trust			—	—
Deferred tax liabilities			(6,466)	(20,677)
Net unrealized gains on available-for-sale securities (before equity equivalent)			15,048	47,822
Net unrealized gains attributable to non-controlling interests			—	—
Parent's ownership interest of affiliates' unrealized gains on available-for-sale securities			—	—
Net unrealized gains on available-for-sale securities			¥15,048	¥ 47,822

9. Loans and bills discounted

Loans and bills discounted as of March 31, 2020 and 2019 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans under bankruptcy.....	¥ 1,126	¥ 941	\$ 10,346
Non-accrual loans	27,574	27,224	253,367
Loans past due over 3 months	193	324	1,773
Restructured loans	26,783	23,874	246,099
Total	¥55,677	¥52,366	\$511,596

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
	2020	2019	2020
Bills discounted	¥16,580	¥21,173	\$152,347

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 ¥22,006 million (\$202,205 thousand) and ¥18,935 million as of March 31, 2020 and 2019, respectively.

11. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets pledged as collateral:			
Securities	¥462,322	¥433,613	\$4,248,111
Liabilities corresponding to assets pledged as collateral:			
Deposits	59,995	34,909	551,272
Payables under securities lending transactions	112,699	142,634	1,035,550
Borrowed money	7	244,367	64
Call money	5,767	—	52,990

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Securities.....	¥ 405	¥ 409	\$ 3,721
Other assets	30,000	30,000	275,659

As of March 31, 2020 and 2019, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥22,414 million (\$205,954 thousand) and ¥4,568 million, and guarantees and household deposits of ¥1,175 million (\$10,796 thousand) and ¥1,177 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, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unused commitments	¥923,414	¥1,015,611	\$8,484,921
Contracts with less than a year of contract period or contacts that are cancellable unconditionally at any time	857,679	952,242	7,880,906

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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Net unrealized losses on available-for-sale securities.....	¥ 10,611	¥ 2,118	\$ 97,500
Excess reserve for possible loan losses	8,078	7,876	74,225
Net defined benefit liability.....	3,713	2,866	34,117
Net deferred losses on hedging instruments.....	3,363	506	30,901
Excess depreciation	1,091	1,012	10,024
Reserve for bonuses.....	459	429	4,217
Other	2,643	2,715	24,285
Subtotal	29,961	17,525	275,300
Valuation reserve	(6,613)	(6,787)	(60,764)
Deferred tax assets	23,348	10,737	214,536
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities.....	(17,078)	(22,795)	(156,923)
Reserve for advanced depreciation of non-current assets	(139)	(140)	(1,277)
Net deferred gains on hedging instruments.....	(110)	(16)	(1,010)
Other	(25)	(23)	(229)
Deferred tax liabilities.....	(17,353)	(22,975)	(159,450)
Net deferred tax assets (liabilities)	¥ 5,995	¥ (12,237)	\$ 55,085

(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, 2020 and 2019.

	2020	2019
Statutory income tax rate	30.4%	30.4%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	0.6	0.8
Non-taxable income, including dividend income	(3.0)	(4.9)
Per-capita resident tax	0.6	0.7
Increase (decrease) of valuation reserve	(1.6)	7.1
Other	2.6	1.2
Effective income tax rate under tax-effect accounting	29.6%	35.3%

14. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2020 and 2019 amounted to ¥38,647 million (\$355,113 thousand) and ¥37,644 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,452 million (\$22,530 thousand) and ¥2,458 million as of March 31, 2020 and 2019, respectively. Reduction entry for the fiscal years ended March 31, 2020 and 2019 amounted to ¥(5) million (\$(45) thousand) and ¥57 million.

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, 2020 and 2019, the difference between the carrying amount and the fair value of the revalued land was ¥12,685 million (\$116,557 thousand) and ¥13,869 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 includes the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lease revenue	¥7,586	¥6,970	\$69,705
Gain on sale of equity securities ...	3,786	6,001	34,788

19. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥14,954 million (\$137,406 thousand) and ¥15,478 million for the fiscal years ended March 31, 2020 and 2019, respectively.

20. Other expenses

(1) Other expenses include the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cost of lease.....	¥6,267	¥5,727	\$57,585
Loan write-offs	4,063	4,360	37,333
Loss on devaluation of equity securities	1,948	—	17,899

(2) Impairment losses

During the fiscal years ended March 31, 2020 and 2019, the Bank recorded impairment losses on fixed assets as described below:

		Millions of yen	
		Impairment losses	
		2020	2019
Kagawa Pref ...	Assets for business use and idle assets (2020: 16 locations 2019: 16 locations)	Land, buildings and movables	
		¥ 178	¥ 852
		land: 125	land: 793
		buildings: 48	buildings: 56
		movables: 2	movables: 2
Other	Assets for business use and idle assets (2020: 12 locations 2019: 11 locations)	Land and buildings	
		¥ 911	¥ 596
		land: 878	land: 560
		buildings: 33	buildings: 36
Total		¥1,090	¥1,450
		land: 1,004	land: 1,354
		buildings: 82	buildings: 93
		movables: 3	movables: 2

		Thousands of U.S. dollars
		Impairment losses
		2020
Kagawa Pref ...	Assets for business use and idle assets (2020: 16 locations)	Land, buildings and movables
		\$ 1,635
		land: 1,148
		buildings: 441
		movables: 18
Other	Assets for business use and idle assets (2020: 12 locations)	Land and buildings
		\$ 8,370
		land: 8,067
		buildings: 303
Total		\$10,015
		land: 9,225
		buildings: 753
		movables: 27

The Bank posted impairment losses of ¥1,090 million (\$10,015 thousand) and ¥1,450 million, respectively, during the fiscal years ended March 31, 2020 and 2019 on land, buildings and movables 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.

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 discount rates of 0.1% and 0.3% for the fiscal years ended March 31, 2020 and 2019, respectively.

21. Matters relating to consolidated statements of comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized losses on available-for-sale securities, net of taxes:			
Amount recognized during the year	¥(41,176)	¥ 1,457	\$(378,351)
Amount of recycling	(5,808)	(4,186)	(53,367)
Prior to income tax effect.....	(46,984)	(2,729)	(431,719)
Income tax effect	14,210	829	130,570
Net unrealized losses on available-for-sale securities, net of taxes	(32,774)	(1,899)	(301,148)
Net deferred losses on hedging instruments, net of taxes:			
Amount recognized during the year	(10,645)	(3,835)	(97,813)
Amount of recycling	1,557	2,280	14,306
Prior to income tax effect.....	(9,088)	(1,554)	(83,506)
Income tax effect	2,762	472	25,379
Net deferred losses on hedging instruments	(6,325)	(1,082)	(58,118)
Remeasurements of defined benefit plans:			
Amount recognized during the year	(3,865)	(9,884)	(35,514)
Amount of recycling	(246)	(308)	(2,260)
Prior to income tax effect.....	(4,111)	(10,192)	(37,774)
Income tax effect	1,249	3,098	11,476
Remeasurements of defined benefit plans	(2,861)	(7,094)	(26,288)
Total other comprehensive loss	¥(41,961)	¥(10,076)	\$(385,564)

22. Finance leases

Information on finance leases for the fiscal years ended March 31, 2020 and 2019 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 investment in leases

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lease receivables.....	¥23,402	¥19,485	\$215,032
Estimated residual value.....	3,149	2,689	28,935
Interest received	(2,881)	(2,276)	(26,472)
Investments in leases	¥23,669	¥19,897	\$217,485

(2) Schedule for collection of lease receivables and receivables on investments in leases by leasing contract maturity

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2020		
Up to 1 year	¥284	¥6,616
Over 1 year, up to 2 years.....	250	5,550
Over 2 years, up to 3 years	184	4,441
Over 3 years, up to 4 years	64	3,149
Over 4 years, up to 5 years	27	1,896
Over 5 years	11	1,747

	Millions of yen	
	Lease receivables	Receivables on investments in leases
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

	Thousands of U.S. dollars	
	Lease receivables	Receivables on investments in leases
2020		
Up to 1 year	\$2,609	\$60,792
Over 1 year, up to 2 years.....	2,297	50,996
Over 2 years, up to 3 years	1,690	40,806
Over 3 years, up to 4 years	588	28,935
Over 4 years, up to 5 years	248	17,421
Over 5 years	101	16,052

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, 2020 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥7 million (\$64 thousand) (compared with ¥17 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 ¥50,852 million (\$467,260 thousand) and ¥43,402 million as of March 31, 2020 and 2019, 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 the 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 the said values, and the 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, 2020 and 2019 are as follows. Private equity shares or other shares whose fair values are not readily determinable are not included in the following table.

2020	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 652,010	¥ 652,010	¥ —
(2) Monetary claims bought	29,264	29,264	—
(3) Trading account securities	5	5	—
(4) Money held in trust.....	—	—	—
(5) Securities			
Available-for-sale securities	1,255,333	1,255,333	—
(6) Loans and bills discounted	2,847,316		
Reserve for possible loan losses*1	(15,646)		
	2,831,669	2,855,278	23,608
Total assets	4,768,283	4,791,892	23,608
(1) Deposits	4,065,082	4,065,202	120
(2) Negotiable certificates of deposit	90,185	90,188	3
(3) Call money and bills sold	34,782	34,782	—
(4) Payables under securities lending transactions.....	112,699	112,699	—
(5) Borrowed money.....	305,608	305,785	177
Total liabilities.....	4,608,358	4,608,659	300
Derivative Transactions*2			
Not subject to hedge accounting	551	551	—
Subject to hedge accounting	(10,857)	(10,857)	—
Total Derivative Transactions	¥ (10,305)	¥ (10,305)	¥ —

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			
Available-for-sale 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)	¥ —

2020	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	\$ 5,991,087	\$ 5,991,087	\$ —
(2) Monetary claims bought	268,896	268,896	—
(3) Trading account securities	45	45	—
(4) Money held in trust.....	—	—	—
(5) Securities			
Available-for-sale securities	11,534,806	11,534,806	—
(6) Loans and bills discounted	26,162,969		
Reserve for possible loan losses*1	(143,765)		
	26,019,195	26,236,129	216,925
Total assets	43,814,049	44,030,984	216,925
(1) Deposits	37,352,586	37,353,689	1,102
(2) Negotiable certificates of deposit	828,677	828,705	27
(3) Call money and bills sold	319,599	319,599	—
(4) Payables under securities lending transactions.....	1,035,550	1,035,550	—
(5) Borrowed money.....	2,808,122	2,809,749	1,626
Total liabilities.....	42,344,555	42,347,321	2,756
Derivative Transactions*2			
Not subject to hedge accounting	5,062	5,062	—
Subject to hedge accounting	(99,761)	(99,761)	—
Total Derivative Transactions	\$ (94,688)	\$ (94,688)	\$ —

*1 General reserve for possible loan 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 deposits 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 holding purpose 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 the total amount of principal and interest by an assumed applicable interest rate when similar bonds are 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.

For loans to borrowers who are bankrupt, substantially bankrupt, or likely to go bankrupt, the estimated uncollectible amount is based on the present value of estimated future cash flows, or the estimated collectible portion based on the collateral or guarantee securing 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 estimated uncollectible amount approximates the fair value.

For loans with no repayment deadline because loan amounts are less than the value of the assets securing them, 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 with 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 with 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, 2020 and 2019. 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	Consolidated balance sheet amount
	2020	2019	2020
1. Private equity shares*1*2	¥2,712	¥2,714	\$24,919
2. Investments in partnership*3*4 ..	1,683	1,435	15,464
Total	¥4,395	¥4,150	\$40,384

*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, 2020 and 2019, 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.
*4 The Group recognized impairment loss on investments in partnership of ¥29 million (\$266 thousand) and ¥31 million for the fiscal years ended March 31, 2020 and 2019, respectively.

The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2020 and 2019 are as follows:

2020	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
Due from banks.....	¥ 605,116	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought.....	29,264	—	—	—	—	—
Securities:						
Available-for-sale securities with maturities	81,732	100,783	96,244	75,293	449,018	253,324
National government bonds	33,300	37,000	—	40,000	70,000	144,000
Local government bonds	3,492	1,472	18,372	13,772	226,501	8,771
Corporate bonds.....	24,110	16,299	13,946	1,063	79,400	14,981
Other	20,830	46,011	63,925	20,457	73,117	85,572
Loans and bills discounted*.....	1,090,280	464,786	332,254	214,313	218,882	459,094
Total	¥1,806,393	¥565,570	¥428,499	¥289,606	¥667,900	¥712,419

2019	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
Due from banks	¥ 784,986	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought.....	38,993	—	—	—	—	—
Securities:						
Available-for-sale 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

2020	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
Due from banks	\$ 5,560,194	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought.....	268,896	—	—	—	—	—
Securities:						
Available-for-sale securities with maturities	751,006	926,058	884,351	691,840	4,125,866	2,327,703
National government bonds	305,981	339,979	—	367,545	643,204	1,323,164
Local government bonds	32,086	13,525	168,813	126,545	2,081,236	80,593
Corporate bonds.....	221,538	149,765	128,144	9,767	729,578	137,655
Other	191,399	422,778	587,383	187,972	671,845	786,290
Loans and bills discounted*.....	10,018,193	4,270,752	3,052,963	1,969,245	2,011,228	4,218,450
Total	\$16,598,300	\$5,196,820	\$3,937,324	\$2,661,086	\$6,137,094	\$6,546,163

*Loans and bills discounted do not include ¥28,727 million (\$263,962 thousand) and ¥28,181 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥38,977 million (\$358,145 thousand) and ¥25,577 million in loans with no established maturity as of March 31, 2020 and 2019, respectively.

The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2020 and 2019 is as follows:

2020	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
Deposits*	¥3,853,385	¥205,226	¥6,108	¥ 146	¥215	¥ —
Negotiable certificates of deposit	90,003	142	40	—	—	—
Call money and bills sold.....	34,782	—	—	—	—	—
Payables under securities lending transactions	112,699	—	—	—	—	—
Borrowed money.....	187,409	113,014	3,720	902	561	—
Total	¥4,278,280	¥318,383	¥9,868	¥1,049	¥777	¥ —

2019	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
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

2020	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
Deposits*	\$35,407,378	\$1,885,748	\$56,124	\$1,341	\$1,975	\$ —
Negotiable certificates of deposit	827,005	1,304	367	—	—	—
Call money and bills sold.....	319,599	—	—	—	—	—
Payables under securities lending transactions	1,035,550	—	—	—	—	—
Borrowed money.....	1,722,034	1,038,445	34,181	8,288	5,154	—
Total	\$39,311,586	\$2,925,507	\$90,673	\$9,638	\$7,139	\$ —

*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

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligations at beginning of period	¥58,824	¥52,638	\$540,512
Service costs*	1,730	1,483	15,896
Interest costs	139	482	1,277
Actuarial differences	(918)	6,614	(8,435)
Retirement benefits paid	(2,373)	(2,393)	(21,804)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥57,403	¥58,824	\$527,455

*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

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Pension assets at beginning of period	¥62,527	¥64,551	\$574,538
Expected return on pension assets.....	739	718	6,790
Actuarial differences	(4,783)	(3,270)	(43,949)
Contribution from employer...	2,001	2,038	18,386
Retirement benefits paid	(1,565)	(1,511)	(14,380)
Pension assets at end of period	¥58,919	¥62,527	\$541,385

(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

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligations of funded plan	¥ 57,403	¥ 58,824	\$ 527,455
Pension assets	(58,919)	(62,527)	(541,385)
	(1,515)	(3,702)	(13,920)

Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥ (1,515)	¥ (3,702)	\$ (13,920)

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net defined benefit liability.....	¥ 1,836	¥ 824	\$ 16,870
Net defined benefit asset	(3,351)	(4,526)	(30,791)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(1,515)	¥(3,702)	\$(13,920)

(d) Breakdown of retirement benefit costs

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service costs*	¥1,730	¥1,483	\$15,896
Interest costs	139	482	1,277
Expected return on pension assets	(739)	(718)	(6,790)
Amortization of actuarial differences	(246)	(308)	(2,260)
Amortization of past service costs ...	—	—	—
Retirement benefit costs for defined benefit plans	¥ 884	¥ 938	\$ 8,122

*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.

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥(4,111)	¥(10,192)	\$(37,774)
Total	¥(4,111)	¥(10,192)	\$(37,774)

(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:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥(7,143)	¥(3,031)	\$(65,634)
Total	¥(7,143)	¥(3,031)	\$(65,634)

(g) Items related to pension assets

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

As of March 31,	2020	2019
Bonds	19%	15%
Stocks.....	39	45
Life insurers’ general account	28	26
Other	14	14
Total	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (18.71% and 20.16 % as of March 31, 2020 and 2019, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (19.61% and 20.71% as of March 31, 2020 and 2019, 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	2020	2019
1) Discount rate	0.23%	0.23%
2) Expected long-term rate of return	2.00%	2.00%
3) Assumed salary increase rate	3.20%	3.10%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$64 thousand) and ¥7 million for the years ended March 31, 2020 and 2019, respectively.

25. Stock options

1. Gain recognized as a result of stock options not being exercised before expiration for the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Other income	¥—	¥20	\$—

2. Stock option details, size, and changes

(1) Stock option details

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Category and number of grant recipients	The Bank's ten directors	The Bank's ten directors	The Bank's ten directors (excluding outside directors)	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: 17,500 shares	Common stock: 17,250 shares	Common stock: 13,660 shares	Common stock: 9,430 shares	Common stock: 13,770 shares
Grant date	July 24, 2012	July 23, 2013	July 25, 2014	July 24, 2015	July 26, 2016
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
Exercise period	July 25, 2012 to July 24, 2042	July 24, 2013 to July 23, 2043	July 26, 2014 to July 25, 2044	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

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Prior to vesting (shares):					
Prior fiscal year end	1,460	2,880	3,420	3,440	8,120
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested shares	—	1,440	1,140	860	2,960
Unvested shares	1,460	1,440	2,280	2,580	5,160
After vesting (shares):					
Prior fiscal year end	—	—	—	—	—
Vested shares	—	1,440	1,140	860	2,960
Exercised	—	1,440	1,140	860	2,960
Expired	—	—	—	—	—
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)

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise.....	Per share: ¥ —	Per share: ¥2,221	Per share: ¥2,221	Per share: ¥2,221	Per share: ¥2,221
Fair value on grant date	Per share: ¥2,560	Per share: ¥3,210	Per share: ¥3,350	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.

3. 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.

Fair value of interest rate-related transactions as of March 31, 2020 and 2019 were as follows:

2020	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥21,920	¥20,186	¥ 634	¥ 634
Variable rate receivable/fixed rate payable.....	21,920	20,186	(360)	(360)
Others:				
Sell	6,699	6,699	(9)	100
Buy	6,699	6,699	9	(17)
Total			¥ 273	¥ 357

2019	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	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

2020	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	\$201,415	\$185,481	\$ 5,825	\$ 5,825
Variable rate receivable/fixed rate payable.....	201,415	185,481	(3,307)	(3,307)
Others:				
Sell	61,554	61,554	(82)	918
Buy	61,554	61,554	82	(156)
Total			\$ 2,508	\$ 3,280

Fair value of currency-related transactions as of March 31, 2020 and 2019 were as follows:

2020	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps.....	¥71,942	¥35,296	¥ 13	¥ 13
Forward exchange contracts:				
Sell	86,832	636	57	57
Buy	43,306	1,099	207	207
Currency options:				
Sell	315,412	226,181	(9,524)	5,833
Buy	315,412	226,181	9,524	(2,688)
Others:				
Sell	14,462	14,462	96	96
Buy	14,462	14,462	(96)	133
Total			¥ 278	¥ 3,652

2019	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	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

2020	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps.....	\$ 661,049	\$ 324,322	\$ 119	\$ 119
Forward exchange contracts:				
Sell	797,868	5,843	523	523
Buy	397,923	10,098	1,902	1,902
Currency options:				
Sell	2,898,208	2,078,296	(87,512)	53,597
Buy	2,898,208	2,078,296	87,512	(24,699)
Others:				
Sell	132,886	132,886	882	882
Buy	132,886	132,886	(882)	1,222
Total			\$ 2,554	\$ 33,556

(3) Derivative transactions subject to hedge accounting

The following are the contracted value or the amount equivalent to the 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 fair value 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, 2020

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥301,252	¥301,252	¥(10,681)
Total					¥(10,681)

As of March 31, 2019

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair 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, 2020

Hedge accounting method	Type	Main hedged item	Thousands of U.S. dollars		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	\$2,768,097	\$2,768,097	\$(98,143)
Total					\$(98,143)

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, 2020

			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	¥29,784	¥24,343	¥ 66
	Monetary swaps		32,589	—	(242)
		Total			¥(176)

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, 2020

			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	\$273,674	\$223,679	\$ 606
	Monetary swaps		299,448	—	(2,223)
		Total			\$(1,617)

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 the 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 “3. Significant accounting policies.”

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 reportable segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2020 and 2019 is as follows:

2020	Millions of yen						
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	¥ 66,871	¥ 7,749	¥ 74,620	¥ 2,107	¥ 76,728	¥ —	¥ 76,728
Inter-segment transactions.....	644	531	1,175	3,670	4,846	(4,846)	—
Total	¥ 67,515	¥ 8,281	¥ 75,796	¥ 5,778	¥ 81,575	¥ (4,846)	¥ 76,728
Segment profit	¥ 10,687	¥ 204	¥ 10,892	¥ 1,303	¥ 12,195	¥ (212)	¥ 11,982
Segment assets	¥4,931,606	¥32,923	¥4,964,529	¥22,080	¥4,986,610	¥(32,663)	¥4,953,946
Segment liabilities	¥4,695,651	¥28,508	¥4,724,160	¥ 9,818	¥4,733,978	¥(29,863)	¥4,704,115
Other items:							
Depreciation	¥ 2,901	¥ 104	¥ 3,006	¥ 282	¥ 3,288	¥ 91	¥ 3,380
Interest income	42,689	225	42,914	74	42,989	(401)	42,587
Interest expenses	5,177	87	5,264	49	5,313	(130)	5,183
Gain from disposal of tangible assets	4	51	55	—	55	(0)	54
State subsidy.....	—	—	—	—	—	—	—
Other extraordinary income	—	112	112	—	112	—	112
Loss from disposal of tangible assets	79	0	79	7	87	—	87
Impairment losses	1,090	—	1,090	—	1,090	—	1,090
Loss on tax purpose reduction entry of tangible assets	—	—	—	—	—	—	—
Other extraordinary loss	—	5	5	—	5	—	5
Tax expenses	2,618	94	2,713	510	3,224	27	3,251
Increases in tangible fixed assets and intangible fixed assets.....	2,057	7	2,064	416	2,481	68	2,549

2019	Millions of yen						
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
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 tangible fixed assets and intangible fixed assets.....	3,213	5	3,218	209	3,427	92	3,520

2020	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	\$ 614,453	\$ 71,202	\$ 685,656	\$ 19,360	\$ 705,026	\$ —	\$ 705,026
Inter-segment transactions	5,917	4,879	10,796	33,722	44,528	(44,528)	—
Total	\$ 620,371	\$ 76,091	\$ 696,462	\$ 53,091	\$ 749,563	\$ (44,528)	\$ 705,026
Segment profit	\$ 98,199	\$ 1,874	\$ 100,082	\$ 11,972	\$ 112,055	\$ (1,947)	\$ 110,098
Segment assets	\$45,314,766	\$302,517	\$45,617,283	\$202,885	\$45,820,178	\$(300,128)	\$45,520,040
Segment liabilities	\$43,146,659	\$261,949	\$43,408,618	\$ 90,214	\$43,498,833	\$(274,400)	\$43,224,432
Other items:							
Depreciation	\$ 26,656	\$ 955	\$ 27,621	\$ 2,591	\$ 30,212	\$ 836	\$ 31,057
Interest income	392,253	2,067	394,321	679	395,010	(3,684)	391,316
Interest expenses	47,569	799	48,369	450	48,819	(1,194)	47,624
Gain from disposal of tangible assets	36	468	505	—	505	(0)	496
State subsidy	—	—	—	—	—	—	—
Other extraordinary income	—	1,029	1,029	—	1,029	—	1,029
Loss from disposal of tangible assets	725	0	725	64	799	—	799
Impairment losses	10,015	—	10,015	—	10,015	—	10,015
Loss on tax purpose reduction entry of tangible assets	—	—	—	—	—	—	—
Other extraordinary loss	—	45	45	—	45	—	45
Tax expenses	24,055	863	24,928	4,686	29,624	248	29,872
Increases in tangible fixed assets and intangible fixed assets	18,901	64	18,965	3,822	22,797	624	23,421

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 tangible fixed assets and intangible fixed 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

2020	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥29,812	¥24,360	¥7,749	¥14,805	¥76,728

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

2020	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	\$273,931	\$223,835	\$71,202	\$136,037	\$705,026

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, 2020 and 2019 was as follows:

2020	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets	¥1,090	¥—	¥1,090	¥—	¥1,090

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

2020	Thousands of U.S. dollars				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets	\$10,015	\$—	\$10,015	\$—	\$10,015

28. Related-party transactions

Not applicable to the fiscal years ended March 31, 2020 and 2019.

29. Per share data

Amounts per share as of March 31, 2020 and 2019 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥8,461.18	¥9,708.42	\$77.746
Basic earnings per share	261.35	189.25	2.401
Diluted earnings per share	261.22	189.05	2.400

Notes: 1. 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
	2020	2019	2020
Net assets	¥249,831	¥286,576	\$2,295,607
Amount excluded from net assets . (of which, share subscription rights)	41	61	376
Net assets attributable to common stock at the fiscal year-end	249,790	286,514	2,295,231
Number of common stock at the fiscal-year end for calculation of net assets per share (in thousands)	29,521	29,511	

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

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2020	2019	2020
Basic earnings per share			
Profit attributable to owners of parent	¥7,715	¥5,584	\$70,890
Amount not attributable to common stockholders	—	—	—
Profit attributable to common stockholders	7,715	5,584	70,890
Average number of common stock during the year (in thousands)	29,519	29,505	
Diluted earnings per share			
Increase in number of common stock (in thousands)	14	30	
(of which, share subscription rights)	14	30	

3. The Bank's own stock remaining in the BIP Trust 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 the said treasury stock deducted at year- end in the calculation of net assets per share was 54 thousand shares and 59 thousand shares as of March 31, 2020 and 2019, respectively. Moreover, the average number of the said treasury stock deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 56 thousand shares and 60 thousand shares for the fiscal years ended March 31, 2020 and 2019, respectively.

4. The Bank implemented a 1-for 10 reverse stock split as of October 1, 2018. Basic and diluted earnings per share figures are calculated based on the assumption that the reverse stock split was implemented at the beginning of the fiscal year ended March 31, 2019.

30. Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2020 is 0.21%.

Annual maturities of borrowed money as of March 31, 2020 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year	¥187,409	\$1,722,034
Over 1 year, up to 2 years	81,336	747,367
Over 2 years, up to 3 years	31,678	291,077
Over 3 years, up to 4 years	2,349	21,584
Over 4 years, up to 5 years	1,370	12,588
Over 5 years	1,466	13,470

Independent Auditor's Report

The Board of Directors
The Hyakujushi Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 26, 2020

長尾 礎 樹 ㊞

Motoki Nagao
Designated Engagement Partner
Certified Public Accountant

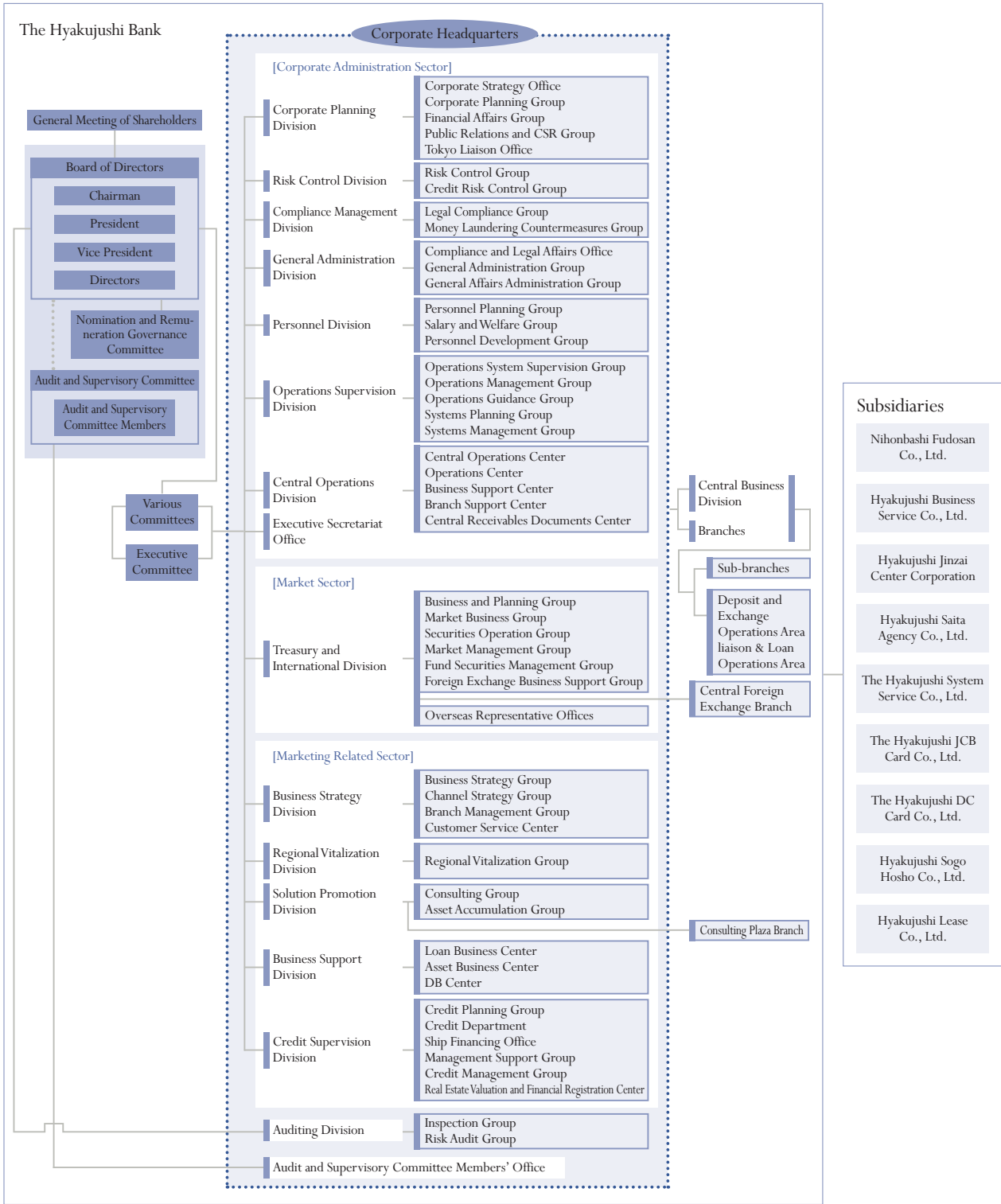
川 口 輝 朗 ㊞

Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

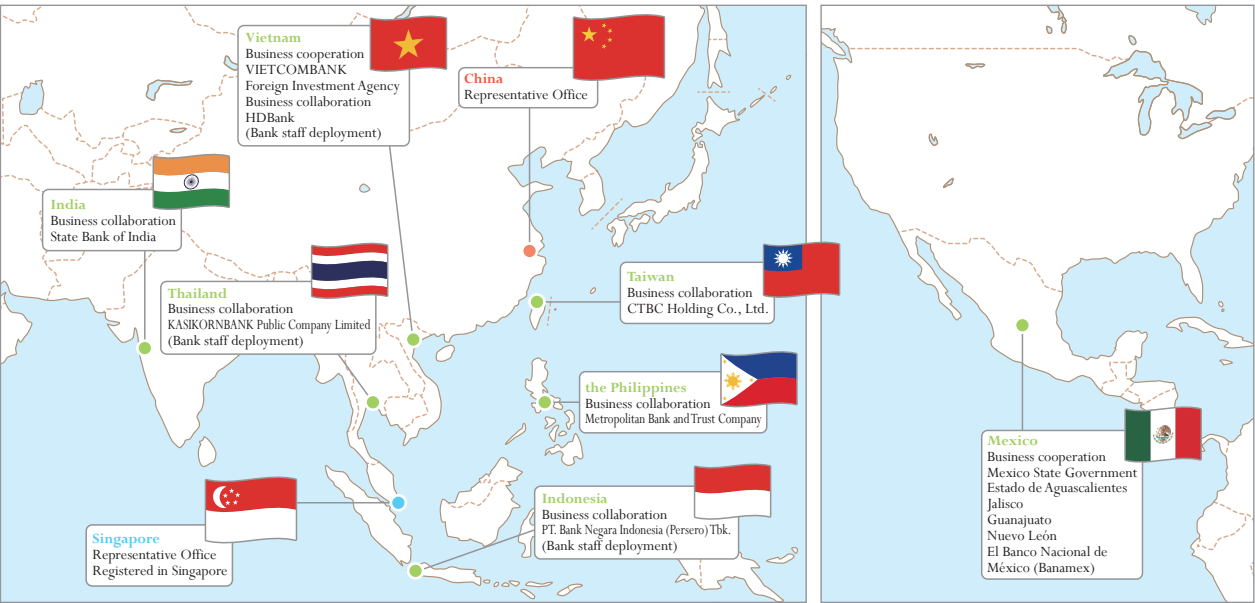
Profile (as of March 31, 2020)

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥4,934.8 billion
Deposits and negotiable certificates of deposit	¥4,168.3 billion
Loans and bills discounted	¥2,855.3 billion
Paid-in capital	¥37.3 billion
Total shares issued	30,000 thousand shares
Employees	2,157
Offices	125 (Head Office, 99 branches, 21 sub-branches, 1 Quick Square, 4 Consulting Plaza) Overseas Representative Offices: 2 (Shanghai, Singapore)
Non-branch ATMs and CDs	161 locations

Organization (as of July 1, 2020)



Overseas Support Organizations



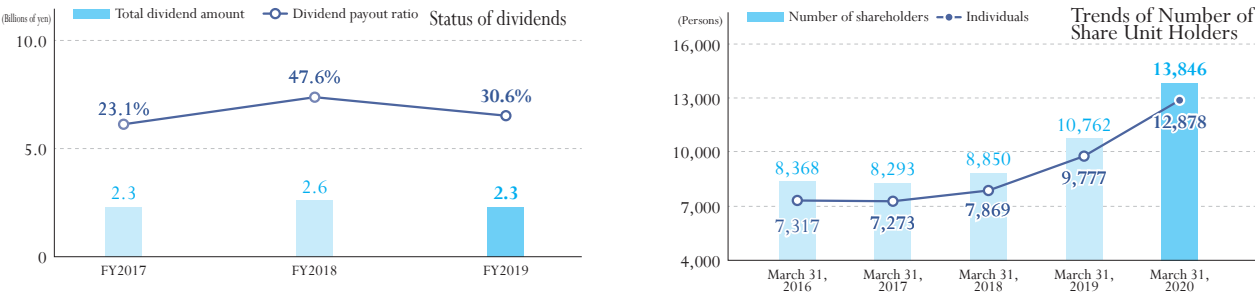
List of Major Shareholders (as of March 31, 2020)

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	1,552	5.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	1,006	3.40
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	900	3.04
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	777	2.62
NH Foods Ltd. (Note) 2	4-9, Umeda 2-Chome, Kita-ku, Osaka	632	2.13
TAIHEIYO CEMENT CORPORATION (Note) 3	3-5, Daiba 2-Chome, Minato-ku, Tokyo	595	2.01
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	571	1.93
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	569	1.92
SUMITOMO LIFE INSURANCE COMPANY	18-24, Tsukiji 7-Chome, Chuo-ku, Tokyo	500	1.69
Tadano Ltd.	34, Shindencho, Takamatsu-shi, Kagawa Prefecture	438	1.48
Total	—	7,544	25.50

(Notes)
1. The 423 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.



THE HYAKUJUSHI BANK, LTD.

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