

ANNUAL REPORT

YEAR ENDED March 31, 2020

2020



The Akita Bank, Ltd.

Profile

Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and five consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on the current medium-term management plan, Kachi Kyoso - Grow with Our Community -, the Bank will execute its role as a regional bank, which its network covers the area in eastern Japan and expand our financial services including international operations emphasizing relations with regional clients.

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In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2020 and 2019

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Total income	¥46,392	¥45,173	\$426,279
Total expenses	41,851	39,112	384,553
Income before income taxes	4,541	6,061	41,725
Net income attributable to owners of parent	3,128	4,142	28,742

	Yen	U.S. dollars (Note 1)
Net income per share	¥174.78	\$1.60

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Total assets	¥3,030,786	¥3,024,615	\$27,848,810
Trading account securities and securities	697,281	670,767	6,407,066
Loans and bills discounted	1,612,055	1,667,321	14,812,597
Deposits	2,619,653	2,574,268	24,071,055
Total net assets	165,830	178,393	1,523,752

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥108.83 = U.S.\$1.00, the exchange rate prevailing as of March 31, 2020.

(2) Capital adequacy ratio stood at 11.89% and 11.49% as of March 31, 2020 and 2019, respectively, in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31

	Millions of yen				
	2020	2019	2018	2017	2016
Total income	¥46,392	¥45,173	¥47,492	¥47,465	¥56,331
Net income attributable to owners of parent	3,128	4,142	4,733	4,741	6,578

	Yen				
	2020	2019	2018	2017	2016
Net income per share	¥174.78	¥230.77	¥263.65	¥261.26	¥35.82

	Percent				
	2020	2019	2018	2017	2016
Income ratio					
Net income to total assets	0.10	0.13	0.15	0.15	0.21
Net income to owned capital	1.82	2.33	2.72	2.78	3.87
Capital adequacy ratio					
Domestic guidelines	11.89	11.49	11.24	11.55	12.04

Notes: (1) The Bank's capital adequacy ratio and net income to owned capital ratio are calculated in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

(2) Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of fiscal year 2016.

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
ASSETS			
Cash and due from banks (Note 39)	¥ 619,613	¥ 595,933	\$ 5,693,402
Call loans and bills bought	5,842	1,480	53,680
Monetary claims bought	6,901	8,182	63,410
Trading account securities (Note 6)	423	536	3,886
Securities (Notes 7 and 14)	696,857	670,231	6,403,170
Loans and bills discounted (Note 8)	1,612,055	1,667,321	14,812,597
Foreign exchanges (Note 9)	1,808	1,471	16,613
Other assets (Notes 10 and 14)	65,924	57,808	605,752
Premises and equipment (Notes 11 and 32)	19,878	20,617	182,651
Intangible assets (Note 12)	1,608	1,737	14,775
Net defined benefit asset (Note 21)	1,433	2,811	13,167
Deferred tax assets (Note 16)	329	344	3,023
Customers' liabilities for acceptances and guarantees (Note 15)	9,454	8,333	86,869
Reserve for possible loan losses (Note 8)	(11,345)	(12,193)	(104,245)
Reserve for investment losses	(0)	(0)	(0)
Total assets	¥3,030,786	¥3,024,615	\$27,848,810

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
LIABILITIES			
Deposits (Notes 14 and 17)	¥2,619,653	¥2,574,268	\$24,071,055
Negotiable certificates of deposit	82,742	94,074	760,286
Call money and bills sold	804	11,999	7,387
Payables under securities lending transactions (Note 14)	50,674	45,913	465,625
Borrowed money (Notes 14 and 18)	80,082	83,799	735,844
Foreign exchanges (Note 19)	51	270	468
Other liabilities (Note 20)	11,915	12,279	109,482
Reserve for directors' bonuses	20	20	183
Net defined benefit liability (Note 21)	2,858	2,666	26,261
Reserve for directors' retirement benefits	24	21	220
Reserve for share-based remuneration	74	—	679
Reserve for reimbursement of dormant deposits	534	639	4,906
Reserve for contingent losses	850	726	7,810
Deferred tax liabilities (Note 16)	3,672	9,609	33,740
Deferred tax liability for land revaluation (Note 22)	1,543	1,598	14,178
Acceptances and guarantees (Note 15)	9,454	8,333	86,869
Total liabilities	¥2,864,956	¥2,846,221	\$26,325,057
NET ASSETS			
Capital stock (Note 36)	14,100	14,100	129,559
Capital surplus	9,212	9,212	84,645
Retained earnings (Note 38)	123,439	121,664	1,134,236
Treasury stock (Note 36)	(670)	(509)	(6,156)
Total stockholders' equity	146,081	144,468	1,342,286
Valuation difference on available-for-sale securities (Note 23)	18,590	31,452	170,816
Land revaluation excess (Note 22)	2,986	2,980	27,437
Remeasurements of defined benefit plans (Note 21)	(2,485)	(1,238)	(22,833)
Total accumulated other comprehensive income	19,091	33,194	175,420
Stock option rights (Note 37)	—	84	—
Non-controlling interests	657	646	6,036
Total net assets	165,830	178,393	1,523,752
Total liabilities and net assets	¥3,030,786	¥3,024,615	\$27,848,810

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2018	¥14,100	¥9,212	¥118,729	¥(506)	¥141,536
Changes of items during the period					
Dividends from surplus	—	—	(1,256)	—	(1,256)
Net income attributable to owners of parent	—	—	4,142	—	4,142
Purchase of treasury stock	—	—	—	(3)	(3)
Disposal of treasury stock	—	—	(0)	0	0
Reversal of revaluation reserve for land	—	—	49	—	49
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	2,934	(2)	2,932
Balance at March 31, 2019	¥14,100	¥9,212	¥121,664	¥(509)	¥144,468
Changes of items during the period					
Dividends from surplus	—	—	(1,346)	—	(1,346)
Net income attributable to owners of parent	—	—	3,128	—	3,128
Purchase of treasury stock	—	—	—	(171)	(171)
Disposal of treasury stock	—	—	(1)	10	8
Reversal of revaluation reserve for land	—	—	(5)	—	(5)
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,774	(161)	1,613
Balance at March 31, 2020	¥14,100	¥9,212	¥123,439	¥(670)	¥146,081

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
Balance at March 31, 2018	¥34,224	¥ (1)	¥3,029	¥ (978)	¥36,274	¥69	¥628	¥178,509
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,256)
Net income attributable to owners of parent	—	—	—	—	—	—	—	4,142
Purchase of treasury stock	—	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	—	—	0
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	49
Net changes of Items other than stockholders' equity	(2,772)	1	(49)	(260)	(3,080)	14	17	(3,048)
Total changes of items during the period	(2,772)	1	(49)	(260)	(3,080)	14	17	(116)
Balance at March 31, 2019	¥31,452	¥ —	¥2,980	¥(1,238)	¥33,194	¥84	¥646	¥178,393
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,346)
Net income attributable to owners of parent	—	—	—	—	—	—	—	3,128
Purchase of treasury stock	—	—	—	—	—	—	—	(171)
Disposal of treasury stock	—	—	—	—	—	—	—	8
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(5)
Net changes of Items other than stockholders' equity	(12,861)	—	5	(1,247)	(14,103)	(84)	11	(14,175)
Total changes of items during the period	(12,861)	—	5	(1,247)	(14,103)	(84)	11	(12,562)
Balance at March 31, 2020	¥18,590	¥ —	¥2,986	¥(2,485)	¥19,091	¥ —	¥657	¥165,830

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2019	\$129,559	\$84,645	\$1,117,927	\$(4,677)	\$1,327,464
Changes of items during the period					
Dividends from surplus	—	—	(12,367)	—	(12,367)
Net income attributable to owners of parent	—	—	28,742	—	28,742
Purchase of treasury stock	—	—	—	(1,571)	(1,571)
Disposal of treasury stock	—	—	(9)	91	73
Reversal of revaluation reserve for land	—	—	(45)	—	(45)
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	16,300	(1,479)	14,821
Balance at March 31, 2020	\$129,559	\$84,645	\$1,134,236	\$(6,156)	\$1,342,286

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
Balance at March 31, 2019	\$289,001	\$ —	\$27,382	\$(11,375)	\$305,007	\$771	\$5,935	\$1,639,189
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(12,367)
Net income attributable to owners of parent	—	—	—	—	—	—	—	28,742
Purchase of treasury stock	—	—	—	—	—	—	—	(1,571)
Disposal of treasury stock	—	—	—	—	—	—	—	73
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(45)
Net changes of Items other than stockholders' equity	(118,175)	—	45	(11,458)	(129,587)	(771)	101	(130,249)
Total changes of items during the period	(118,175)	—	45	(11,458)	(129,587)	(771)	101	(115,427)
Balance at March 31, 2020	\$170,816	\$ —	\$27,437	\$(22,833)	\$175,420	\$ —	\$6,036	\$1,523,752

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2020 and 2019

Thousands of
U.S. dollars (Note 1)

	Millions of yen		2020
	2020	2019	
Cash flows from operating activities			
Income before income taxes	¥ 4,541	¥ 6,061	\$ 41,725
Depreciation and amortization	1,959	1,704	18,000
Losses on impairment of fixed assets	540	170	4,961
Net change in reserve for possible loan losses	(848)	83	(7,791)
Net change in reserve for investment losses	(0)	0	(0)
Net change in net defined benefit liability	(115)	(62)	(1,056)
Net change in reserve for directors' retirement benefits	2	3	18
Net change in reserve for share-based remuneration	74	—	679
Net change in reserve for reimbursement of dormant deposits	(105)	24	(964)
Net change in reserve for contingent losses	123	94	1,130
Gain on fund management	(25,922)	(26,524)	(238,187)
Financing expenses	763	1,480	7,010
Net (gain) loss related to securities transactions	(145)	(1,214)	(1,332)
Net (gain) loss on money held in trust	(35)	(42)	(321)
Net foreign exchange (gains) losses	361	(958)	3,317
Net (gain) loss on disposal of premises and equipment	144	81	1,323
Net change in loans and bills discounted	52,995	4,683	486,952
Net change in deposits	45,384	28,460	417,017
Net change in negotiable certificates of deposit	(11,331)	(47,326)	(104,116)
Net change in borrowed money (excluding subordinated borrowing)	(3,717)	(1,419)	(34,154)
Net change in due from banks (excluding deposit paid to Bank of Japan)	(422)	(348)	(3,877)
Net change in call loans	(3,084)	16,623	(28,337)
Net change in call money	(11,194)	(23,499)	(102,857)
Net change in payable under securities lending transactions	4,760	(78,614)	43,737
Net change in foreign exchanges assets	(337)	962	(3,096)
Net change in foreign exchanges liabilities	(219)	225	(2,012)
Proceeds from fund management	26,572	27,262	244,160
Payments for finance	(805)	(1,651)	(7,396)
Net change in trading account securities	99	115	909
Other, net	1,701	814	15,629
Sub-total	81,739	(92,810)	751,070
Income taxes paid	(2,406)	(1,868)	(22,107)
Net cash provided by (used in) operating activities	79,333	(94,679)	728,962
Cash flows from investing activities			
Purchases of securities	(343,544)	(271,433)	(3,156,703)
Proceeds from sales of securities	96,709	225,975	888,624
Proceeds from redemption of securities	194,055	167,883	1,783,102
Increase in money held in trust	(1,000)	(1,000)	(9,188)
Decrease in money held in trust	1,000	1,000	9,188
Purchases of premises and equipment	(1,310)	(1,675)	(12,037)
Proceeds from sales of premises and equipment	45	90	413
Payments for retirement of premises and equipment	(96)	(39)	(882)
Purchases of intangible fixed assets	(415)	(1,077)	(3,813)
Net cash provided by (used in) investing activities	(54,556)	119,722	(501,295)
Cash flows from financing activities			
Purchases of treasury stock	(171)	(3)	(1,571)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(1,346)	(1,256)	(12,367)
Cash dividends paid to non-controlling interests	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(1,518)	(1,260)	(13,948)
Effect of exchange rate change on cash and cash equivalents	(0)	3	(0)
Net increase (decrease) in cash and cash equivalents	23,257	23,786	213,700
Cash and cash equivalents at beginning of year	589,422	565,635	5,415,988
Cash and cash equivalents at end of year (Note 39)	¥612,679	¥589,422	\$5,629,688

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2020 and 2019

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and its consolidated subsidiaries 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, and the original consolidated financial statements in Japanese language are audited by Deloitte Touche Tohmatsu LLC, the Bank's accounting auditor.

In preparing these consolidated financial statements in English language, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The amount of net income attributable to owners of parent in these consolidated financial statements after such modification is the same as that in the audited original consolidated financial statements issued domestically.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, at the rate of ¥108.83 to U.S.\$1.00, the prevailing exchange rate at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Principles of Consolidation

Consolidated subsidiaries

The consolidated financial statements include the accounts of the Bank and five of its subsidiaries, including The Akita Guarantee Service Ltd. and others, whose fiscal year end is consistent to that of the Bank. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of limited partnerships due to insignificance.

3. Summary of Significant Accounting Policies

(a) Trading account securities

Trading account securities are stated at fair value and the cost of securities sold is determined by the moving average method.

(b) Securities

Securities are classified, and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method and (2) available-for-sale securities are stated at fair value with unrealized holding gains and losses, net of applicable taxes, reported as valuation

difference on available-for-sale securities in a separate component of net assets. Securities whose fair values cannot be reliably estimated are stated at cost determined using the moving-average cost method.

Securities held in money trusts, of which funds are principally invested in securities and are separately managed from other beneficiaries, are carried at fair value with unrealized holding gains and losses included in earnings.

For available-for-sale securities, in cases where the fair value has fallen significantly from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the Bank considers recognizing a loss on impairment. The Bank considers the decline to be significant when the fair value of the available-for-sale securities declines more than 30% of the carrying amount. When the fair value of the available-for-sale securities declines 50% or more, the securities are stated at fair value on the consolidated balance sheets and the difference between the fair value and the acquisition price is recognized as a loss. When the fair value of the available-for-sale securities declines from 30% to less than 50% of the carrying amount, the Bank recognizes a loss based on the recoverability of the securities after examining the trends of market prices and the financial position of the issuers.

(c) Derivatives

Derivatives are carried at fair value which is based on market quotation.

(d) Premises and equipment

The Bank's depreciation policies are in line with the Corporation Tax Act of Japan. Depreciation is charged using the declining balance method over the estimated useful lives of respective assets. The straight-line method is applied to buildings acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings:	3–50 years
Others:	3–20 years

Depreciation of premises and equipment owned by consolidated subsidiaries is predominantly charged using the declining balance method over the estimated useful lives of respective assets.

(e) Intangible assets

Intangible assets are amortized using the straight-line method. Cost of software held for internal-use is amortized over its estimated useful life (mainly 5 years).

(f) Leased assets

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease periods as the useful life of assets with zero residual value. The Bank leases mainly peripheral devices and automobiles, included in premises and equipment, and software, included in intangible assets.

(g) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

The Bank has established a credit rating system in accordance with the provisions set forth in the Guidelines issued by the Japanese Institute of Certified Public Accountants under which customers are classified into five categories for self-assessment purposes: "Bankrupt Obligors," "Substantially Bankrupt Obligors," "Potential Bankrupt Obligors," "Cautious Obligors" and "Normal Obligors."

For loans to Bankrupt and Substantially Bankrupt Obligors, the Bank has provided a reserve for possible loan losses based on the amount claimed, net

of the expected recovery amount from collateral and guarantee. For loans to Potential Bankrupt Obligors, the Bank has provided a reserve at an amount deemed necessary to cover possible losses which are estimated based on the expected recovery amount from collateral and guarantee as well as other factors of solvency, including the Obligors' future cash flows.

For loans to all other obligors, reserves are maintained mainly using the estimated loss amount for the next one year or three years. The estimated loss is calculated by obtaining a loss rate based on the average of default experiences during the three periods in the past, using the default experiences for one year or three years as a basis. If the loss rate with the business cycle taken into account and based on the average value for a certain period in the past is high, the difference of the loss rates is taken into consideration as adjustment necessary for the estimated future value.

The Bank applied the DCF method to estimate a reserve for possible loan losses, if future cash flows of principal and interest are reasonably estimated, for (1) loans to Potential Bankrupt Obligors, where the loan balance, net of the amount secured by collateral, exceeds a certain amount and (2) loans to obligors with restructured loans and their loan balance exceeds a certain amount. Thus, the difference between the amount calculated by discounting future cash flows of principal and interest using the original interest rate of respective loans and its book value is accounted for as reserve for loan losses.

The collectability of all loans is assessed by branches and the credit supervisory division, with an internal audit by the asset review and inspection division, in accordance with the Bank's policies and rules for the self-assessment of asset quality.

The consolidated subsidiaries calculate their reserve for possible loan losses as the amount deemed necessary to cover possible losses, which is estimated based on the actual historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific loans.

(h) Reserve for investment losses

Reserve for investment losses is provided for possible losses at the estimated amounts based on the financial position of securities' issuers.

(i) Reserve for employees' retirement benefits

For the calculation of retirement benefit obligation, the Bank applies the benefit formula basis as the method of attributing expected benefit to period. Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (10 years), commencing from the next fiscal year after incurrence.

The consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit cost.

(j) Reserve for directors' bonuses

Reserve for directors' bonuses is provided as the amount of the estimated bonuses which are attributable to each fiscal year.

(k) Reserve for retirement benefits to directors

Consolidated subsidiaries of the Bank accrue 100% of obligations for their retirement benefits according to the internal rules, which are based under the assumption that all directors terminate their services at the year end.

(l) Reserve for share-based remuneration

Reserve for share-based remuneration is based on the Share Delivery Regulations established by the Bank, and is provided in preparation for the issuance of the shares of the Bank to the directors of the Bank (excluding directors serving as Audit and Supervisory Committee members and outside directors). The amount is calculated based on the estimated amount of share-based remuneration obligation at the year end.

(m) Reserve for reimbursement of dormant deposits

Reserve for the reimbursement of dormant deposits which were de-

recognized as liabilities under certain conditions is provided for possible losses on the future claims.

(n) Reserve for contingent losses

The Bank provides a reserve for future payments under the Responsibility-sharing System with Credit Guarantee Corporations, at an amount estimated based on historical experience.

(o) Foreign currency transaction

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

(p) Hedge accounting

(1) Hedge against interest rate risk

For interest rate derivatives to mitigate the interest rate risks arising from various financial assets and liabilities, the Bank applies the deferred hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (February 13, 2002). Under these rules, hedge effectiveness is assessed by specifying hedged items (such as securities and loans) and the corresponding hedging instruments (such as interest rate swaps).

(2) Hedge against foreign exchange risk

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank applies the deferred method of hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 25, the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (July 29, 2002). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt denominated in foreign currency as hedging instruments, by verifying the correlation between the hedged items and the foreign exchange positions of hedging instruments.

(q) Consumption taxes

Transactions are recorded exclusive of consumption taxes.

(r) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and deposit with the Bank of Japan.

(s) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to the operating loss carried forward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

4. Accounting Standards Issued But Not Yet Applied

(a) Accounting standard for fair value measurement, etc.

- "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Statement No. 30, issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(1) Outline

The International Accounting Standards Board (IASB) and the U.S. Financial

Accounting Standards Board (FASB) have established detailed guidance on fair value measurement with almost the same content (IFRS 13 "Fair Value Measurement" in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 "Fair Value Measurement" in the US GAAP). In response to the situation, the ASBJ worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the "Accounting Standard for Fair Value Measurement" as well as issued or revised related accounting standards and implementation guidances.

The ASBJ's basic policy in developing the accounting standard for fair value measurement is, in principle, to incorporate all the provisions of IFRS 13 from the viewpoint of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.

(2) Scheduled date of application

The accounting standards and guidances will be applied effective from the beginning of the year ending March 31, 2022.

(3) Effect of applying the accounting standards and guidances

It is currently undecided about the effect of applying the "Accounting Standard for Fair Value Measurement," etc. on the consolidated financial statements.

(b) Accounting standard for disclosure of accounting estimates

· "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020)

(1) Outline

With regard to "sources of estimation uncertainty," which is required to be disclosed in paragraph 125 of International Accounting Standard (IAS) 1 "Presentation of Financial Statements" ("IAS 1") issued by the IASB in 2003, in order to oblige requests to consider requiring that those sources of estimation uncertainty to be treated as information that is highly useful for users of financial statements and disclosed in the form of note information in the Japanese GAAP as well, the ASBJ developed and issued the Accounting Standard for Disclosure of Accounting Estimates ("Accounting Standard").

The ASBJ's basic policy in developing the Accounting Standard is to present the principle (disclosure purpose) instead of enhancing individual notes, and place the onus on entities to determine the specific information to be disclosed according to the disclosure purpose, while referring to the provision of paragraph 125 of IAS 1 in the development.

(2) Scheduled date of application

The Accounting Standard will be applied effective from the end of the year ending March 31, 2021.

5. Additional Information

(a) Accounting estimates associated with the impact of the novel coronavirus disease (COVID-19)

The Bank assumes that the COVID-19 pandemic will continue to affect the economy for about a year. Based on this assumption, the Bank makes decisions about estimated future cash flows of some obligors in cases where the DCF method is applied for calculating the reserve for possible loan losses and for impairment test for fixed assets, estimated future taxable income on the recoverability of deferred tax assets, etc.

The impact of COVID-19 on the financial statements for the year ended March 31, 2020 is limited. However, if the COVID-19 pandemic takes longer than expected to subside, the operating results in the year ending March 31, 2021 and thereafter may be affected due to additional recognition of reserve for possible loan losses and impairment losses on fixed assets, and reversal of deferred tax assets.

(b) Introduction of performance-linked stock compensation plan

1. Outline

From the year ended March 31, 2020, the Bank has introduced a performance-linked stock compensation plan (the "Plan") using the executive compensation BIP trust. The objective of the Plan is to further clarify the link between the remuneration of directors (excluding directors serving as Audit and Supervisory Committee members and outside directors) and the Bank's business performance and share value, and enhance directors' awareness of contributing to improving business performance over the medium- to long-term and increasing corporate value.

Under the Plan, the Bank's shares are acquired through the trust by using an amount of remuneration for directors contributed by the Bank as funds, and based on the Share Delivery Regulations established by the Bank, the Bank's shares and cash equivalent to the conversion value of the Bank's shares are delivered and paid to the Bank's directors.

2. The Bank's shares remaining in trust

The shares of the Bank remaining in trust are recorded as treasury stock in stockholders' equity. The book value of the treasury stock was ¥169 million (U.S.\$1,552 thousand) and the number of shares was 87 thousand as of March 31, 2020.

6. Trading Account Securities

Trading account securities as of March 31, 2020 and 2019 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Amount in the balance sheet	¥423	¥536	\$3,886
Valuation gain (loss) included in income for the year	(7)	3	(64)

7. Securities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Japanese government bonds	¥112,057	¥126,902	\$1,029,651
Local government bonds	181,571	115,045	1,668,391
Corporate bonds	183,004	220,727	1,681,558
Share stocks	46,241	55,527	424,892
Other securities	173,983	152,028	1,598,667
Total	¥696,857	¥670,231	\$6,403,170

Fair value and valuation differences of securities as of March 31, 2020 and 2019 and other related information are stated below.

(a) Held-to-maturity debt securities

The Bank and its consolidated subsidiaries' investments in held-to-maturity debt securities as of March 31, 2020 and 2019 were summarized as follows:

	Millions of yen		
	2020		
	Carrying value	Fair value	Difference
Japanese government bonds	¥599	¥603	¥3

	Millions of yen		
	2019		
	Carrying value	Fair value	Difference
Japanese government bonds	¥599	¥610	¥11

	Thousands of U.S. dollars (Note 1)		
	2020		
	Carrying value	Fair value	Difference
Japanese government bonds	\$5,503	\$5,540	\$27

(b) Available-for-sale securities

The Bank and its consolidated subsidiaries' investments in available-for-sale securities as of March 31, 2020 and 2019 were summarized in the following tables. For presentation purposes, the tables also include: (i) trading account securities, (ii) some negotiable certificates of deposit included in cash and deposits and (iii) a part of securities included in monetary claims bought on the consolidated balance sheets, but exclude the stocks of the Bank's subsidiaries and affiliates.

	Millions of yen		
	2020		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 40,204	¥ 18,458	¥21,745
Bonds:			
Japanese government bonds	101,477	100,241	1,235
Local government bonds	113,984	112,797	1,187
Corporate bonds	154,791	153,308	1,482
Bonds total	370,252	366,347	3,905
Others	67,403	61,637	5,766
Subtotal	477,860	446,443	31,417
Carrying value not exceeding cost:			
Stocks	4,259	5,347	(1,087)
Bonds:			
Japanese government bonds	9,981	10,000	(19)
Local government bonds	67,586	67,893	(306)
Corporate bonds	28,213	28,283	(69)
Bonds total	105,780	106,176	(395)
Others	100,267	103,531	(3,263)
Subtotal	210,308	215,054	(4,746)
Total	¥688,169	¥661,498	¥26,671

	Millions of yen		
	2019		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 50,961	¥ 22,506	¥28,454
Bonds:			
Japanese government bonds	126,303	122,605	3,698
Local government bonds	115,045	113,099	1,946
Corporate bonds	212,324	209,582	2,741
Bonds total	453,673	445,286	8,386
Others	100,510	91,369	9,140
Subtotal	605,144	559,162	45,982
Carrying value not exceeding cost:			
Stocks	2,714	3,210	(495)
Bonds:			
Corporate bonds	8,403	8,418	(15)
Bonds total	8,403	8,418	(15)
Others	47,468	47,888	(419)
Subtotal	58,586	59,517	(930)
Total	¥663,731	¥618,680	¥45,051

	Thousands of U.S. dollars (Note 1)		
	2020		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	\$ 369,420	\$ 169,603	\$ 199,807
Bonds:			
Japanese government bonds	932,435	921,078	11,347
Local government bonds	1,047,358	1,036,451	10,906
Corporate bonds	1,422,319	1,408,692	13,617
Bonds total	3,402,113	3,366,231	35,881
Others	619,342	566,360	52,981
Subtotal	4,390,884	4,102,205	288,679
Carrying value not exceeding cost:			
Stocks	39,134	49,131	(9,988)
Bonds:			
Japanese government bonds	91,711	91,886	(174)
Local government bonds	621,023	623,844	(2,811)
Corporate bonds	259,239	259,882	(634)
Bonds total	971,974	975,613	(3,629)
Others	921,317	951,309	(29,982)
Subtotal	1,932,445	1,976,054	(43,609)
Total	\$6,323,339	\$6,078,268	\$245,070

(c) Available-for-sale securities sold

Available-for-sale securities sold and the gains and losses on sale of those securities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Proceeds from sales	¥97,518	¥228,031	\$896,058
Gains	5,222	6,095	47,983
Losses	(2,241)	(1,464)	(20,591)

The Bank recognized an impairment loss of ¥5 million (U.S.\$45 thousand) on equity securities for the year ended March 31, 2020.

There were no investment securities which were impaired for the year ended March 31, 2019.

8. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Bills discounted	¥ 3,530	¥ 4,687	\$ 32,435
Loans on notes	31,912	35,308	293,227
Loans on deeds	1,399,118	1,450,735	12,855,995
Overdrafts	177,493	176,590	1,630,919
Total	¥1,612,055	¥1,667,321	\$14,812,597

(b) Non-performing loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the following non-performing loans are included in the balance of loans and bills discounted at March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Loans in bankruptcy and dishonored bills (*1)	¥ 1,831	¥ 2,392	\$ 16,824
Delinquent loans (*2)	30,952	31,629	284,406
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	1,337	2,697	12,285
Total	¥34,121	¥36,719	\$313,525

*1. "Loans in bankruptcy and dishonored bills" consist of non-accrual loans on which the payment of principal or interest is well past due or where there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Order for Enforcement of Corporation Tax Act (Cabinet Order No. 97 of 1965).

*2. "Delinquent loans" are non-accrual loans, which do not fall under the classifications of loans in bankruptcy and dishonored bills, or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

*3. "Loans past due for three months or more" are classified in this category when three months or more have elapsed since the due date with no payment of principal or interest. Excluded from this balance are the balances of loans in bankruptcy and dishonored bills and the balances of delinquent loans.

*4. "Restructured loans" include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by revising terms of repayment favorable to the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, debt waiver, etc.). Excluded from this balance are the balances of loans in bankruptcy and dishonored bills, the balances of delinquent loans and the balances of loans past due for three months or more.

(c) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (February 13, 2002). The Bank has the rights to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. Their total face value as of March 31, 2020 and 2019 were ¥3,530 million (U.S.\$32,435 thousand) and ¥4,687 million, respectively.

(d) Contracts of overdraft facilities and loan commitment limits

Contracts of overdraft facilities and loan commitment limits are the contracts detailing that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unused balance within the limits	¥629,096	¥621,651	\$5,780,538
Of which, the term of contracts is less than one year or revocable at any time	608,220	597,003	5,588,716

Since many of these commitments expire without being utilized, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions such that the Bank can refuse customers' applications for loans and can decrease the contract limits as they see with proper reasons (e.g., changes in financial situations, deterioration of customers' creditworthiness). At the inception of a contract the Bank obtains real estate, securities, etc. as collateral, if considered necessary. Subsequently, the Bank performs periodic reviews of customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or the requirement for additional collateral and guarantees.

9. Foreign Exchange Assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Due from foreign banks	¥1,808	¥1,471	\$16,613
Foreign exchange bills bought	0	0	0
Total	¥1,808	¥1,471	\$16,613

10. Other Assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Lease receivables and lease investment assets	¥ 9,874	¥ 9,083	\$ 90,728
Prepaid expenses	19	18	174
Accrued income	4,768	5,072	43,811
Futures margins	—	359	—
Derivatives	1,530	44	14,058
Others	49,730	43,230	456,951
Total	¥65,924	¥57,808	\$605,752

11. Premises and Equipment

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Buildings	¥ 7,258	¥ 7,448	\$ 66,691
Land	10,299	10,702	94,633
Leased assets	1	2	9
Construction in Progress	1	110	9
Others	2,317	2,353	21,290
Total	¥19,878	¥20,617	\$182,651

The accumulated depreciation of premises and equipment as of March 31, 2020 and 2019 amounted to ¥32,335 million (U.S.\$297,114 thousand) and ¥37,715 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥1,942 million (U.S.\$17,844 thousand) and ¥1,948 million as of March 31, 2020 and 2019, respectively.

12. Intangible Assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Software	¥1,425	¥1,552	\$13,093
Others	183	184	1,681
Total	¥1,608	¥1,737	\$14,775

13. Leases

Finance leases

Finance leases that do not transfer ownership

(1) Outline of lease assets

(i) Tangible fixed assets

Vehicle

(ii) Intangible assets

None

(2) Method of depreciation of lease assets

Please refer to Note 3. "Summary of Significant Accounting Policies, (f) Leased assets" in "Notes to Consolidated Financial Statements."

14. Assets Pledged

Assets pledged as collateral as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Securities	¥150,355	¥143,015	\$1,381,558
Other assets	49	49	450
Total	¥150,404	¥143,064	\$1,382,008

Liabilities related to above pledged assets as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deposits	¥13,684	¥16,307	\$125,737
Payables under securities lending transactions	50,674	45,913	465,625
Borrowed money	77,900	81,900	715,795

In addition, the following assets were pledged as collateral for settlements of exchange as of March 31, 2020 and 2019, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Securities	¥ 3,491	¥ 5,070	\$ 32,077
Other assets	39,000	39,000	358,357

15. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

16. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which results in a statutory rate of approximately 30.5% for the years ended March 31, 2020 and 2019.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liability	¥ 2,567	¥ 2,490	\$ 23,587
Reserve for possible loan losses	2,937	3,282	26,987
Securities	482	493	4,428
Depreciation	309	280	2,839
Remeasurements of defined benefit plans	1,090	543	10,015
Others	1,574	1,496	14,462
Total deferred tax assets	8,962	8,587	82,348
Valuation allowance for the total of deductible temporary differences	(2,654)	(2,574)	(24,386)
Subtotal valuation allowance	(2,654)	(2,574)	(24,386)
Total deferred tax assets, net	6,308	6,013	57,961
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(1,025)	(1,200)	(9,418)
Valuation difference on available-for-sale securities	(7,848)	(13,367)	(72,112)
Reserve for advanced depreciation of real estate	(84)	(86)	(771)
Others	(693)	(624)	(6,367)
Total deferred tax liabilities	(9,651)	(15,279)	(88,679)
Net deferred tax assets (liabilities)	¥(3,342)	¥ (9,265)	\$(30,708)

The following summarizes the amounts shown on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deferred tax assets	¥ 329	¥ 344	\$ 3,023
Deferred tax liabilities	(3,672)	(9,609)	(33,740)
Net deferred tax assets (liabilities)	¥(3,342)	¥(9,265)	\$(30,708)

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the years ended March 31, 2020 and 2019 was as follows:

	2020	2019
Statutory tax rate	30.5 %	30.5 %
(Adjustments)		
Expenses not deductible for income tax purpose	0.5	0.4
Dividend income not included in taxable income	(4.5)	(3.8)
Inhabitant tax on per capital basis	0.9	0.7
Change in valuation allowance	1.8	1.5
Others	1.6	2.1
Actual effective tax rate	30.8 %	31.4 %

17. Deposits

An analysis of deposits as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current deposits	¥ 133,204	¥ 136,063	\$ 1,223,963
Ordinary deposits	1,415,711	1,357,378	13,008,462
Saving deposits	42,658	41,742	391,969
Deposits at notice	5,505	8,724	50,583
Time deposits	985,946	1,000,239	9,059,505
Installment savings	3	5	27
Other deposits	36,623	30,115	336,515
Total	¥2,619,653	¥2,574,268	\$24,071,055

18. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Borrowings from other banks	¥80,082	¥83,799	\$735,844

The average interest rates of the loans were 0.012% and 0.010% as of March 31, 2020 and 2019, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2020 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2021	¥16,973	\$155,958
2022	42,420	389,782
2023	1,835	16,861
2024	18,460	169,622
2025	200	1,837

19. Foreign Exchanges Liabilities

Foreign exchange liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Foreign exchange bills sold	¥32	¥ 54	\$294
Foreign exchange bills payable	18	216	165
Total	¥51	¥270	\$468

20. Other Liabilities

Other liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Domestic exchange settlement	¥ 107	¥ 270	\$ 983
Income taxes payable	80	1,174	735
Accrued expenses	2,078	1,981	19,093
Unearned income	2,438	2,423	22,401
Reserve for interest on installment savings	0	0	0
Variation margins of futures markets	1,445	—	13,277
Derivatives	40	381	367
Lease obligations	711	677	6,533
Others	5,012	5,369	46,053
Total	¥11,915	¥12,279	\$109,482

21. Reserve for Employees' Retirement Benefits

The Bank and its consolidated subsidiaries have defined benefit plans, i.e., Employees' Pension Fund plan (funded plan), and lump-sum retirement plan (non-funded plan). Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary and length of service. Retirement benefit trust is established for the Employees' Pension Fund plan and the lump-sum retirement plan. Some lump-sum retirement plan is substantially the same as funded plan due to the retirement benefit trust.

The Bank has a defined contribution pension plan as well. The amount of contribution required to the defined contribution pension plan was ¥169 million (U.S.\$1,552 thousand) and ¥171 million for the years ended March 31, 2020 and 2019, respectively.

(a) Changes in projected benefit obligation for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Projected benefit obligation			
– Beginning balance	¥25,382	¥25,046	\$233,226
Service cost	673	657	6,183
Interest cost	77	117	707
Actuarial gains and losses arising in the year	412	768	3,785
Retirement benefits paid	(1,266)	(1,207)	(11,632)
Projected benefit obligation			
– Ending balance	¥25,279	¥25,382	\$232,279

(b) Changes in plan assets for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Plan assets – Beginning balance	¥25,527	¥25,581	\$234,558
Expected return on plan assets	677	671	6,220
Actuarial gains and losses arising in the year	(1,643)	(162)	(15,096)
Employer's contributions	—	141	—
Retirement benefits paid	(749)	(748)	(6,882)
Others	42	43	385
Plan assets – Ending balance	¥23,854	¥25,527	\$219,185

(c) Ending balances of projected benefit obligation and plan assets and amounts on the consolidated balance sheets as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Projected benefit obligation under funded plan	¥25,228	¥25,336	\$231,811
Plan assets	(23,854)	(25,527)	(219,185)
	1,373	(190)	12,616
Projected benefit obligation under non-funded plan	50	45	459
Net balance on the consolidated balance sheets	¥ 1,424	¥ (145)	\$ 13,084

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net defined benefit liability	¥2,858	¥2,666	\$26,261
Net defined benefit asset	(1,433)	(2,811)	(13,167)
Net balance on the consolidated balance sheets	¥1,424	¥ (145)	\$13,084

(d) Components of retirement benefit cost as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost	¥630	¥613	\$5,788
Interest cost	77	117	707
Expected return on plan assets	(677)	(671)	(6,220)
Amortization of actuarial gains and losses	261	556	2,398
Retirement benefit cost	¥291	¥615	\$2,673

(e) Items accounted for as remeasurements of defined benefit plans, before tax effect, for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Actuarial gains and losses	¥1,794	¥374	\$16,484
Total	¥1,794	¥374	\$16,484

(f) Remeasurements of defined benefit plans, before tax effect, as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognized actuarial gains and losses	¥3,576	¥1,781	\$32,858
Total	¥3,576	¥1,781	\$32,858

(g) Plan assets consisted of the following investments as of March 31, 2020 and 2019.

	2020	2019
Debt securities	25%	39%
Equity securities	37	41
Others	38	20
Total	100%	100%

The total plan assets included the retirement benefit trust established for Employees' Pension Fund plan. The portion to the total plan assets was 40% and 39% as of March 31, 2020 and 2019, respectively.

Long-term expected rate of return on plan assets is determined based on the assumption of: (i) allocation of plan assets and (ii) long-term returns on such assets.

(h) Assumption used for the calculation of actuarial gains and losses

The assumption used for the calculation of actuarial gains and losses, on a basis of weighted average, is as follows:

	2020	2019
Discount rate	0.212 to 0.318%	0.192 to 0.355%
Long-term expected rate of return	2.5 to 3.3	2.5 to 3.2
Expected salary raise	3.2	3.2

22. Land Revaluation Excess

Pursuant to the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998), the Bank recorded the land owned by the Bank at the fair value and related unrealized gain, net of the applicable income tax effect, was reported as "Land revaluation excess" in net assets. The corresponding deferred tax liability amount was recorded as "Deferred tax liability for land revaluation."

Revaluation date: March 31, 2000

Revaluation method stated in Article 3, Section 3 of the Act on

Revaluation of Land:

The value of land is based on the official notice prices determined by the public notification of the Commissioner of the National Tax Administration and as provided for in the Land-holding Tax Act, as stipulated in Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Differences between the fair value and the carrying value were: ¥4,681 million (U.S.\$43,012 thousand) and ¥5,192 million as of March 31, 2020 and 2019, respectively.

23. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Valuation differences:			
Available-for-sale securities	¥26,449	¥44,830	\$243,030
Deferred tax liabilities	(7,848)	(13,367)	(72,112)
Non-controlling interests	(10)	(10)	(91)
Valuation differences on available-for-sale securities	¥18,590	¥31,452	\$170,816

24. Other Interest Income

Other interest income for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Interest on deposits	¥111	¥112	\$1,019
Others	137	201	1,258
Total	¥249	¥313	\$2,287

25. Fees and Commissions—Income

Fees and commission income for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Domestic and foreign exchange	¥1,723	¥1,742	\$15,832
Others	5,246	5,154	48,203
Total	¥6,970	¥6,896	\$64,044

26. Other Operating Income

Other operating income for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Gains on trading account securities transactions	¥ —	¥ 2	\$ —
Gains of sales and redemption of bonds	5,479	3,430	50,344
Gains on foreign exchange transactions	100	90	918
Others	4,887	4,550	44,904
Total	¥10,467	¥8,072	\$96,177

27. Other Income

Other income for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Recoveries of written off claims	¥ 0	¥ 0	\$ 0
Gains on sales of available-for-sale securities	2,685	2,898	24,671
Gains on money held in trust	35	42	321
Gains on disposal of fixed assets	4	10	36
Others	306	728	2,811
Total	¥3,032	¥3,679	\$27,859

28. Other Interest Expenses

Other interest expenses for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Interest on interest rate swaps	¥ —	¥ 6	\$ —
Others	154	259	1,415
Total	¥154	¥266	\$1,415

29. Fees and Commissions—Expenses

Fees and commissions expenses for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Domestic and foreign exchanges	¥ 271	¥ 274	\$ 2,490
Others	2,172	2,199	19,957
Total	¥2,443	¥2,473	\$22,447

30. Other Operating Expenses

Other operating expenses for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Losses on redemption of bonds	¥ 3,221	¥1,693	\$ 29,596
Losses on sales of bonds	4,002	2,765	36,772
Loss on trading account securities transactions	6	—	55
Others	4,301	4,246	39,520
Total	¥11,532	¥8,705	\$105,963

31. Other Expenses

Other expenses for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Provision of reserve for possible loan losses	¥1,458	¥ 670	\$13,397
Written off of loans	74	138	679
Losses on sales of available-for-sale securities	771	636	7,084
Losses on devaluation of available-for-sale securities	23	18	211
Losses on disposals of fixed assets	148	91	1,359
Impairment losses	540	170	4,961
Others	699	656	6,422
Total	¥3,716	¥2,382	\$34,144

32. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of the following fixed assets, included in "other expenses," for the years ended March 31, 2020 and 2019.

For the year ended March 31, 2020

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Branch Buildings	Land and Buildings; 12 places	¥469	\$4,309
	Idle Assets	Land; four places	5	45
Other	Branch Buildings	Land and Buildings; three places	64	588
Total			¥540	\$4,961
Components of impairment losses:				
Buildings			¥188	\$1,727
Land			351	3,225

For the year ended March 31, 2019

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Branch Buildings	Land and Buildings; five places	¥ 60
	Idle Assets	Land and Buildings; ten places	34
Other	Branch Buildings	Land and Buildings; two places	70
	Idle Assets	Buildings; one place	5
Total			¥170
Components of impairment losses:			
Buildings			¥135
Land			35

For the purpose of identifying impaired assets, the assets of each individual branch are grouped as a unit.

The recoverable values of such assets are measured as the higher of net realizable values or value in use. Net realizable values are determined by the appraisal value based on Japanese Real Estate Appraisal Standards (issued by the Ministry of Lands, Infrastructure and Transport) less estimated costs of disposal. Value in use is calculated by discounting the future cash flow by 2.2% and 2.6% as of March 31, 2020 and 2019, respectively.

33. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥(18,627)	¥ (895)	\$(171,156)
Recycling	246	(2,936)	2,260
Before tax effect adjustment	(18,380)	(3,832)	(168,887)
Tax effect	5,519	1,063	50,712
Valuation difference on available-for-sale securities	¥(12,861)	¥(2,769)	\$(118,175)
Deferred gains on hedges:			
Amount arising in the year	¥ —	¥ (77)	\$ —
Recycling	—	80	—
Before tax effect adjustment	—	2	—
Tax effect	—	(0)	—
Deferred gains on hedges	¥ —	¥ 1	\$ —
Remeasurements of defined benefit plans			
Amount arising in the year	¥ (2,056)	¥ (931)	\$(18,891)
Recycling	261	556	2,398
Before tax effect adjustment	(1,794)	(374)	(16,484)
Tax effect	547	114	5,026
Remeasurements of defined benefit plans	¥ (1,247)	¥ (260)	\$(11,458)
Total other comprehensive income	¥(14,108)	¥(3,027)	\$(129,633)

34. Financial Instruments

(a) Status

(1) Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") engage in banking as the mainstay of business, as well as other financial services such as leasing and guarantee. To execute these services, the Bank utilizes funds acquired primarily from deposits and applies funds mainly to extend loans and purchase securities. To ensure sound and appropriate banking operations without succumbing to the pursuit of excessive profit or risk aversion, the Bank conducts suitable risk management and seeks to maintain the right balance between profit and risk in fund-raising and application activities. The Bank also utilizes derivative transactions to hedge potential risks.

(2) Financial instruments and associated risks

Financial assets held by the Group are primarily loans and investment securities.

Loans are exposed to credit risk, which could lead to losses if the financial status of certain borrowers deteriorates, causing the asset value of collateral to decrease or disappear altogether.

Securities held by the Bank are mainly bonds, stocks, investment trusts, and investments in partnerships through capital contributions. The Bank holds these securities to secure profit, primarily from interest and dividends, for strategic purposes, such as business alliances, or as held-to-maturity bonds in consolidated subsidiaries. These securities are exposed to the credit risk of the respective issuers as well as market risk that could lead to losses caused by fluctuations, particularly in interest rates, exchange rates and market prices, that erode the value of held assets.

Financial liabilities held by the Bank and its consolidated subsidiaries are mainly deposits. Deposits are exposed to liquidity risk, which could lead to losses if an unexpected outflow of cash, for example, forces the Bank to acquire funds at significantly higher interest rates than usual (funding liquidity risk), or changes in the market environment force the Bank into transactions at prices that are more disadvantageous than usual (market liquidity risk).

The Bank engages in derivative transactions, including interest rate swaps, bond futures, forward exchange contracts and currency options. Interest rate swaps and bond futures serve to hedge against interest rate fluctuations affecting on-balance-sheet transactions. Forward exchange contracts and currency options serve to hedge foreign exchange fluctuations. (Please refer to Note 3. "Summary of Significant Accounting Policies, (p) Hedge accounting," regarding hedging instruments, hedged items, the Bank's accounting standards and qualifying method.)

Some transactions that do not meet hedge accounting criteria are exposed to interest rate risk and foreign exchange risk.

(3) Risk management for financial instruments

To ensure the quality and appropriateness of its banking operations, the Bank undertakes integrated risk management, a self-administered process whereby inherent risks are evaluated according to category, such as credit risk and market risk, and are viewed in total and compared against operating capacity, that is, net worth. Risk management for financial instruments also falls within the scope of this process.

Integrated risk management entails risk capital allocation by division and risk category within net worth on a yearly basis, monitoring risk volume, which is quantified using methods such as Value at Risk (VaR) and the status of allocated risk capital, and sufficient verification of business soundness and capital adequacy. In addition, corporate structures, such as the Board of Directors, are provided with regular updates on risk status and risk volume is kept when conditions require such action.

In setting caps on risk volume, the Bank considers profitability and efficiency, including a suitable assessment of risk and return, to underpin efforts that will enhance operations and results.

(i) Credit risk management

Through the application of a credit policy that outlines the Bank's basic lending policy and screening criteria, and a credit risk management standard outlining/detailing specific lending rules, the Bank has established an

administration policy for consolidated subsidiaries and strategic investments, in order to prevent excessive loan volume to a specific industry or group, with the aim of making risk management as accurate as possible.

In addition, the Bank maintains a credit rating system for corporate clients to quantify credit risks and is improving loan pricing. Furthermore, for loans and bills discounted, which account for the majority of credit risk, the Bank has separated the screening and administration division from the sales promotion division and set up a screening and administration system that is not influenced by the sales promotion division. Through a specialized screening and loan management and recovery structure, the Bank is able to ensure asset quality and improve asset value.

(ii) Market risk management

The Bank's risk volume control structure is supported by regular reports to the ALM Committee on interest rate risk volume associated with the Bank's assets and liabilities, and interest rate, exchange rate and stock price risk volume associated with market transactions.

In its market transactions, the Bank strives for the efficient application of funds and optimum risk and return, within the limits of allocated risk capital determined through integrated risk management and the predetermined annual capital budget. The Bank also maintains a structure with middle offices specializing in risk management that are independent of both front offices, which engage in market transactions, and back offices, which handle administrative tasks. This structure reinforces the system of mutual checks and balances and helps to prevent potential processing mistakes and unauthorized transactions, although these are very unlikely.

(iii) Liquidity risk management

The Bank maintains an appropriate financial position with regard to liquidity risk by continually improving the accuracy of the methods used to estimate and verify fund utilization and acquisition balances. In addition, the Bank strives to prevent liquidity risk through the assessment and analysis of conditions in financial markets and society at large that could affect cash flow. To respond quickly to fund-impacting situations that arise, the Bank has established classifications for cash flow conditions, ranging from "normal" to "cause for concern" and "critical," and procedures are in place for dealing with situations that fall into the "cause for concern" and "critical" categories.

(iv) Risk management relating to derivative transactions

To manage risks relating to interest rate swaps, the necessity of hedging transactions and the status of derivative transactions are continuously monitored at the ALM Committee. Bond futures are operated based on commitment lines and loss-cut rules as prescribed in the annual operation policy for securities, and the status of its operations is periodically monitored by the market risk management department. Regarding forward exchange contracts and currency options, it is vital to manage total balances including on-balance-sheet and off-balance-sheet transactions, in addition to the assessment of individual transactions.

(v) Quantitative information on market risk

For the Group, the key financial instruments influenced by interest rate risk, a major risk variable, are: loans, bonds classified as available-for-sales securities under investment securities, deposits, negotiable certificates of deposit, and interest rate swaps under derivative transactions. The Group uses the measure VaR to calculate changes in the economic value of these financial assets and financial liabilities, which facilitates quantitative analysis for controlling the risk of interest rate fluctuations.

To calculate the associated value impact of interest rate risk on revenues using VaR, the Group divides risk-prone financial assets and financial liabilities into fixed interest rate and floating interest rate groups, breaks down the balances into appropriate periods corresponding to respective interest due dates, and applies the variance-covariance method reflecting the correlation effect among risk factors (holding period: 40 days; confidence interval: 99%; observation period: 5 years) based on interest rate margins, the spread between lending and borrowing rates, for each period. As of March 31, 2020 and 2019, the Group's interest rate risk volume (estimated decrease in economic value) was ¥6,542 million (U.S.\$60,112 thousand) and

¥8,265 million, respectively.

Interest due dates on demand deposits subject to VaR measurement are sorted according to set periods, based on effective due dates estimated using internal models.

The Group also tests financial instruments with market value to compare actual losses at the end of the horizon period with model-derived VaR estimates, in an effort to verify that the measurement models used to identify interest rate risk are suitably accurate. However, VaR measures interest rate risk at a certain degree of probability statistically based on past market movements, so the technique may be unable to identify risk when market conditions are uncharacteristically volatile.

(4) Supplemental information relating to fair market values

Fair market values include prices at market as well as values reasonably estimated in cases where there is no available quoted market price. Certain assumptions are used for the calculation of such amounts. Accordingly, the result of such calculations may vary if different assumptions are used.

(b) Fair value of financial instruments

The amounts on the consolidated balance sheets, fair values and their differences as of March 31, 2020 and 2019 are shown below. The securities for which fair value is not reliably determined are excluded from the table.

As of March 31, 2020

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 619,613	¥ 619,613	¥ —	\$ 5,693,402	\$ 5,693,402	\$ —
(2) Call loans and bills bought	5,842	5,842	—	53,680	53,680	—
(3) Monetary claims bought	6,901	6,901	—	63,410	63,410	—
(4) Securities (*1)						
Held-to-maturity debt securities	599	603	3	5,503	5,540	27
Available-for-sale securities	688,054	688,054	—	6,322,282	6,322,282	—
(5) Loans and bills discounted	1,612,055			14,812,597		
Reserve for possible loan losses (*1)	(10,153)			(93,292)		
	1,601,901	1,626,409	24,508	14,719,296	14,944,491	225,195
Total assets	¥2,922,913	¥2,947,425	¥24,512	\$26,857,603	\$27,082,835	\$225,232
(1) Deposits	¥2,619,653	¥2,619,722	¥ 68	\$24,071,055	\$24,071,689	\$ 624
(2) Negotiable certificates of deposit	82,742	82,744	1	760,286	760,305	9
(3) Call money and bills sold	804	804	—	7,387	7,387	—
(4) Payables under securities lending transactions	50,674	50,674	—	465,625	465,625	—
(5) Borrowed money	80,082	80,082	—	735,844	735,844	—
Total liabilities	¥2,833,957	¥2,834,028	¥ 70	\$26,040,218	\$26,040,871	\$ 643
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ (1,489)	¥ (1,489)	¥ —	\$ (13,681)	\$ (13,681)	\$ —
Hedge accounting is applied	—	—	—	—	—	—
Total derivative transactions	¥ (1,489)	¥ (1,489)	¥ —	\$ (13,681)	\$ (13,681)	\$ —

*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

As of March 31, 2019

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 595,933	¥ 595,933	¥ —
(2) Call loans and bills bought	1,480	1,480	—
(3) Monetary claims bought	8,182	8,182	—
(4) Securities (*1)			
Held-to-maturity debt securities	599	610	11
Available-for-sale securities	663,731	663,731	—
(5) Loans and bills discounted	1,667,321		
Reserve for possible loan losses (*1)	(10,949)		
	1,656,371	1,682,137	25,765
Total assets	¥2,926,299	¥2,952,075	¥25,776
(1) Deposits	¥2,574,268	¥2,574,370	¥ 101
(2) Negotiable certificates of deposit	94,074	94,075	1
(3) Call money and bills sold	11,999	11,999	—
(4) Payables under securities lending transactions	45,913	45,913	—
(5) Borrowed money	83,799	83,799	—
Total liabilities	¥2,810,055	¥2,810,159	¥ 103
Derivative transactions (*2)			
For which:			
Hedge accounting is not applied	¥ (337)	¥ (337)	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ (337)	¥ (337)	¥ —

*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

Fair value measurement

Assets

(1) Cash and due from banks

The book values are deemed fair market value as the fair value approximates such carrying amounts.

(2) Call loans and bills bought

Book values of call loans and bills bought are deemed fair values as the majority of transactions have short contract terms (within three months) and the fair value approximates such carrying amounts.

(3) Monetary claims bought

The fair value of long-term trust beneficiary interest is determined based on the price quoted by the financial institutions. Regarding monetary claims bought other than the long-term trust beneficiary interest, book values are deemed fair values as the majority of such monetary claim are due within six months and the fair value approximates such carrying amounts.

(4) Securities

The fair value of equity securities is determined based on the price quoted by the relevant stock exchange and the fair value of bonds is determined based on the price quoted by the relevant stock exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

Privately placed bonds are categorized using an internal credit rating and maturity, and their fair value is calculated based on the future cash flows discounted by the market interest rate, after the deduction of credit risk equivalents. For privately placed bonds from potentially bankrupt borrowers, the fair value is deemed to be its carrying amount, net of a specific reserve.

Please refer to Note 7. "Securities" as to notes regarding securities by holding purpose.

(5) Loans and bills discounted

For loans and bills discounted with floating interest rates, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate loans and bills discounted.

Loans and bills discounted with fixed interest rates are categorized by nature, internal credit rating and maturity, and the present value is calculated based on the future cash flows, net of reserves for possible loan loss, discounted by the market interest rate.

Regarding loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors, possible loan losses are estimated based on the present value of estimated future cash flows or collectible amounts from collateral and guarantees. Thus, the book value is deemed as fair value since the fair value approximates the carrying value of loans.

Regarding loans and bills discounted which have no predetermined maturity since they are fully secured by collateral, their book values are deemed fair values as the fair values approximate such carrying amounts based on the repayment period and interest rate terms.

Liabilities

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

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the book value) is used as the fair value. For time deposits and negotiable certificates of deposit, the fair value is calculated based on the future cash flows discounted by the interest rate applied on new deposits, after each deposit is categorized by product and maturity.

(3) Call money and bills sold and (4) Payables under securities lending transactions

Book values are deemed fair market values as the majority of transactions have short contract terms (within three months) and their fair values approximate such carrying amounts.

(5) Borrowed money

For floating-rate borrowings, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period and there has been no significant change in creditworthiness of the Bank or its consolidated subsidiaries after execution of such borrowings.

The book values of fixed rate borrowings are used as their fair values as both the amounts on the consolidated balance sheets and the fair values are insignificant.

Derivative transactions

The Bank uses derivative transactions including (i) interest-related derivatives such as interest rate swaps, (ii) currency-related derivatives such as forward exchange contracts and currency options, and (iii) bond-related derivatives such as bond futures. The fair values are determined based on the market quotes at the relevant exchanges or the present values calculated by discounting cash flows or option price models.

The following securities of which market value is not calculable are excluded from "(b) Fair Value of Financial Instruments, (4) Available-for-sale securities" shown above.

Their book values as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Non-listed stocks (*1, *2)	¥1,777	¥1,850	\$16,328
Investment in partnerships (*3)	6,363	5,098	58,467
Others (*4)	62	35	569
Total	¥8,202	¥6,984	\$75,365

*1. Non-listed stocks are not included in the fair value information in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.

*2. The Bank recognizes impairment losses of ¥18 million (U.S.\$165 thousand) and ¥18 million, for the years ended March 31, 2020 and 2019, respectively.

*3. When assets held by partnerships consist of non-listed stocks whose fair value is not reliably determined, such investment in partnership is not included in the fair value information in the above table ((b) Fair Value of Financial Instruments).

*4. Other includes non-listed foreign stocks, and is not disclosed in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.

Redemption schedules for monetary claims and securities with maturity dates as of March 31, 2020 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥586,355	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	5,842	—	—	—	—	—
Monetary claims bought	6,787	—	—	—	—	113
Securities						
Securities held-to maturity	599	—	—	—	—	—
Japanese government bonds	599	—	—	—	—	—
Available-for-sale securities with maturity	105,274	148,955	72,744	43,021	123,846	105,335
Japanese government bonds	46,884	54,592	—	—	—	9,981
Local government bonds	—	10,094	9,503	1,512	84,167	76,293
Corporate bonds	44,870	80,210	36,297	18,077	2,047	1,500
Loans and bills discounted (*)	123,468	213,659	253,933	158,990	135,412	513,202
Total	¥828,328	¥362,614	¥326,677	¥202,012	¥259,258	¥618,650

(*) Loans and bills discounted in the above table excluded loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors in the total amount of ¥31,395 million (U.S.\$288,477 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥181,993 million (U.S.\$1,672,268 thousand).

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$5,387,806	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	53,680	—	—	—	—	—
Monetary claims bought	62,363	—	—	—	—	1,038
Securities						
Securities held-to maturity	5,503	—	—	—	—	—
Japanese government bonds	5,503	—	—	—	—	—
Available-for-sale securities with maturity	967,325	1,368,694	668,418	395,304	1,137,976	967,885
Japanese government bonds	430,800	501,626	—	—	—	91,711
Local government bonds	—	92,750	87,319	13,893	773,380	701,029
Corporate bonds	412,294	737,021	333,520	166,103	18,809	13,782
Loans and bills discounted (*)	1,134,503	1,963,236	2,333,299	1,460,902	1,244,252	4,715,629
Total	\$7,611,210	\$3,331,930	\$3,001,718	\$1,856,216	\$2,382,229	\$5,684,553

Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2020 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	¥2,467,315	¥26,911	¥ 5,958	¥ —	¥ —	¥ —
Negotiable certificates of deposit	82,742	—	—	—	—	—
Call money and bills sold	804	—	—	—	—	—
Payables under securities lending transactions	50,674	—	—	—	—	—
Borrowed money	16,973	44,255	18,660	130	61	—
Total	¥2,618,510	¥71,167	¥24,619	¥130	¥ 61	¥ —

(*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥119,468 million (U.S.\$1,097,748 thousand) were not included in the above table.

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	\$22,671,276	\$247,275	\$ 54,745	\$ —	\$ —	\$ —
Negotiable certificates of deposit	760,286	—	—	—	—	—
Call money and bills sold	7,387	—	—	—	—	—
Payables under securities lending transactions	465,625	—	—	—	—	—
Borrowed money	155,958	406,643	171,460	1,194	560	—
Total	\$24,060,553	\$653,928	\$226,215	\$1,194	\$560	\$ —

35. Derivative Financial Instruments Transaction

Derivative transactions to which hedge accounting is not applied

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2020 and 2019 were summarized below.

(1) Foreign exchange related transactions (over the counter)

As of March 31	Millions of yen			
	2020			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	¥7,139	¥3,482	¥ 8	¥ 8
Forward exchange contracts:				
Sold	1,066	—	2	2
Bought	945	—	1	1
Currency options:				
Sold	1,106	—	(9)	(3)
Bought	1,106	—	9	5
Total			¥11	¥14

Changes in fair value of the above derivatives are recognized as income or loss. Fair value of over the counter derivative is determined by discounted present value or option price model.

As of March 31	Millions of yen			
	2019			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	¥8,168	¥5,682	¥10	¥10
Forward exchange contracts:				
Sold	205	—	(0)	(0)
Bought	180	—	0	0
Currency options:				
Sold	1,534	—	(15)	(5)
Bought	1,534	—	15	7
Total			¥10	¥12

As of March 31	Thousands of U.S. dollars (Note 1)			
	2020			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	\$65,597	\$31,994	\$ 73	\$ 73
Forward exchange contracts:				
Sold	9,795	—	18	18
Bought	8,683	—	9	9
Currency options:				
Sold	10,162	—	(82)	(27)
Bought	10,162	—	82	45
Total			\$101	\$128

(2) Bond futures related transactions (listed)

As of March 31	Millions of yen			
	2020			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥50,000	¥ —	¥1,100	¥1,100
Bought	30,000	—	377	377
Total			¥1,477	¥1,477

The above derivatives are valued at the closing market price and changes in fair values are recognized as income or loss.

As of March 31	Millions of yen			
	2019			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥55,000	¥ —	¥(348)	¥(348)
Total			¥(348)	¥(348)

As of March 31	Thousands of U.S. dollars (Note 1)			
	2020			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	\$459,432	\$ —	\$10,107	\$10,107
Bought	275,659	—	3,464	3,464
Total			\$13,571	\$13,571

Derivative transactions to which hedge accounting is applied
No transaction to report as of March 31, 2020 and 2019.

36. Capital Stock

The number of the Bank's authorized shares was 68,745,500 as of March 31, 2020 and 2019.

The number of shares in issue was 18,093,643 as of March 31, 2020 and 2019.

The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan and executive compensation BIP trust was 141,090 and 143,074 as of March 31, 2020 and 2019, respectively.

37. Stock Option Rights

Expenses on stock option plan

Expenses on stock option plan included in general and administrative expenses amounted to ¥14 million for the year ended March 31, 2019.

From the year ended March 31, 2020, the Bank has introduced a performance-linked stock compensation plan using the executive compensation BIP trust.

Consequently, the conventional stock compensation-type stock options have been abolished.

The performance-linked stock compensation plan is described in "5. Additional Information (b) Introduction of Performance-linked Stock Compensation Plan."

38. Retained Earnings

Japanese banks, including the Bank, are required to comply with the Banking Act. In accordance with the Companies Act ("the Act"), the Bank has provided a legal reserve which is included in retained earnings. The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated as a legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the common stock account. The Act also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the stockholders either as a return of capital or as dividends subject to the approval of the stockholders.

The maximum amount which the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Act.

39. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
	Cash and due from banks	¥619,613	¥595,933
Due from banks without interest	(721)	(262)	(6,625)
Ordinary due from banks	(845)	(898)	(7,764)
Time deposits with banks	(5,000)	(5,000)	(45,943)
Others	(367)	(350)	(3,372)
Cash and cash equivalents	¥612,679	¥589,422	\$5,629,688

40. Segment Information

(a) Outline of reportable segment

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

The Group offers total financial services mainly through operating branches with a philosophy that seeks to contribute to regional prosperity. Reportable segments are composed of banking business, leasing business and other businesses including consulting business, guarantee business and credit card business.

(b) Basis of measurement for the amount of ordinary income, segment profit, assets and other items by reporting segment

Accounting procedures applied to operating segments are consistent to those applied to the preparation of consolidated financial statements. Ordinary income from inter-segment transactions is measured on the assumption of arm's length transaction.

(c) Ordinary income, segment profit, assets and other items by reportable segment for the years ended March 31, 2020 and 2019

Year ended March 31, 2020	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 40,948	¥ 4,619	¥ 877	¥ 46,445	¥ (57)	¥ 46,388
Inter-segment	392	176	554	1,124	(1,124)	—
Total	¥ 41,341	¥ 4,796	¥ 1,431	¥ 47,569	¥ (1,181)	¥ 46,388
Segment profit	¥ 4,948	¥ 118	¥ 508	¥ 5,575	¥ (349)	¥ 5,225
Segment assets	3,025,003	14,200	11,191	3,050,394	(19,607)	3,030,786
Segment liabilities	2,864,353	9,516	3,669	2,877,539	(12,583)	2,864,956
Other items:						
Depreciation and amortization	¥ 1,947	¥ 3	¥ 8	¥ 1,959	¥ —	¥ 1,959
Interest income	26,187	33	90	26,311	(388)	25,922
Interest expenses	753	47	0	801	(37)	763
Extraordinary income	4	0	—	4	—	4
Extraordinary losses	689	0	—	689	—	689
(Of which, Impairment losses)	540	—	—	540	—	540
Income taxes	1,213	31	155	1,401	0	1,401
Increase in premises & equipment and intangibles	1,705	0	20	1,726	0	1,726

Year ended March 31, 2019	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 39,727	¥ 4,602	¥ 917	¥ 45,246	¥ (83)	¥ 45,163
Inter-segment	479	152	596	1,228	(1,228)	—
Total	¥ 40,206	¥ 4,754	¥ 1,513	¥ 46,474	¥ (1,311)	¥ 45,163
Segment profit	¥ 6,045	¥ 162	¥ 531	¥ 6,738	¥ (425)	¥ 6,313
Segment assets	3,017,952	13,311	11,063	3,042,326	(17,711)	3,024,615
Segment liabilities	2,845,907	8,689	3,558	2,858,155	(11,933)	2,846,221
Other items:						
Depreciation and amortization	¥ 1,689	¥ 7	¥ 6	¥ 1,704	¥ —	¥ 1,704
Interest income	26,889	7	87	26,983	(459)	26,524
Interest expenses	1,468	46	0	1,515	(35)	1,480
Extraordinary income	10	—	—	10	—	10
Extraordinary losses	262	0	0	262	—	262
(Of which, Impairment losses)	170	—	—	170	—	170
Income taxes	1,690	51	162	1,904	(0)	1,904
Increase in premises & equipment and intangibles	2,754	(2)	(1)	2,751	1	2,753

Year ended March 31, 2020	Thousands of U.S. dollars (Note 1)					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	\$ 376,256	\$ 42,442	\$ 8,058	\$ 426,766	\$ (523)	\$ 426,242
Inter-segment	3,601	1,617	5,090	10,328	(10,328)	—
Total	\$ 379,867	\$ 44,068	\$ 13,148	\$ 437,094	\$ (10,851)	\$ 426,242
Segment profit	\$ 45,465	\$ 1,084	\$ 4,667	\$ 51,226	\$ (3,206)	\$ 48,010
Segment assets	27,795,672	130,478	102,830	28,028,980	(180,161)	27,848,810
Segment liabilities	26,319,516	87,439	33,713	26,440,678	(115,620)	26,325,057
Other items:						
Depreciation and amortization	\$ 17,890	\$ 27	\$ 73	\$ 18,000	\$ —	\$ 18,000
Interest income	240,622	303	826	241,762	(3,565)	238,187
Interest expenses	6,919	431	0	7,360	(339)	7,010
Extraordinary income	36	0	—	36	—	36
Extraordinary losses	6,330	0	—	6,330	—	6,330
(Of which, Impairment losses)	4,961	—	—	4,961	—	4,961
Income taxes	11,145	284	1,424	12,873	0	12,873
Increase in premises & equipment and intangibles	15,666	0	183	15,859	0	15,859

41. Related Party Transactions

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

Related party	Category/Business	Account	Amounts of transaction			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
			2020	2019	2020	2020	2019	2020
Yoshiyuki Tsuji	Director of the Bank	Loan	¥ —	¥ —	\$ —	28	31	\$ 257
Kiichiro Nishimura (*1)	Director of the Bank	Loan	7	3	64	23	17	211
Yukihiko Nishimura (*2)	President and Representative Director of YAMANI Co., Ltd.	Loan	—	—	—	42	43	385
IYATAKA GROUP (*3)	Wedding halls	Loan	130	—	1,194	627	553	5,761
		Lease transaction	10	15	91	13	21	119
Produce Pro Inc. (*4)	Advertising	Loan	1	23	9	20	21	183

The conditions of the above transactions were the same as arm's length transactions.

*1. Mr. Kiichiro Nishimura retired from the position of director of the Bank on June 26, 2019. The balance as of March 31, 2020 is the balance as of the same date.

*2. Regarding Mr. Yukihiko Nishimura, his close relatives retired from the position of director of the Bank on June 26, 2019. The balance as of March 31, 2020 is the balance as of the same date.

*3. Mr. Masashi Kitajima and his family own 58.2% and 59.2% of voting rights of IYATAKA GROUP as of March 31, 2020 and 2019, respectively.

*4. Mr. Masashi Kitajima and his family own 100.0% of voting rights of Produce Pro Inc. as of March 31, 2020 and 2019.

42. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2020 and 2019 were as follows:

	Yen		U.S. dollars (Note 1)
	2020	2019	2020
Net assets per share	¥9,245.80	¥9,897.33	\$84.95
Net income per share	174.78	230.77	1.60
Diluted net income per share	—	230.41	—

Note: Diluted net income per share for the year ended March 31, 2020 is not presented because there are no dilutive shares.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income attributable to owners of parent	¥ 3,128	¥4,142	\$28,742
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stock owners of parent	3,128	4,142	28,742
Average number of common stock (thousand shares)	17,897	17,951	

Note: The Bank's shares held by the executive compensation BIP trust, which are recorded as treasury stock in stockholders' equity, are included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of net income per share. The average number of treasury stock during the period, which was deducted in the calculation of net income per share, was 54 thousand shares in the year ended March 31, 2020. This is not applicable for the year ended March 31, 2019.

43. Subsequent Events

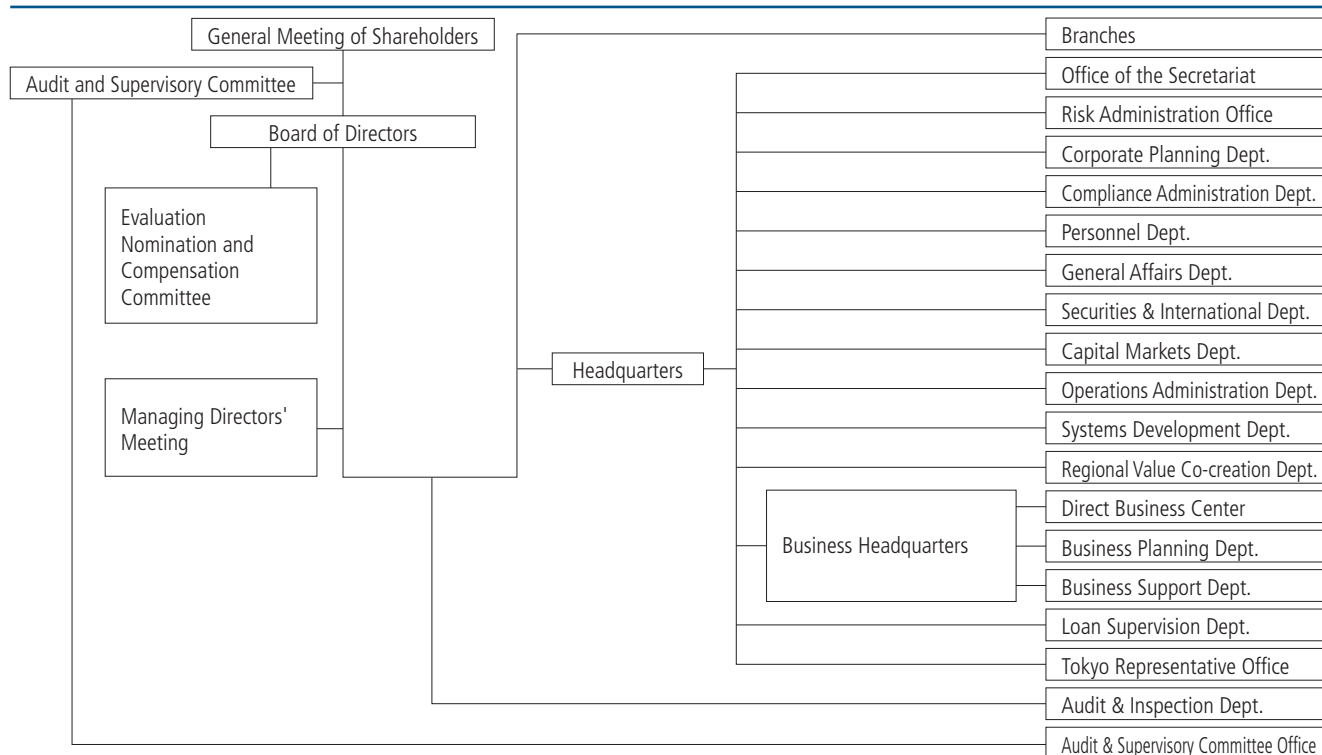
None to report.

Corporate Information

Corporate Data (As of March 31, 2020)

Corporate Name	The Akita Bank, Ltd.
Head Office	2-1, Sanno 3-Chome, Akita-shi, Akita 010-8655, Japan
Date of Establishment	January, 1879
Number of Shares Issued and Outstanding	18,093 thousand shares
Number of Employees (including executive officers who do not concurrently serve as directors)	1,350
Number of Branches	98
Paid-in Capital	¥14.1 billion

Organization (As of June 25, 2020)



Directors, Audit and Supervisory Committee Members & Executive Officers (As of June 25, 2020)

President and Representative Director Akihiro Araya	Directors, Audit and Supervisory Committee Member Masahiko Sato
Director and Senior Managing Executive officer Toshiyuki Sasaki	Outside Directors, Audit and Supervisory Committee Members Masahiro Morohashi Kenichi Kobayashi Kyoko Omoteyama
Directors and Managing Executive officers Naoki Handa Masato Tsuchiya Tsuayoshi Minakawa	Executive Officers Reisei Shindo Satoru Nakayama Jyushin Kudo Tatsuo Kanazawa Arata Tateoka Tetsuya Hayashiguchi Susumu Shindo Hideaki Hosaka
Directors and Executive Officers Chikara Miura Hiroyoshi Miura Kosuke Ashida	
Outside Directors Yoshiyuki Tsuji Junichi Sakaki Naofumi Nakata	

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The Akita Bank, Ltd.