

Consolidated Balance Sheets
The Kiyo Bank, Ltd. and its consolidated 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 (Notes 3 and 22)	¥ 507,968	¥ 568,124	\$ 4,667,536
Monetary claims bought (Note 4)	688	799	6,321
Trading account securities (Note 4)	45	36	413
Securities (Notes 4, 7, 11, 22 and 23)	1,056,793	967,308	9,710,493
Loans and bills discounted (Notes 5, 21, 22, 23 and 25)	3,072,120	2,959,342	28,228,613
Foreign exchanges	3,726	2,798	34,236
Other assets (Note 7)	48,796	44,838	448,369
Tangible fixed assets (Note 6)	34,678	34,471	318,643
Intangible fixed assets	3,386	3,300	31,112
Net defined benefit asset (Note 10)	13,510	17,877	124,138
Deferred tax assets (Note 18)	597	647	5,485
Customers' liabilities for acceptances and guarantees (Note 11)	8,845	9,509	81,273
Reserve for possible loan losses	(22,991)	(23,713)	(211,256)
Total assets	¥ 4,728,166	¥ 4,585,341	\$ 43,445,428
Liabilities:			
Deposits (Notes 7, 8 and 22)	¥ 4,037,503	¥ 3,989,131	\$ 37,099,173
Payables under securities lending transactions (Notes 7 and 22)	161,505	82,004	1,484,011
Borrowed money (Notes 7, 9 and 22)	249,051	229,466	2,288,440
Foreign exchanges	217	194	1,993
Other liabilities	48,012	30,310	441,165
Net defined benefit liability (Note 10)	28	25	257
Reserve for directors' retirement benefits	30	30	275
Reserve for reimbursement of deposits	791	1,042	7,268
Provision for contingent losses	408	436	3,748
Deferred tax liabilities (Note 18)	1,515	9,221	13,920
Acceptances and guarantees (Note 11)	8,845	9,509	81,273
Total liabilities	4,507,910	4,351,372	41,421,574
Net assets (Notes 12 and 13):			
Common stock	80,096	80,096	735,973
Capital surplus	3,074	3,075	28,245
Retained earnings	130,571	119,264	1,199,770
Treasury stock	(3,983)	(3,434)	(36,598)
Total shareholders' equity	209,759	199,001	1,927,400
Net unrealized gains (losses) on available-for-sale securities (Note 4)	6,299	26,830	57,879
Net deferred gains (losses) on hedging instruments	(7)	(552)	(64)
Remeasurements of defined benefit plans	1,510	6,094	13,874
Total accumulated other comprehensive income	7,802	32,371	71,689
Subscription rights to shares (Notes 13 and 14)	130	106	1,194
Non-controlling interests	2,564	2,487	23,559
Total net assets	220,256	233,968	2,023,853
Total liabilities and net assets	¥ 4,728,166	¥ 4,585,341	\$ 43,445,428

See accompanying notes.

Consolidated Income Statements
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income			
Interest income:			
Interest on loans and bills discounted	¥ 33,076	¥ 32,509	\$ 303,923
Interest and dividends on securities	14,882	12,475	136,745
Other interest income	394	417	3,620
Fees and commissions	14,535	13,445	133,556
Other operating income	16,764	7,843	154,038
Other income (Note 15)	7,201	7,674	66,167
Total income	86,854	74,366	798,070
Expenses			
Interest expenses:			
Interest on deposits	642	863	5,899
Interest on payables under securities lending transactions	2,884	658	26,500
Interest on borrowings	11	66	101
Other interest expenses	329	410	3,023
Fees and commissions payments	4,825	4,559	44,335
Other operating expenses	15,316	8,420	140,733
General and administrative expenses (Note 16)	34,974	35,787	321,363
Provision for possible loan losses	244	463	2,242
Other expenses (Note 17)	7,411	5,264	68,097
Total expenses	66,639	56,493	612,321
Profit before income taxes	20,214	17,873	185,739
Income taxes (Note 18):			
Current	5,298	4,540	48,681
Deferred	1,113	1,585	10,226
Total income taxes	6,412	6,125	58,917
Profit	13,802	11,747	126,821
Profit attributable to non-controlling interests	82	127	753
Profit attributable to owners of parent	¥ 13,719	¥ 11,620	\$ 126,058
	Yen		U.S. dollars
Per share of common stock:			
Basic earnings per share (Note 20)	¥ 201.73	¥ 168.80	\$ 1.85
Diluted earnings per share (Note 20)	201.49	168.64	1.85
Dividends (Note 13)	35.00	35.00	0.32

See accompanying notes.

Consolidated Statements of Comprehensive Income
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 13,802	¥ 11,747	\$ 126,821
Other comprehensive income (loss) (Note 19):			
Net unrealized gains (losses) on available-for-sale securities	(20,533)	(2,426)	(188,670)
Net deferred gains (losses) on hedging instruments	544	(519)	4,998
Remeasurements of defined benefit plans	(4,584)	594	(42,120)
<u>Total other comprehensive income (loss)</u>	<u>(24,573)</u>	<u>(2,351)</u>	<u>(225,792)</u>
<u>Comprehensive income (loss)</u>	<u>¥ (10,770)</u>	<u>¥ 9,395</u>	<u>\$ (98,961)</u>
<u>Total comprehensive income (loss) attributable to:</u>	<u>¥ (10,770)</u>	<u>¥ 9,395</u>	<u>\$ (98,961)</u>
Comprehensive income (loss) attributable to owners of parent	(10,850)	9,225	(99,696)
Comprehensive income attributable to non-controlling interests	79	170	725

See accompanying notes.

		Millions of yen									
		Shareholders' equity					Accumulated other comprehensive income				
Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
¥80,096	¥2,310	¥110,074	¥(1,521)	¥190,960	¥29,300	¥(33)	¥5,500	¥34,767	¥81	¥3,483	¥229,292
-	-	(2,431)	-	(2,431)	-	-	-	-	-	-	(2,431)
-	-	11,620	-	11,620	-	-	-	-	-	-	11,620
-	(1)	(2,103)	-	(2,103)	-	-	-	-	-	-	(2,103)
-	(1)	188	-	188	-	-	-	-	-	-	188
-	766	-	-	766	-	-	-	-	-	-	766
-	-	-	-	-	(2,469)	(519)	594	(2,395)	25	(996)	(3,365)
-	764	9,189	(1,913)	8,040	(2,469)	(519)	594	(2,395)	25	(996)	4,675
80,096	3,075	119,264	(3,434)	199,001	26,830	(552)	6,094	32,371	106	2,487	233,968
80,096	3,075	119,264	(3,434)	199,001	26,830	(652)	6,094	32,371	106	2,487	233,968
-	-	(2,412)	-	(2,412)	-	-	-	-	-	-	(2,412)
-	-	13,719	(1,003)	13,719	-	-	-	-	-	-	13,719
-	(1)	-	454	(1,003)	-	-	-	-	-	-	(1,003)
-	-	-	-	454	-	-	-	-	-	-	454
-	(1)	-	-	(1,003)	(20,530)	544	(4,584)	(24,569)	23	77	(24,469)
-	(1)	11,307	(649)	10,757	(20,530)	544	(4,584)	(24,569)	23	77	(13,712)
80,096	3,074	130,571	(3,933)	209,769	6,299	(7)	1,510	7,802	130	2,564	220,256

Thousands of U.S. dollars (Note 1)

		Thousands of U.S. dollars (Note 1)									
		Shareholders' equity					Accumulated other comprehensive income				
Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
\$ 735,973	\$ 28,265	\$ 1,095,874	\$ (31,553)	\$ 1,825,549	\$ 246,531	\$ (5,072)	\$ 55,995	\$ 297,445	\$ 973	\$ 23,852	\$ 2,149,843
-	-	(2,163)	-	(2,163)	-	-	-	-	-	-	(2,163)
-	-	126,058	-	126,058	-	-	-	-	-	-	126,058
-	(9)	(9,216)	-	(9,216)	-	-	-	-	-	-	(9,216)
-	(9)	4,171	-	4,171	-	-	-	-	-	-	4,171
-	-	-	-	-	(188,642)	4,998	(42,120)	(295,755)	211	707	(294,836)
-	(9)	103,895	(6,044)	98,842	(188,642)	4,998	(42,120)	(295,755)	211	707	(126,994)
\$ 735,973	\$ 25,245	\$ 1,199,770	\$ (36,598)	\$ 1,927,400	\$ 57,879	\$ (64)	\$ 13,874	\$ 71,689	\$ 1,194	\$ 23,559	\$ 2,023,853

See accompanying notes.

Consolidated Statements of Cash Flows
The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 20,214	¥ 17,873	\$ 185,739
Depreciation	2,905	3,398	26,693
Impairment loss on fixed assets	1,513	159	13,902
Increase (decrease) in reserve for possible loan losses	(721)	(855)	(6,625)
(Increase) decrease in net defined benefit asset	(2,219)	(2,493)	(20,389)
Increase (decrease) in net defined benefit liability	2	4	18
Increase (decrease) in reserve for reimbursement of deposits	(250)	(96)	(2,297)
Increase (decrease) in provision for contingent losses	(27)	(7)	(248)
Interest income	(48,353)	(45,402)	(444,298)
Interest expenses	3,867	1,998	35,532
(Gains) losses on securities transactions	(1,417)	(2,315)	(13,020)
(Gains) losses on foreign exchange transactions	4,458	(4,112)	40,962
(Gains) losses on sales and disposal of fixed assets	(41)	126	(376)
Net (increase) decrease in trading account securities	(9)	53	(82)
Net (increase) decrease in loans and bills discounted	(112,778)	(90,562)	(1,036,276)
Net increase (decrease) in deposits	48,372	47,309	444,473
Net increase (decrease) in borrowed money (excluding subordinated loans)	24,585	(33,115)	225,902
Net (increase) decrease in call loans	111	-	1,019
Net increase (decrease) in call money	-	(17,520)	-
Net increase (decrease) in payables under securities lending transactions	79,500	(77,272)	730,497
Net (increase) decrease in foreign exchange assets	(927)	1,183	(8,517)
Net increase (decrease) in foreign exchange liabilities	22	165	202
Interest received	45,719	42,409	420,095
Interest paid	(3,977)	(2,359)	(36,543)
Other, net	9,063	(19,581)	83,276
Subtotal	69,612	(181,014)	639,639
Income taxes paid	(4,854)	(5,162)	(44,601)
Net cash provided by (used in) operating activities	64,758	(186,177)	595,038
Cash flows from investing activities:			
Purchases of securities	(770,905)	(340,054)	(7,083,570)
Proceeds from sales of securities	520,337	333,067	4,781,190
Redemption of securities	138,765	156,877	1,275,062
Purchases of tangible fixed assets	(3,691)	(1,319)	(33,915)
Proceeds from sales of tangible fixed assets	269	40	2,471
Purchases of intangible fixed assets	(1,473)	(710)	(13,534)
Other, net	(96)	(88)	(882)
Net cash provided by (used in) investing activities	(116,793)	147,812	(1,073,169)
Cash flows from financing activities:			
Repayment of subordinated loans	(5,000)	-	(45,943)
Redemption of subordinated bonds	-	(10,000)	-
Purchase of treasury stock	(1,003)	(2,103)	(9,216)
Proceeds from sales of treasury stock	453	188	4,162
Payment of cash dividends	(2,412)	(2,431)	(22,163)
Payment of cash dividends to non-controlling shareholders	(2)	(4)	(18)
Purchase of shares of a subsidiary not resulting in change in scope of consolidation	-	(419)	-
Other, net	(138)	(117)	(1,268)
Net cash provided by (used in) financing activities	(8,102)	(14,888)	(74,446)
Foreign currency translation adjustments of cash and cash equivalents	(17)	6	(156)
Net increase (decrease) in cash and cash equivalents	(60,156)	(53,246)	(552,751)
Cash and cash equivalents at the beginning of year	568,124	621,370	5,220,288
Cash and cash equivalents at the end of year (Note 3)	¥ 507,968	¥ 568,124	\$ 4,667,536

See accompanying notes.

Notes to Consolidated Financial Statements

The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

1. Basis of presenting consolidated financial statements

The Kiyo Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (the “Group”) maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Banking Law, in general conformity with the Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made in order to present them in a form which is more familiar to readers outside Japan.

Amounts of less than one million yen have been rounded down. As a result, the totals shown in the financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to US \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation — The consolidated financial statements include the accounts of the Bank and six subsidiaries for the years ended March 31, 2020 and 2019. All significant intercompany transactions and unrealized profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

(Unconsolidated company)

There are two unconsolidated companies at March 31, 2020 and 2019. These companies are excluded from the scope of consolidation because the results of the company’s operations have no material effect on the consolidated financial position and operating results of the Group in terms of total assets, net income (corresponding to the share), retained earnings (corresponding to the share) and accumulated other comprehensive income (corresponding to the share). These companies are not accounted for by the equity method.

(Affiliate)

There is one company (SHOKU EN Co., Ltd.), of which the Bank owns the voting rights between 20% and 50% but which is not recognized as an affiliate, because it is held by unconsolidated subsidiary, which is engaged in investment business, for the purpose of incubating its investee, not for the purpose of controlling the company.

The fiscal closing date of all the consolidated subsidiaries is March 31.

(b) Trading account securities — Trading account securities are stated at fair market value. Gains and losses realized on the sale of such securities and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such securities are computed using the moving average cost.

(c) Securities — The Bank and its consolidated subsidiaries classify securities as (1) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (2) equity securities issued by subsidiaries and affiliated companies and (3) all other securities that are not classified in any of the above categories (“available-for-sale securities”).

Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. In principle, available-for-sale securities are stated at fair value based on the market price as of the fiscal closing date. Available-for-sale securities for which it is extremely difficult to determine the fair value are stated at acquisition cost determined by the moving average method.

Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using the moving average cost.

(d) Derivatives and hedge accounting — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses and gains on the hedged items are recognized.

The following hedge accounting is applied to derivatives:

(Interest rate risk hedge)

To hedge interest rate fluctuation risk arising from debt securities of the Bank, the Bank applies the deferral method. Assessment of hedge effectiveness is omitted since the deferral method is expected to be a highly effective hedge method.

(Foreign exchange fluctuation risk hedge)

To hedge foreign exchange fluctuation risk arising from foreign currency denominated assets and liabilities of the Bank, the Bank applies the deferral method in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Hedge effectiveness is assessed by ensuring the existence of the corresponding foreign currency positions as hedging instruments, such as currency swaps and foreign exchange swaps conducted to mitigate foreign currency exchange fluctuation risk arising from foreign currency denominated monetary receivables and payables, equivalent to foreign currency denominated monetary receivables and payables as hedged items.

(e) Depreciation and amortization

(Tangible fixed assets (excluding lease assets))

Depreciation of tangible fixed assets held by the Bank is generally computed by the declining balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The useful life of tangible fixed assets ranges from 8 to 50 years for buildings and 5 to 20 years for equipment. Tangible fixed assets held by the consolidated subsidiaries are mainly depreciated using the declining balance method based on the estimated useful life of the asset.

(Intangible fixed assets (excluding lease assets))

Intangible fixed assets are amortized by the straight-line method. Software developed or obtained for internal use is amortized by the straight-line method over an estimated useful life of 5 years.

(Lease assets)

Depreciation and amortization of lease assets, including both "Tangible fixed assets" and "Intangible fixed assets," under leasing transactions that are not deemed to transfer ownership of the leased property to the lessee are computed by the straight-line method over the lease period with a residual value of zero.

(f) Reserve for possible loan losses — Based on its own rules for self-assessment, the Bank makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to any underlying collateral or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer's overall financial condition. For other loans, the reserve for possible loan losses is provided principally based on the estimated losses for the coming one year or three years. The estimated losses are computed using the loss ratio based on the average loan loss ratio for the past definite period based on the actual losses for the past one or three years, with necessary adjustments such as future projections.

All loans are subject to asset assessment by the business related divisions based on the self-assessment standards for assets. The assessment results are audited by the Asset Audit Department independent from the divisions concerned. Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on the rate of losses in the past and for certain doubtful claims in the amount deemed uncollectible based on assessments of the respective claims. For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," in principle, the amount exceeding the estimated value of collateral and guarantees deemed uncollectible is deducted directly from those claims. At March 31, 2020 and 2019, the deducted amounts were ¥14,383 million

(\$132,160 thousand) and ¥16,117 million, respectively.

(g) Accrued directors' retirement benefits — On June 29, 2004, the Bank abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision has been made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations when the previous system was abolished.

(h) Reserve for reimbursement of deposits — Provision is made for future losses from claims on dormant accounts based on historical refund records.

(i) Provision for contingent losses — Provision is made for payment on loan-loss burden sharing to credit guarantee corporations in an amount estimated to be paid in the future.

(j) Accounting for employees' severance and retirement benefits — In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods on a benefit formula basis.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated by the straight-line method over 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated.

In calculating the net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries have adopted a simplified method in which the amount required to be paid if all the employees retired voluntarily at the fiscal year end is regarded as retirement benefit obligations.

(k) Foreign currency translation — Receivables and payables in foreign currencies of the Bank and its consolidated subsidiaries are translated into Japanese yen at the year-end rates.

(l) Income taxes — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset-liability approach based on carryforward loss and the temporary differences between the financial statement bases and tax bases of assets and liabilities.

(m) Finance leases — As lessor, revenues and costs of finance leases are recognized when lease payments are made. For finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008, the theoretical value of the assets (after deduction of accumulated depreciation expenses) as of the previous term-end is used to determine the balance sheet amounts of lease investment assets as of April 1, 2008 in accordance with stipulations stated in the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, issued on March 30, 2007).

(n) Statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

(o) Earnings per share — Basic earnings per share is computed by deducting dividends for preferred stock from profit attributable to owners of parent and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period. Diluted earnings per share reflect the potential dilution that could occur if preferred stock were converted into common stock.

(p) New accounting standards not yet adopted

The following standard and guidance were issued, but not yet adopted.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 31, 2020)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

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

(3) Effects of the application of the standards

The Bank and its consolidated subsidiaries are currently in the process of determining the effects of the new standard and guidance on the consolidated financial statements.

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

(1) Overview

In order to enhance the comparability with the international accounting standards, the “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively “Fair Value Accounting Standards, etc.”) have been developed and guidance on fair value measurement has been provided. Fair Value Accounting Standards, etc. will be applied to the fair value of the following items:

- Financial instruments defined in “Accounting Standard for Financial Instruments”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised and notes on the breakdowns by level of the fair value of financial instruments were provided.

(2) Effective date

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

(3) Effects of the application of the standards

The Bank and its consolidated subsidiaries are currently in the process of determining the effects of the new standard and guidance on the consolidated financial statements.

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

(1) Overview

The standard intends to present the outline of accounting principles and procedures adopted when the relevant accounting standards are not clear.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

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

(1) Overview

The standard intends to disclose information that will help readers of the financial statements understand the contents of accounting estimates on the items that will possibly have significant impacts on the financial statements for the following fiscal year among of the amounts based on accounting estimates recorded in the financial statements for the current fiscal year.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

(q) Additional information

(Issuance of Treasury Stock to the Employees through the Trust)

The Bank has introduced “Trust-Type Employee Stock Incentive Plan” to fulfill welfare program for the Group employees and to improve business performances by granting incentives to the Group employees toward enhancement of medium and long-term corporate value and enhancing the employees’ awareness of participation in management.

(1) Overview of transactions

The Plan is an incentive plan for all the employees that participate in either “Kiyō Financial Group Employee Stock Ownership Association” or “Kiyō Information System Employee Stock Ownership Association” (collectively “both Associations”).

The Bank has established “Kiyō Financial Group Employee Stock Ownership Association Trust” (hereinafter referred to as the “Trust”). The Trust will acquire in advance the Bank’s shares approximate to the number of shares both Associations may acquire over three and a half years after its inception. Subsequently, the Bank’s shares will be regularly transferred from the Trust to both Associations at market value. When the amounts corresponding to gains on sales of shares are accumulated within the Trust at the termination of the Trust, such amounts will be distributed to the qualified employees who satisfy the requirements as a beneficiary.

In addition, the Bank will assume the obligation to pay for the remaining loan balances pursuant to the guarantee agreement since the Bank guarantees the loans for the Trust in purchasing the Bank’s shares. As such, when the amounts corresponding to losses on sales of shares due to decline in the Bank’s share value are accumulated in the Trust and such loan balances are remaining within the Trust upon termination of the Trust, the Bank will repay the remaining balance.

(2) The Bank’s shares remaining in the Trust

The Bank’s shares remaining in the Trust were recorded as “Treasury stock” under “Net assets” at the carrying amount (excluding incidental expenses) recorded at the Trust. The carrying amount and number of shares of treasury stock were ¥530 million (\$4,869 thousand) and 305 thousand shares as of March 31, 2020 and ¥970 million and 559 thousand shares as of March 31, 2019.

(3) The carrying amount of the borrowed money recorded by applying the gross amount method as of March 31, 2020 and 2019 was ¥590 million (\$5,421 thousand) and ¥984 million, respectively.

(Effects of the new coronavirus infectious disease (COVID-19))

The Bank expects that the economic activities will begin recovering in the second half of the fiscal year ending March 31, 2021, although it is difficult to project the timing of settlement of the COVID-19. The Bank has recorded reserve for possible loan losses determining the category of debtors considering available information which will affect the estimates under such assumptions.

Depending on the situations of the COVID-19 and its effects on the economy, the related losses may change, since such assumptions contain uncertainties.

3. Cash and cash equivalents

As of March 31, 2020 and 2019, the amounts of cash and cash equivalents at end of year in the consolidated statements of cash flows were in agreement with the amounts of cash and due from banks in the consolidated balance sheets.

4. Trading account securities and other securities

Net valuation gains and losses from trading account securities for the years ended March 31, 2020 and 2019 amounted

to ¥(1) million (\$9) thousand and ¥(0) million, respectively.

Investments in unconsolidated subsidiaries (two in 2020 and 2019) in the amounts of ¥247 million (\$2,269 thousand) and ¥248 million are included in “Securities” as of March 31, 2020 and 2019, respectively.

Fair values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair values as of March 31, 2020 and 2019 were as follows:

(a) Held-to-maturity debt securities

Type	Millions of yen					
	2020					
	Carrying amount		Fair value		Difference	
Held-to-maturity securities whose fair value exceeds the carrying amount:						
Bonds						
Japanese government bonds	¥	70,240	¥	70,394	¥	153
Corporate bonds		800		804		4
Subtotal	¥	71,040	¥	71,198	¥	158
Held-to-maturity securities whose fair value does not exceed the carrying amount:						
Bonds						
Japanese government bonds	¥	-	¥	-	¥	-
Subtotal	¥	-	¥	-	¥	-
Total	¥	71,040	¥	71,198	¥	158

Type	Millions of yen					
	2019					
	Carrying amount		Fair value		Difference	
Held-to-maturity securities whose fair value exceeds the carrying amount:						
Bonds						
Japanese government bonds	¥	11,515	¥	11,534	¥	19
Corporate bonds		800		809		9
Subtotal	¥	12,315	¥	12,343	¥	28
Held-to-maturity securities whose fair value does not exceed the carrying amount:						
Bonds						
Japanese government bonds	¥	59,447	¥	59,361	¥	(86)
Subtotal	¥	59,447	¥	59,361	¥	(86)
Total	¥	71,762	¥	71,704	¥	(57)

Type	Thousands of U.S. dollars					
	2020					
	Carrying amount		Fair value		Difference	
Held-to-maturity securities whose fair value exceeds the carrying amount:						
Bonds						
Japanese government bonds	\$	645,410	\$	646,825	\$	1,405
Corporate bonds		7,350		7,387		36
Subtotal	\$	652,761	\$	654,212	\$	1,451
Held-to-maturity securities whose fair value does not exceed the carrying amount:						
Bonds						
Japanese government bonds	\$	-	\$	-	\$	-
Subtotal	\$	-	\$	-	\$	-
Total	\$	652,761	\$	654,212	\$	1,451

(b) Available-for-sale securities with available fair values, including trading account securities and beneficial interests in trusts included in “Monetary claims bought,” were as follows:

Type	Millions of yen					
	2020					
	Carrying amount		Acquisition cost		Difference	
Available-for-sale securities whose carrying amount exceeds acquisition cost:						
Stocks	¥	29,051	¥	16,101	¥	12,950
Bonds		361,080		355,675		5,405
Japanese government bonds		80,863		78,997		1,865
Local government bonds		129,419		128,003		1,415
Corporate bonds		150,797		148,673		2,124
Other		175,681		171,274		4,406
Foreign bonds		153,965		150,216		3,749
Other		21,715		21,058		656
Subtotal	¥	565,813	¥	543,051	¥	22,761
Available-for-sale securities whose carrying amount does not exceed acquisition cost:						
Stocks	¥	10,369	¥	12,769	¥	(2,399)
Bonds		175,910		177,031		(1,121)
Japanese government bonds		46,239		46,570		(331)
Local government bonds		70,406		70,769		(363)
Corporate bonds		59,263		59,691		(427)
Other		231,238		241,583		(10,345)
Foreign bonds		122,498		123,093		(594)
Other		108,739		118,490		(9,750)
Subtotal	¥	417,518	¥	431,385	¥	(13,866)
Total	¥	983,331	¥	974,436	¥	8,895

Type	Millions of yen					
	2019					
	Carrying amount		Acquisition cost		Difference	
Available-for-sale securities whose carrying amount exceeds acquisition cost:						
Stocks	¥	43,506	¥	19,692	¥	23,813
Bonds		507,661		497,329		10,332
Japanese government bonds		158,099		153,378		4,721
Local government bonds		164,258		161,880		2,377
Corporate bonds		185,303		182,070		3,233
Other		243,492		237,858		5,633
Foreign bonds		164,960		161,786		3,173
Other		78,531		76,071		2,460
Subtotal	¥	794,659	¥	754,879	¥	39,780
Available-for-sale securities whose carrying amount does not exceed acquisition cost:						
Stocks	¥	6,917	¥	7,439	¥	(521)
Bonds		23,639		23,706		(67)
Local government bonds		14,197		14,199		(2)
Corporate bonds		9,441		9,506		(64)
Other		68,370		71,584		(3,214)
Foreign bonds		14,536		14,644		(107)
Other		53,833		56,940		(3,106)
Subtotal	¥	98,927	¥	102,730	¥	(3,803)
Total	¥	893,587	¥	857,610	¥	35,977

Type	Thousands of U.S. dollars		
	2020		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	\$ 266,939	\$ 147,946	\$ 118,992
Bonds	3,317,835	3,268,170	49,664
Japanese government bonds	743,021	725,875	17,136
Local government bonds	1,189,184	1,176,173	13,001
Corporate bonds	1,385,619	1,366,103	19,516
Other	1,614,269	1,573,775	40,485
Foreign bonds	1,414,729	1,380,281	34,448
Other	199,531	193,494	6,027
Subtotal	\$ 5,199,053	\$ 4,989,901	\$ 209,142
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	\$ 95,277	\$ 117,329	\$ (22,043)
Bonds	1,616,374	1,626,674	(10,300)
Japanese government bonds	424,873	427,915	(3,041)
Local government bonds	646,935	650,271	(3,335)
Corporate bonds	544,546	548,479	(3,923)
Other	2,124,763	2,219,819	(95,056)
Foreign bonds	1,125,590	1,131,057	(5,458)
Other	999,163	1,088,762	(89,589)
Subtotal	\$ 3,836,423	\$ 3,963,842	\$ (127,409)
Total	\$ 9,035,477	\$ 8,953,744	\$ 81,732

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the fair value. In addition, the difference between acquisition cost and fair value is posted as a loss in the consolidated accounts for the fiscal year (this process is known as “impairment accounting”). The impairment loss recognized on securities for the years ended March 31, 2020 and 2019 was ¥102 million (\$937 thousand) of stocks and ¥106 million (of which, ¥101 million of stocks and ¥5 million of corporate bonds), respectively.

The criteria for determining when available-for-sales securities have “significantly declined” are cases in which the fair value has fallen below 70% of the acquisition cost; or the fair value of a debt security under available-for-sales securities has fallen not below 70%, but the credit worthiness of the issuing company has worsened. In these cases, impairment loss is recognized as follows:

- (1) For all the securities whose fair value has fallen below 50% of the acquisition cost, impairment accounting is implemented.
- (2) For securities whose fair value has fallen below 70% but not below 50%, impairment accounting is implemented taking into account internal and external factors such as the business performance of the issuing company, the market price movements, trends of the market environments, etc. For bonds, impairment accounting is implemented taking into account credit worthiness of the issuing company with respect to those whose market prices are deemed unlikely to recover to the acquisition cost.
- (3) For securities whose fair value has fallen, but not below 70% of the acquisition cost and the credit worthiness of the issuing company has worsened, impairment accounting is implemented, if necessary, taking into account its credit worthiness, etc.

(c) There were no bonds classified as held-to-maturity sold during the years ended March 31, 2020 and 2019.

(d) Total sales of available-for-sale securities in the years ended March 31, 2020 and 2019 amounted to ¥519,806 million (\$4,776,311 thousand) and ¥329,438 million, respectively. The related gains and losses for the year ended March 31, 2020 amounted to ¥14,255 million (\$130,984 thousand) and ¥12,880 million (\$118,349 thousand), respectively. The related gains and losses for the year ended March 31, 2019 amounted to ¥7,597 million and ¥5,175 million, respectively.

(e) Net unrealized gains on available-for-sale securities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S.
	2020	2019	dollars 2020
Difference between acquisition cost and fair value:			
Available-for-sale securities	¥ 9,262	¥ 36,802	\$ 85,105
Deferred tax liabilities	(2,717)	(9,724)	(24,965)
Difference between acquisition cost and fair value (prior to adjustment for non-controlling interests)	6,544	27,078	60,130
Amount corresponding to non-controlling interests	(245)	(248)	(2,251)
Net unrealized gains on available-for-sale securities	¥ 6,299	¥ 26,830	\$ 57,879

5. Loans and bills discounted

Loans and bills discounted at March 31, 2020 and 2019 included the following:

	Millions of yen		Thousands of U.S.
	2020	2019	dollars 2020
Loans to borrowers legally bankrupt	¥ 1,716	¥ 1,415	\$ 15,767
Other delinquent loans	55,879	56,640	513,452
Loans past due over 3 months	4	766	36
Restructured loans	6,114	6,808	56,179
Total	¥ 63,715	¥ 65,631	\$ 585,454

Loans to borrowers legally bankrupt are loans to customers who meet specific credit risk criteria such as undergoing bankruptcy proceedings. Interest is not accrued on these loans. Other delinquent loans are loans other than those included in loans to borrowers legally bankrupt for which the recognition of accrued interest has been suspended after an assessment of the loan's quality. Loans past due over 3 months are loans for which principal and/or interest payments are past due for three months or more.

Restructured loans are loans for which the Bank has granted borrowers certain concessions such as reduced or exempted interest, suspended payments of interest, delayed repayment of principal and/or waivers of claims to allow borrowers to restructure or to provide support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans and loans past due over 3 months.

The Bank applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002) and accounts for bills discounted as financial transactions. The face value of bank acceptances, bills of exchange and bills of lading which were permitted to be sold or pledged without restrictions and which were acquired at a discount amounted to ¥15,045 million (\$138,243 thousand) and ¥20,706 million at March 31, 2020 and 2019, respectively.

The carrying amount of loan participation, which was accounted for as loans to original borrowers in accordance with "Accounting and Presentation of Loan Participations" (JICPA Accounting Practice Committee Report No. 3, November 28, 2014), was ¥1,709 million (\$15,703 thousand) and ¥2,148 million at March 31, 2020 and 2019, respectively.

6. Tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2020 and 2019 was ¥46,865 million (\$430,625 thousand) and ¥48,446 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets was ¥4,271 million (\$39,244 thousand) and ¥4,271 million at March 31, 2020 and 2019, respectively.

7. Assets pledged as collateral

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

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Securities	¥ 449,930	¥ 335,515	\$ 4,134,246
Other assets	299	298	2,747
Total	¥ 450,230	¥ 335,814	\$ 4,137,002

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Deposits	¥ 22,207	¥ 20,655	\$ 204,052
Payables under securities lending transactions	161,505	82,004	1,484,011
Borrowed money	247,973	223,000	2,278,535
Total	¥ 431,686	¥ 325,660	\$ 3,966,608

In addition to the above assets, the following assets were pledged as collateral for transaction guarantees of foreign exchanges, etc.:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Securities	¥ 2,408	¥ 2,446	\$ 22,126
Other assets	20,000	20,000	183,772
<i>Cash deposits for futures transactions</i>	1,052	-	9,666
<i>Guarantee and leasehold deposits</i>	1,270	1,303	11,669
<i>Cash collateral paid for financial instruments</i>	150	54	1,378

8. Deposits

Deposits at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Liquid deposits	¥ 2,364,584	¥ 2,228,138	\$ 21,727,317
Fixed-term deposits	1,512,498	1,583,834	13,897,803
Other deposits	100,858	107,163	926,748
Negotiable certificates of deposit	59,563	69,994	547,303
Total	¥ 4,037,503	¥ 3,989,131	\$ 37,099,173

9. Borrowed money and lease obligations

The weighted average interest rate on the term-end balance of borrowed money was 0.06%. Borrowed money consisted of loans from other financial institutions. Subordinated loans in the amount of ¥5,000 million were included in borrowed money as of March 31, 2019, while there were no subordinated loans as of March 31, 2020. Annual maturities of borrowed money and lease obligations as of March 31, 2020 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2021	¥ 248,148	\$ 2,280,143	¥ 134	\$ 1,231
2022	726	6,670	125	1,148
2023	97	891	98	900
2024	59	542	63	578
2025	20	183	5	45
2026 and thereafter	-	-	2	18
Total	¥ 249,051	\$ 2,288,440	¥ 429	\$ 3,941

10. Employees' severance and retirement benefits

(a) Overview of the retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank has defined benefit pension plans consisting of a corporate pension plan and a lump-sum payment plan and established a corporate-type defined contribution pension plan. In addition, the Bank has set up a retirement benefit trust.

A consolidated subsidiary has adopted a defined contribution pension plan and participated in general establishment type welfare pension funds and it is accounted for in the same manner as the defined contribution plan since the amount of plan assets corresponding to its contribution cannot be reasonably determined.

Other consolidated subsidiaries have adopted lump-sum payment plans, and net defined benefit liability and severance and retirement benefit expenses are calculated using a simplified method.

(b) Defined benefit plans, including the plans to which a simplified method is applied

1. The 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
	2020	2019	2020
Balance at beginning of year	¥ 29,881	¥ 30,981	\$ 274,565
Service cost	966	1,108	8,876
Interest cost	97	105	891
Actuarial differences	220	(516)	2,021
Benefits paid	(1,580)	(1,798)	(14,518)
Balance at end of year	¥ 29,585	¥ 29,881	\$ 271,845

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 47,733	¥ 45,490	\$ 438,601
Expected return on plan assets	336	310	3,087
Actuarial differences	(4,593)	2,089	(42,203)
Contribution from employers	549	785	5,044
Benefits paid	(957)	(942)	(8,793)
Balance at end of year	¥ 43,067	¥ 47,733	\$ 395,727

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded benefit obligation	¥ 29,556	¥ 29,855	\$ 271,579
Plan assets	(43,067)	(47,733)	(395,727)
	(13,510)	(17,877)	(124,138)
Unfunded benefit obligation	28	25	257
Net liability (asset)	¥ (13,482)	¥ (17,852)	\$ (123,881)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net defined benefit liability	¥ 28	¥ 25	\$ 257
Net defined benefit asset	(13,510)	(17,877)	(124,138)
Net liability (asset)	¥ (13,482)	¥ (17,852)	\$ (123,881)

4. The components of severance and retirement benefit expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 966	¥ 1,108	\$ 8,876
Interest cost	97	105	891
Expected return on plan assets	(336)	(310)	(3,087)
Recognized actuarial differences	(1,771)	(1,751)	(16,273)
Other	38	17	349
Severance and retirement benefit expenses	¥ (1,006)	¥ (830)	\$ (9,243)

5. The components of adjustments for retirement benefits (before tax effect) for the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥ (6,586)	¥ 853	\$ (60,516)
Total	¥ (6,586)	¥ 853	\$ (60,516)

6. The components of accumulated adjustments for retirement benefits (before tax effect) as of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥ 2,170	¥ 8,756	\$ 19,939
Total	¥ 2,170	¥ 8,756	\$ 19,939

7. Plan assets

- (1) Components of plan assets as of March 31, 2020 and 2019

Plan assets consisted of the following:

	2020	2019
Stocks	45%	53%
Bonds	16%	13%
General accounts	15%	13%
Cash and deposits	12%	9%
Other	12%	12%
Total	100%	100%

Note: Total plan assets include the assets of the retirement benefit trust established for corporate pension plans and lump-sum severance payment plans representing 46% and 50% of total assets as of March 31, 2020 and 2019, respectively.

- (2) Method of determining the long-term expected rate of return on plan assets

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

8. Assumptions used for the years ended March 31, 2020 and 2019 were as follows (presented at weighted average rates):

	2020	2019
Discount rate	0.3%	0.3%
Long-term expected rate of return on plan assets	0.7%	0.6%
Expected rate of salary increase	4.5%	4.5%

(c) Defined contribution plans

The required contribution to the defined contribution plans of the Bank and its consolidated subsidiaries was ¥193 million (\$1,773 thousand) and ¥194 million for the years ended March 31, 2020 and 2019, respectively.

The multi-employer plan under which the amount of the required contribution is treated as retirement benefit expense is as follows:

- (1) Latest funding status of the entire plan

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Amount of plan assets	¥ 245,472	¥ 248,188	\$ 2,255,554
Total amount of actuarial obligations for pension financing calculation purposes and the minimum actuarial reserve	200,586	203,695	1,843,113
Net amount	¥ 44,885	¥ 44,493	\$ 412,432

Notes: 1. The latest funding status as of March 31, 2020 is based on the information available as of March 31, 2019.

2. The latest funding status as of March 31, 2019 is based on the information available as of March 31, 2018.

- (2) The share of contribution of pension premiums of the Group against the whole plan for the years ended March 31, 2020 and 2019 (based on the information for the periods from March 1, 2019 through March 31, 2019 and from March 1, 2018 through March 31, 2018) was 0.1%.
- (3) Supplementary explanation
Major factors in the net amount above (1) are past service liabilities for the purpose of pension calculation in the amount of ¥51 million (\$468 thousand) and ¥68 million and surplus brought forward of ¥44,936 million (\$412,900 thousand) and ¥44,561 million as of March 31, 2020 (based on information as of March 31, 2019) and 2019 (based on information as of March 31, 2018), respectively.

11. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥36,944 million (\$339,465 thousand) and ¥31,629 million as of March 31, 2020 and 2019, respectively.

12. Shareholders' equity

(a) Capital stock

The number of shares of the Bank's capital stock as of March 31, 2020 and 2019 was as follows:

	Thousands of shares	
	2020	2019
Authorized:		
Common	120,000	120,000
Total	120,000	120,000

(b) Retained earnings

Japanese banks are subject to the Corporate Law of Japan (the "Law") and the Banking Law. The Law requires that all shares of common stock be recorded with no par value and that at least 50% of the issue price of new shares be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of their Boards of Directors, to issue shares to existing shareholders without limitation. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Law allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in cases in which a reduction was resolved at the shareholders' meeting.

In addition to requiring an appropriation for a legal reserve in connection with cash payments, the Law imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year for which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

13. Changes in net assets

(a) Type and number of shares issued and treasury stock

At March 31, 2020 and 2019, the number of shares was as follows:

	Thousands of shares			2020
	2019	Increase	Decrease	
Shares issued:				
Common	70,300	-	-	70,300
Total	70,300	-	-	70,300
Treasury stock:				
Common (*1 and *2)	1,933	680	261	2,351
Total	1,933	680	261	2,351

(*1) The number of shares of treasury stock at April 1, 2019 and March 31, 2020 includes 559 thousand shares and 305 thousand shares of the Bank held by Kiyo Financial Group Employee Stock Ownership Association Trust (hereinafter referred to as the "Trust"), respectively.

(*2) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (678 thousand shares), the purchase of shares of less than one unit (2 thousand shares). The decrease in the number of common shares in treasury was due to the transfers resulting from exercise of stock options (8 thousand shares), the requests for additional purchases of shares of less than one unit (0 thousand shares) and the sales by the Trust of common shares (253 thousand shares).

	Thousands of shares			2019
	2018	Increase	Decrease	
Shares issued:				
Common	70,300	-	-	70,300
Total	70,300	-	-	70,300
Treasury stock:				
Common (*1 and *2)	868	1,172	107	1,933
Total	868	1,172	107	1,933

(*1) The number of shares of treasury stock at April 1, 2018 and March 31, 2019 includes 27 thousand shares and 559 thousand shares of the Bank held by Kiyo Financial Group Employee Stock Ownership Association Trust (hereinafter referred to as the "Trust"), respectively.

(*2) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (536 thousand shares), the purchase of shares of less than one unit (3 thousand shares) and acquisition by the Trust of the Bank's shares (633 thousand shares). The decrease in the number of common shares in treasury was due to the transfers resulting from exercise of stock options (6 thousand shares), the requests for additional purchases of shares of less than one unit (0 thousand shares) and the sales by the Trust of common shares (101 thousand shares).

(b) Subscription rights to shares

The outstanding balance of subscription rights to shares of the Bank as of March 31, 2020 and 2019 was ¥130 million (\$1,194 thousand) and ¥106 million, respectively.

(c) Information on dividends

Dividends paid during the year ended March 31, 2020 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	¥ 2,412	¥ 35.00	\$ 22,163	\$ 0.32

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2019.

2. Record date for all types of shares was March 31, 2019.

3. Effective date for all types of shares was June 28, 2019.

4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 27, 2019 included dividends in an amount of ¥19 million (\$174 thousand) related to the Bank's shares held by the Trust.

Dividends applicable to the year ended March 31, 2020 and whose effective date (i.e. initial payment date) falls after March 31, 2020 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	¥ 2,388	¥ 35.00	\$ 21,942	\$ 0.32

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 26, 2020.

2. Record date for all types of shares was March 31, 2020.

3. Effective date for all types of shares was June 29, 2020.

4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 26, 2020 included dividends in an amount of ¥10 million (\$91 thousand) related to the Bank's shares held by the Trust.

Dividends paid during the year ended March 31, 2019 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥ 2,431	¥ 35.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 28, 2018.

2. Record date for all types of shares was March 31, 2018.

3. Effective date for all types of shares was June 29, 2018.

4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 28, 2018 included dividends in an amount of ¥0 million related to the Bank's shares held by the Trust.

14. Stock options

(1) Stock option expense

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
General and administrative expenses	¥ 36	¥ 36	\$ 330

(2) Stock options outstanding at March 31, 2020 were as follows:

a. Outline of stock options

	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options
Persons to whom stock subscription rights were allocated	9 directors and 5 executive officers of the Bank; a total of 14 persons	9 directors and 6 executive officers of the Bank; a total of 15 persons	9 directors (excluding directors serving as audit and supervisory committee members) and 6 executive officers of the Bank; a total of 15 persons	7 directors (excluding directors serving as audit and supervisory committee members) and 8 executive officers of the Bank; a total of 15 persons
Number of options granted	Common stock of the Bank 17,300 shares	Common stock of the Bank 26,600 shares	Common stock of the Bank 18,400 shares	Common stock of the Bank 20,700 shares
Date of grant	July 27, 2015	July 29, 2016	July 31, 2017	July 27, 2018
Vesting conditions	Not defined	Not defined	Not defined	Not defined
Applicable service period	Not defined	Not defined	Not defined	Not defined
Exercise period	From July 28, 2015 to July 27, 2045	From July 30, 2016 to July 29, 2046	From August 1, 2017 to July 31, 2047	From July 28, 2018 to July 27, 2048

5th Stock Options

6 directors (excluding directors serving as audit and supervisory committee members) and 11 executive officers of the Bank; a total of 17 persons
Common stock of the Bank 26,400 shares
July 26, 2019
Not defined
Not defined
From July 27, 2019 to July 26, 2049

Note: Number of stock options is converted into number of shares.

b. Stock option activity

The following table summarizes the movement of stock options outstanding for the year ended March 31, 2020, in which the number of stock options is converted into the number of shares.

(i) Number of stock options

	Number of shares				
	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options	5th Stock Options
Non-vested:					
Outstanding as of March 31, 2019	-	-	-	-	-
Granted	-	-	-	-	26,400
Forfeited	-	-	-	-	-
Vested	-	-	-	-	26,400
Outstanding as of March 31, 2020	-	-	-	-	-
Vested:					
Outstanding as of March 31, 2019	12,400	22,000	15,900	20,700	-
Vested	-	-	-	-	26,400
Exercised	2,100	3,200	1,200	1,500	-
Forfeited	-	-	-	-	-
Outstanding as of March 31, 2020	10,300	18,800	14,700	19,200	26,400

(ii) Price information

	Yen				
	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options	5th Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	1,434	1,434	1,434	1,434	-
Fair value at date of grant	1,678	1,382	1,727	1,823	1,347

	U.S. Dollars				
	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options	5th Stock Options
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at exercise	13.17	13.17	13.17	13.17	-
Fair value at date of grant	15.41	12.69	15.86	16.75	12.37

Note: Above information is described after converting into per share data.

(3) Estimation method for fair values of stock options granted

The 5th stock options granted during the year ended March 31, 2020 were valued using the Black-Scholes option pricing model with the following assumptions:

5th Stock Options	
Volatility of stock price (*1)	22.390%
Expected remaining outstanding period (*2)	2.7 years
Expected dividend (*3)	¥35 (\$0.32) per share
Risk-free interest rate (*4)	(0.213)%

(*1) Stock price volatility is computed based on actual stock prices during the period corresponding to the expected remaining outstanding period (from November 12, 2016 to July 26, 2019).

(*2) Expected remaining outstanding period is estimated by the method of averaging the difference between the average retirement age and current age of each incumbent grantee.

(*3) Expected dividend is based on actual dividend paid per common stock for the year ended March 31, 2019.

(*4) Risk-free interest rate refers to the yield of government bonds for the period corresponding to the expected remaining outstanding period.

(4) Estimation method for number of stock options vested

The Bank uses the method to reflect the actual forfeited options, since it is difficult to reasonably estimate the number of stock options to be forfeited in the future.

15. Other income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Recovery of written-off claims	¥ 1,870	¥ 1,286	\$ 17,182
Gain on sales of stocks and other securities	4,116	5,231	37,820
Gain on sales of fixed assets	95	2	872

16. General and administrative expenses

General and administrative expenses for the years ended March 31, 2020 and 2019 included the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salaries and allowances	¥ 13,627	¥ 13,997	\$ 125,213

17. Other expenses

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loss on the loans written-off	¥ 1,862	¥ 2,592	\$ 17,109
Loss on sales of stock and other securities	2,435	1,456	22,374
Loss on the devaluation of stocks	125	101	1,148
Loss on the transfer/sale of loan obligations	300	240	2,756
Loss on disposal of fixed assets	53	128	486
Impairment loss on fixed assets	1,513	159	13,902

Impairment loss on fixed assets

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥1,513 million (\$13,902 thousand) and ¥159 million for the years ended March 31, 2020 and 2019, respectively. Details are as follows:

Location	Major use	Asset category	Impairment loss on fixed assets	
			Millions of yen	Thousands of U.S. dollars
			2020	2020
Wakayama Prefecture	Operating offices	Land, buildings and movables	¥ 1,452	\$ 13,341
Osaka Prefecture	Operating offices	Buildings and movables	60	551
Total	-	-	¥ 1,513	\$ 13,902

Location	Major use	Asset category	Impairment loss on fixed assets	
			Millions of yen	
			2019	
Wakayama Prefecture	Operating offices	Land, buildings and movables	¥ 54	
Wakayama Prefecture	Idle assets	Land	2	
Osaka Prefecture	Operating offices	Buildings and movables	27	
Osaka Prefecture	Shared assets	Land and buildings	75	
Total	-	-	¥ 159	

With respect to the calculation of impairment loss on fixed assets, the minimum operational unit recognized for management accounting purposes by the Bank is the single bank branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch. Each unit of idle assets (one “unit” is defined as one plot of land or one building) is treated as a separate and individual unit for accounting purposes. Because the head office, administration center and Bank provided housing and dormitories for the staff of the Bank do not independently generate any cash flows, they are treated as assets held in common by the Bank for accounting purposes. With respect to the consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss on fixed assets for the reporting period, the amount deemed recoverable, i.e., the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards. For immaterial assets, the recoverable value is determined by deducting the estimated cost of disposal from the appraisal value based on the roadside land prices, etc.

18. Income taxes

The Bank is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.4% for the years ended March 31, 2020 and 2019. The table below summarizes the significant

differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2019.

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 is not disclosed because it was not more than 5% of the statutory tax rate.

	2019
Statutory tax rate	30.4%
Adjustments:	
Change in valuation allowance	3.3
Dividend income that is not taxable for income tax purposes	(0.9)
Other	1.5
Effective income tax rate	34.2%

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
	2020	2019	2020
Deferred tax assets:			
Nondeductible reserve for possible loan losses	¥ 8,311	¥ 8,862	\$ 76,366
Write-down of securities	2,238	2,377	20,564
Carryforward tax loss	86	85	790
Other	5,274	4,791	48,460
Subtotal	15,910	16,116	146,191
Valuation allowance for carryforward tax loss	(86)	(85)	(790)
Valuation allowance for deductible temporary differences	(10,990)	(10,295)	(100,983)
Subtotal	(11,077)	(10,381)	(101,782)
Deferred tax assets	4,833	5,734	44,408
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(2,722)	(9,728)	(25,011)
Net defined benefit asset	(1,698)	(3,223)	(15,602)
Gain on retirement benefit trust	(440)	(440)	(4,043)
Other	(888)	(915)	(8,159)
Deferred tax liabilities	(5,750)	(14,309)	(52,834)
Net deferred tax assets (liabilities)	¥ (917)	¥ (8,574)	\$ (8,425)

Net amounts recorded in the consolidated balance sheets after offsetting by each taxable entity at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets	¥ 597	¥ 647	\$ 5,485
Deferred tax liabilities	1,515	9,221	13,920

19. Other comprehensive income (loss)

Amounts reclassified to profit in the current period that were recognized in other comprehensive income (loss) in the current or previous periods and the tax effects for each component of other comprehensive income (loss) were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Net unrealized gains (losses) on available-for-sale securities:			2020
Increase (decrease) during the year	¥ (25,781)	¥ (229)	\$ (236,892)
Reclassification adjustments	(1,758)	(2,740)	(16,153)
Subtotal before tax	(27,540)	(2,970)	(253,055)
Tax benefit (expense)	7,006	543	64,375
Net unrealized gains (losses) on available-for-sale securities	(20,533)	(2,426)	(188,670)
Net deferred gains (losses) on hedging instruments:			
Increase (decrease) during the year	(122)	(990)	(1,121)
Reclassification adjustments	904	244	8,306
Subtotal before tax	782	(746)	7,185
Tax benefit (expense)	(237)	226	(2,177)
Net deferred gains (losses) on hedging instruments	544	(519)	4,998
Adjustments for retirement benefits:			
Increase (decrease) during the year	(4,814)	2,605	(44,234)
Reclassification adjustments	(1,771)	(1,751)	(16,273)
Subtotal before tax	(6,586)	853	(60,516)
Tax benefit (expense)	2,002	(259)	18,395
Adjustments for retirement benefits	(4,584)	594	(42,120)
Total other comprehensive income (loss)	¥ (24,573)	¥ (2,351)	\$ (225,792)

20. Per share information

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 3,201.86	¥ 3,384.30	\$ 29.42
Basic earnings per share	201.73	168.80	1.85
Diluted earnings per share	201.49	168.64	1.85

(Note 1) The calculation of net assets per share as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S.
	2020	2019	dollars 2020
Total net assets	¥ 220,256	¥ 233,968	\$ 2,023,853
Amount to be deducted from total net assets:			
Subscription rights to shares	2,694	2,594	24,754
Non-controlling interests	130	106	1,194
Net assets attributable to common stock	2,564	2,487	23,559
Number of shares of common stock as of the fiscal year end used in computing net assets per share (thousands of shares)	217,561	231,373	1,999,090
	67,948	68,366	-

(Note 2) The calculation of earnings per share for the years ended March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S.
	2020	2019	dollars 2020
Basic earnings per share:			
Profit attributable to owners of parent	¥ 13,719	¥ 11,620	\$ 126,058
Amount not attributable to common shareholders	-	-	-
Profit attributable to common shareholders of parent	13,719	11,620	126,058
Average number of shares of common stock during the term (thousands of shares)	68,010	68,840	-
Diluted earnings per share:			
Adjustment to profit attributable to owners of parent	-	-	-
Increase in number of shares of common stock (thousands of shares)	80	63	-
Subscription rights to shares (thousands of shares)	80	63	-
Overview of potential shares not included in computing diluted earnings per share due to having no dilutive effect	-	-	-

(Note 3) In computing net assets per share, the Bank's shares held by Kiyo Financial Group Employee Stock Ownership Association Trust, which are recorded as treasury stock under shareholders' equity, are included in the number of treasury stock to be deducted from the total number of issued shares at the fiscal year end and are included in the number of treasury stock to be deducted from the average number of shares during the term in computing basic earnings per share and diluted earnings per share.

The number of shares of such treasury stock deducted in computing net assets per share as of March 31, 2020 and 2019 was 305 thousand shares and 559 thousand shares, respectively, and the average number of shares of treasury stock during the term deducted in computing basic earnings per share and diluted earnings per share for the years ended March 31, 2020 and 2019 was 422 thousand shares and 213 thousand shares, respectively.

21. Commitment lines

Loan agreements and commitment line agreements are agreements which oblige the Bank to lend funds up to a certain limit agreed to in advance. The Bank makes the loans upon a borrower's request to draw down funds under the agreements as long as there is no breach of the various terms and conditions stipulated in the agreements. The unused commitment balances related to these agreements at March 31, 2020 and 2019 amounted to ¥408,842 million (\$3,756,703 thousand) and ¥387,650 million, respectively. Of this amount, the unused commitment balances related to agreements with terms of one year or less or that were unconditionally cancelable at any time totaled ¥346,760 million (\$3,186,253 thousand) and ¥334,360 million, respectively.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitment balances will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank to decline a request to draw down funds or to reduce the agreed limit amount when there is a cause to do so, such as when there is a change in the financial condition of the borrower or when it is necessary to protect the Bank's credit. The Bank makes various measures to protect its credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or confirming the obligor's financial condition in accordance with the Bank's established internal procedures.

22. Financial instruments and related disclosures

1. Disclosure about Financial Instruments

(1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuation in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and engages in derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group consist mainly of loans to domestic customers that are exposed to credit risk arising from the customers' nonperformance of contractual obligations and the risk of interest rate fluctuations. Securities held by the Group consist mainly of debt securities, equity securities and investment trusts, which are held for the purpose of holding to maturity, net investment, strategic investment and trading purposes. These securities are exposed to the credit risk of the issuers, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities consist mainly of deposits, which are exposed to liquidity risk and interest rate fluctuation risk, and other financial assets.

Major risks inherent in derivative transactions include the market risk of fluctuation in interest rates, foreign exchange, stock prices and other market instruments and the credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge these risks, and the market risk of the hedged items is almost entirely offset by the derivatives. Hedging instruments to which hedge accounting is applied are currency swaps, etc. The corresponding hedged items are securities.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a credit risk management system that includes the "Credit Risk Control Rule" and other various rules and defines the basic credit risk control policy and management system. Specifically, the Review Department conducts reviews according to the risk characteristics of the credit items by identifying the financial position, use of funds, repayment resources and other factors related to credit customers. The Credit Control Department sets up and controls limits to avoid the concentration of credit risk and identifies the quantitative level of credit risk. The Department is also responsible for the maintenance of the credit rating system and reports the measured volume of credit risk to the Board of Directors and risk management committee so that credit risk management may be discussed within the framework of integrated risk control.

Market risk management

The Group has established a market risk management system that includes the "Market Risk Control Rule" and other various rules and defines the basic market risk control policy and management system.

(i) Interest rate risk management

With respect to interest rate management, the Group regularly measures the volume of interest rate risk arising from assets and liabilities such as securities, loans and deposits and conducts interest rate gap analysis and interest rate sensitivity analysis and reports the outcome to the ALM Strategy Committee and the Risk Control Committee. The Group also has established specific limits on the level of interest rate risk.

(ii) Price fluctuation risk management

With respect to price fluctuation risk, the Group controls the level of risk on a daily basis by measuring the risk volume and setting up limits on the level of risk. Securities held for net investment purposes are controlled by setting up additional limits on transactions and losses above those set up by the executive committee in addition to the risk volume control. With respect to shares held for strategic investment purposes, the Group tries to reduce the risk level by limiting the balance and using hedge transactions, etc.

(iii) Foreign exchange risk management

The Group identifies the fluctuation risk associated with foreign currency denominated assets and liabilities, controls the risk within the limit determined by the executive committee and works to mitigate the risk using currency swaps, etc.

(iv) Derivative transactions

Derivatives transactions are employed principally and limitedly for hedging purposes. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and controlling operations.

(v) Quantitative information on market risk

Major financial instruments that are affected by interest rate risk that is regarded as major risk factors are call loans, other debt purchased, bonds and investment trusts included in securities, loans and bills discounted, deposits, call money, payables under securities lending transactions and borrowed money. Financial instruments that are affected by price fluctuation risk consist of stocks and investment trusts included in securities.

The Bank calculates Value at Risk (VaR) to capture the effects of income and economic value from interest rate fluctuation and price fluctuation. VaR is made available to internal management. To calculate VaR, the Bank applies the variance and covariance method, using 3 to 6 months as the holding period based on risk characteristics, 99% as the confidence interval and 1 to 5 years as the observation period based on risk characteristics. The amount of risk at March 31, 2020 and 2019 was ¥11,040 million (\$101,442 thousand) and ¥11,039 million, respectively, for interest rate risk and ¥20,747 million (\$190,636 thousand) and ¥9,219 million, respectively, for price fluctuation risk.

For the fiscal year ended March 31, 2020, VaR of strategic investment (equity, investment trust) out of VaR of price fluctuation risk uses modified VaR that is VaR after deducting valuation gain or loss for the purpose of the internal control of the Bank and the above mentioned VaR of price fluctuation risk also uses modified VaR. (The modified VaR of strategic investment (equity, investment trust) is ¥3,889 million (\$35,734 thousand), which is computed after deducting valuation gain or loss of strategic investment (equity, investment trust) in the amount of ¥10,193 million (\$93,659 thousand) from VaR of the price fluctuation risk in the amount of ¥14,082 million (\$129,394 thousand).)

In addition, the Bank verifies the effectiveness of risk measurement under the variance and covariance method by a back testing protocol that compares VaR to actual income.

In calculating VaR on interest rate risk, the core deposits of liquid deposits are adjusted. Core deposits do not have specified interest rates and are demand deposits that are expected to be held for the long term without demand for withdrawal. VaR is a statistical measure of market risk volume under a certain probability of occurrence based on the past market fluctuations. Accordingly, it may be impossible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Liquidity risk management

The Group has established a liquidity risk management system that includes the “Liquidity Risk Control Rule” and other various rules and defines the basic liquidity risk control policy and management system. The Group tries to control liquidity risk by maintaining stable cash management, securing highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments

In addition to value based on the market price, the fair values of financial instruments include valuations calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the values, the outcome of such calculations may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and any difference as of March 31, 2020 and 2019 are set forth in the table below. Note that unlisted equity securities for which the fair value was extremely difficult to determine were not included in the following table (See Note 2). Also, insignificant items were omitted.

	Millions of yen		
	2020		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 507,968	¥ 507,968	¥ -
Securities:			
Held-to-maturity securities	71,040	71,198	158
Available-for-sale securities	982,643	982,643	-
Loans and bills discounted	3,072,120		
Reserve for possible loan losses (*1)	(22,823)		
	3,049,297	3,057,917	8,619
Total assets	¥ 4,610,949	¥ 4,619,727	¥ 8,778
Deposits	¥ 4,037,503	¥ 4,037,534	¥ 31
Payables under securities lending transactions	161,505	161,505	-
Borrowed money	249,051	249,051	-
Total liabilities	¥ 4,448,060	¥ 4,448,091	¥ 31
Derivative transactions (*2)			
Hedge accounting not applied	¥ 1,509	¥ 1,509	¥ -
Hedge accounting applied	249	249	-
Total derivative transactions	¥ 1,758	¥ 1,758	¥ -

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

	Millions of yen		
	2019		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 568,124	¥ 568,124	¥ -
Securities:			
Held-to-maturity securities	71,762	71,704	(57)
Available-for-sale securities	892,788	892,788	-
Loans and bills discounted	2,959,342		
Reserve for possible loan losses (*1)	(23,440)		
	2,935,902	2,945,870	9,968
Total assets	¥ 4,468,577	¥ 4,478,488	¥ 9,910
Deposits	¥ 3,989,131	¥ 3,989,228	¥ 97
Payables under securities lending transactions	82,004	82,004	-
Borrowed money	229,466	229,466	-
Total liabilities	¥ 4,300,602	¥ 4,300,700	¥ 97
Derivative transactions (*2)			
Hedge accounting not applied	¥ 1,125	¥ 1,125	¥ -
Hedge accounting applied	(818)	(818)	-
Total derivative transactions	¥ 306	¥ 306	¥ -

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

Thousands of U.S. dollars			
2020			
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	\$ 4,667,536	\$ 4,667,536	\$ -
Securities:			
Held-to-maturity securities	652,761	654,212	1,451
Available-for-sale securities	9,029,155	9,029,155	-
Loans and bills discounted	28,228,613		
Reserve for possible loan losses (*1)	(209,712)		
	28,018,901	28,098,107	79,196
Total assets	\$ 42,368,363	\$ 42,449,021	\$ 80,657
Deposits	\$ 37,099,173	\$ 37,099,457	\$ 284
Payables under securities lending transactions	1,484,011	1,484,011	-
Borrowed money	2,288,440	2,288,440	-
Total liabilities	\$ 40,871,634	\$ 40,871,919	\$ 284
Derivative transactions (*2)			
Hedge accounting not applied	\$ 13,865	\$ 13,865	\$ -
Hedge accounting applied	2,287	2,287	-
Total derivative transactions	\$ 16,153	\$ 16,153	\$ -

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

(Note 1) Method of calculation for fair value of financial instruments

Assets:

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For deposits with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the maturity is short (less than one year).

Securities

The fair value of equity securities is determined using the quoted price on exchanges, and the fair value of debt securities is determined using the price published by the industry group or offered by the financial institutions with which they are transacted. The fair value of investment trusts is determined using the quoted price on exchanges or the price offered by the financial institution with which they are transacted. The fair value of non-publicly traded private placement bonds guaranteed by the Bank is determined using the same calculation method as that of loans.

Loans and bills discounted

For loans with variable interest rates which reflect short-term interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as long as the creditworthiness of the borrower has not changed significantly from the time of the loan origination. For loans with fixed interest rates, the fair value is determined based on the aggregate value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. For loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For receivables from bankrupt, effectively bankrupt and likely to become bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the expected loan losses, the carrying amount is presented as the fair value.

For loans which have non-defined repayment due dates because of restricting the amount of the loans to the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value approximates the carrying amount considering the expected repayment schedule and interest rate.

Liabilities:

Deposits

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposits is determined using the discounted present value of future cash flows grouped by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Payables under securities lending transactions

For payables under securities lending transactions in which the trade term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Borrowed money

For borrowed money with variable interest rates linked to short-term market interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the creditworthiness of the Bank and its consolidated subsidiaries did not change significantly after it was executed. For borrowed money with a short-term contract period (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Derivative transactions:

Information regarding derivative transactions is provided in Note 23, "Derivative transactions."

(Note 2) Financial instruments for which fair value is extremely difficult to determine are set forth in the table below. These securities are not included in "Available-for-sale securities" under "Assets" in the table "Fair value of financial instruments."

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted equity securities (*1) (*2)	¥ 1,646	¥ 1,674	\$ 15,124
Investment in partnerships (*3)	1,462	1,083	13,433
Total	¥ 3,109	¥ 2,757	\$ 28,567

(*1) No market price is available for unlisted equity securities, and the fair value is not disclosed since it was extremely difficult to determine.

(*2) The Bank recognized impairment loss in an amount of ¥23 million (\$211 thousand) and ¥0 million on unlisted equity securities for the years ended March 31, 2020 and 2019, respectively.

(*3) The fair value of investment in partnerships whose assets consisted of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contract maturities subsequent to the balance sheet date

	Millions of yen					
	2020					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	¥ 507,968	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:	87,782	140,716	69,029	141,498	170,151	275,316
Held-to-maturity debt securities:	45,067	25,172	-	-	800	-
Japanese government bonds	45,067	25,172	-	-	-	-
Corporate bonds	-	-	-	-	800	-
Available-for-sale securities with contract maturities:	42,715	115,543	69,029	141,498	169,351	275,316
Japanese government bonds	-	66,471	8,224	6,166	-	46,239
Local government bonds	11,155	2,640	7,856	90,682	77,441	10,049
Corporate bonds	12,002	24,977	25,672	19,402	30,408	97,599
Other	19,557	21,454	27,275	25,246	61,502	121,428
Foreign bonds	19,557	21,454	27,275	25,246	61,502	121,428
Loans and bills discounted (*)	712,081	590,095	465,789	287,124	274,272	658,133
Total	¥ 1,307,832	¥ 730,811	¥ 534,819	¥ 428,622	¥ 444,423	¥ 933,450

(*) Loans and bills discounted at March 31, 2020 do not include ¥57,596 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥27,026 million of those which have non-defined maturities.

Millions of yen						
2019						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	¥ 568,124	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:	74,415	171,872	89,392	80,102	168,182	198,595
Held-to-maturity debt securities:	500	70,462	-	-	800	-
Japanese government bonds	500	70,462	-	-	-	-
Corporate bonds	-	-	-	-	800	-
Available-for-sale securities with contract maturities:	73,915	101,410	89,392	80,102	167,382	198,595
Japanese government bonds	27,028	27,900	43,520	10,376	-	49,273
Local government bonds	21,046	13,226	1,736	45,447	90,145	6,853
Corporate bonds	17,284	32,224	18,878	11,378	24,824	90,154
Other	8,555	28,058	25,256	12,899	52,412	52,313
Foreign bonds	8,555	28,058	25,256	12,899	52,412	52,313
Loans and bills discounted (*)	674,527	551,352	413,522	319,213	287,664	628,106
Total	¥ 1,317,067	¥ 723,225	¥ 502,914	¥ 399,315	¥ 455,846	¥ 826,702

(*) Loans and bills discounted at March 31, 2019 do not include ¥58,056 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥26,897 million of those which have non-defined maturities.

Thousands of U.S. dollars						
2020						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	\$ 4,667,536	\$ -	\$ -	\$ -	\$ -	\$ -
Securities	806,597	1,292,989	634,282	1,300,174	1,563,456	2,529,780
Held-to-maturity debt securities	414,104	231,296	-	-	7,350	-
Japanese government bonds	414,104	231,296	-	-	-	-
Corporate bonds	-	-	-	-	7,350	-
Available-for-sale securities with contract maturities	392,492	1,061,683	634,282	1,300,174	1,556,105	2,529,780
Japanese government bonds	-	610,778	75,567	56,657	-	424,873
Local government bonds	102,499	24,258	72,185	833,244	711,577	92,336
Corporate bonds	110,282	229,504	235,890	178,278	279,408	896,802
Other	179,702	197,133	250,620	231,976	565,119	1,115,758
Foreign bonds	179,702	197,133	250,620	231,976	565,119	1,115,758
Loans and bills discounted (*)	6,543,057	5,422,172	4,279,968	2,638,279	2,520,187	6,047,349
Total	\$ 12,017,201	\$ 6,715,161	\$ 4,914,260	\$ 3,938,454	\$ 4,083,644	\$ 8,577,138

(*) Loans and bills discounted at March 31, 2020 do not include \$529,229 thousand of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and \$248,332 thousand of those which have non-defined maturities.

(Note 4) Repayment schedule of bonds, borrowed money and other interest-bearing liabilities subsequent to the balance sheet date

Millions of yen						
2020						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	¥ 3,765,199	¥ 223,876	¥ 48,428	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	161,505	-	-	-	-	-
Borrowed money	248,148	823	79	-	-	-
Total	¥ 4,174,853	¥ 224,699	¥ 48,507	¥ -	¥ -	¥ -

(*) Demand deposits are shown under "Due within 1 year."

Millions of yen						
2019						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	¥ 3,684,418	¥ 258,305	¥ 46,406	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	82,004	-	-	-	-	-
Borrowed money	223,175	1,214	76	5,000	-	-
Total	¥ 3,989,598	¥ 259,520	¥ 46,483	¥ 5,000	¥ -	¥ -

(*) Demand deposits are shown under "Due within 1 year."

Thousands of U.S. dollars						
2020						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	\$ 34,597,068	\$ 2,057,116	\$ 444,987	\$ -	\$ -	\$ -
Deposits received for securities lending transactions	1,484,011	-	-	-	-	-
Borrowed money	2,280,143	7,562	725	-	-	-
Total	\$ 38,361,233	\$ 2,064,678	\$ 445,713	\$ -	\$ -	\$ -

(*) Demand deposits are shown under "Due within 1 year."

23. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives and the risks and risk control systems for derivatives are described in Note 22, “Financial instruments and related disclosures.”

Outstanding derivative contracts which were revalued at fair value and the gains and losses recognized in the consolidated statements of income as of March 31, 2020 and 2019 are set forth in the tables below.

Derivatives to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount, fair value and recognized gain (loss) at the balance sheet date designated by transaction type and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with the derivatives themselves.

Currency related:

	Millions of yen							
	2020				2019			
	Contract amount		Fair value	Recognized gain (loss)	Contract amount		Fair value	Recognized gain (loss)
Total	Over one year	Total			Over one year			
Currency swaps	¥ 988,167	¥ 750,299	¥ 1,326	¥ 1,326	¥ 919,258	¥ 594,043	¥ 1,015	¥ 1,015
Forward foreign exchanges:								
Sell	34,822	-	132	132	58,265	-	107	107
Buy	4,073	-	49	49	5,899	-	3	3
Total	-	-	¥ 1,509	¥ 1,509	-	-	¥ 1,125	¥ 1,125

The transactions are valued at market value, and valuation gains and losses are credited or charged to income. Fair value is determined using the value calculated by the discounted present value.

	Thousands of U.S. dollars			
	2020			
	Contract amount		Fair value	Recognized gain (loss)
Total	Over one year			
Currency swaps	\$ 9,079,913	\$ 6,894,229	\$ 12,184	\$ 12,184
Forward foreign exchanges:				
Sell	319,966	-	1,212	1,212
Buy	37,425	-	450	450
Total	-	-	\$ 13,865	\$ 13,865

The transactions are valued at market value, and valuation gains and losses are credited or charged to income. Fair value is determined using the value calculated by the discounted present value.

Derivatives to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, the contract amount and fair value at the balance sheet date by transaction type and by hedge accounting method and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with the derivatives themselves.

Currency related:

Hedge accounting method	Type	Major hedged items	Millions of yen		
			2020		
			Contract amount		Fair value
Total	Over one year				
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	¥ 14,735	¥ 11,380	¥ 249

Notes:

- The above transactions are accounted for by deferral hedge accounting in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
- Fair value is determined using the value calculated by the discounted present value.

			Millions of yen		
			2019		
			Contract amount		
Hedge accounting method	Type	Major hedged items	Total	Over one year	Fair value
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	¥ 13,177	¥ 13,177	¥ (286)

Notes:

- The above transactions are accounted for by deferral hedge accounting in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
- Fair value is determined using the value calculated by the discounted present value.

			Thousands of U.S. dollars		
			2020		
			Contract amount		
Hedge accounting method	Type	Major hedged items	Total	Over one year	Fair value
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	\$ 135,394	\$ 104,566	\$ 2,287

Notes:

- The above transactions are accounted for by deferral hedge accounting in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
- Fair value is determined using the value calculated by the discounted present value.

Bond related:

There were no bond related transactions at March 31, 2020.

			Millions of yen		
			2019		
			Contract amount		
Hedge accounting method	Type	Major hedged items	Total	Over one year	Fair value
Fundamental method	Forward:	Foreign currency denominated securities	¥ 25,549	¥ -	¥ (532)

Fair value is determined using the quoted price on exchanges.

24. Segment information

(a) General information about reportable segments

The Group’s reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors meeting, etc. regularly in order to make decisions about the allocation of resources and assess performance. The Group comprises of the Bank and the six consolidated subsidiaries, and engages mainly in the banking business, and financial information is controlled based on figures provided by the Bank, which operates the banking business. So, the Group defines the banking business as a reportable segment.

(b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

The accounting methods used for the reportable segments are the same as those used for the preparation of the consolidated financial statements. Profits for reportable segments are ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest. Profits and transfer sums of intersegment transactions within the Group are based on market prices.

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

Segment information as of and for the fiscal year ended March 31, 2020 was as follows:

	Millions of yen				
	2020				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ 77,508	¥ 9,250	¥ 86,759	¥ -	¥ 86,759
Intersegment	286	1,486	1,773	(1,773)	-
Total	77,795	10,737	88,532	(1,773)	86,759
Segment profit	20,347	1,303	21,651	35	21,686
Segment assets	4,725,129	38,836	4,763,965	(35,799)	4,728,166
Segment liabilities	4,516,220	23,586	4,539,807	(31,896)	4,507,910
Others					
Depreciation	¥ 2,559	¥ 346	¥ 2,905	¥ -	¥ 2,905
Interest income	48,363	68	48,432	(78)	48,353
Interest expense	3,866	77	3,943	(75)	3,867
Gain on disposal of fixed assets	94	0	95	-	95
Loss on disposal of fixed assets	52	0	53	-	53
Impairment loss on fixed assets	1,513	-	1,513	-	1,513
Income taxes	5,980	424	6,404	7	6,412
Increase in tangible and intangible fixed assets	4,832	336	5,168	-	5,168

Notes: 1. Ordinary income represents total income less certain specific income.

2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.

3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(1,773) million represents intersegment elimination.

(2) "Reconciliation" of "Segment profit" in the amount of ¥35 million represents intersegment elimination.

(3) "Reconciliation" of "Segment assets" in the amount of ¥(35,799) million represents intersegment elimination.

(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(31,896) million represents intersegment elimination.

(5) "Reconciliation" of "Interest income" in the amount of ¥(78) million represents intersegment elimination.

(6) "Reconciliation" of "Interest expenses" in the amount of ¥(75) million represents intersegment elimination.

(7) "Reconciliation" of "Income taxes" in the amount of ¥7 million represents intersegment elimination.

4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

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

	Millions of yen					
	2019					
	Banking Business	Other Business	Total	Reconciliation	Consolidated	
Ordinary income:						
Outside customers	¥ 66,082	¥ 8,281	¥ 74,364	¥ -	¥ 74,364	
Intersegment	302	1,765	2,068	(2,068)	-	
Total	66,385	10,047	76,433	(2,068)	74,364	
Segment profit	16,950	1,261	18,211	(53)	18,158	
Segment assets	4,582,298	34,219	4,616,517	(31,176)	4,585,341	
Segment liabilities	4,358,776	19,912	4,378,689	(27,316)	4,351,372	
Others						
Depreciation	¥ 3,002	¥ 396	¥ 3,398	¥ -	¥ 3,398	
Interest income	45,434	74	45,508	(106)	45,402	
Interest expense	1,997	69	2,067	(68)	1,998	
Gain on disposal of fixed assets	1	0	2	-	2	
Loss on disposal of fixed assets	128	0	128	-	128	
Impairment loss on fixed assets	159	-	159	-	159	
Income taxes	5,749	355	6,104	21	6,125	
Increase in tangible and intangible fixed assets	1,866	169	2,035	-	2,035	

Notes: 1. Ordinary income represents total income less certain specific income.

2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.

3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(2,068) million represents intersegment elimination.

(2) "Reconciliation" of "Segment profit" in the amount of ¥(53) million represents intersegment elimination.

(3) "Reconciliation" of "Segment assets" in the amount of ¥(31,176) million represents intersegment elimination.

(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(27,316) million represents intersegment elimination.

(5) "Reconciliation" of "Interest income" in the amount of ¥(106) million represents intersegment elimination.

(6) "Reconciliation" of "Interest expenses" in the amount of ¥(68) million represents intersegment elimination.

(7) "Reconciliation" of "Income taxes" in the amount of ¥21 million represents intersegment elimination.

4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

Thousands of U.S. dollars

	2020				
	Banking Business	Other Business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	\$ 712,193	\$ 84,994	\$ 797,197	\$ -	\$ 797,197
Intersegment	2,627	13,654	16,291	(16,291)	-
Total	714,830	98,658	813,488	(16,291)	797,197
Segment profit	186,961	11,972	198,943	321	199,264
Segment assets	43,417,522	356,850	43,774,372	(328,944)	43,445,428
Segment liabilities	41,497,932	216,723	41,714,665	(293,080)	41,421,574
Others					
Depreciation	\$ 23,513	\$ 3,179	\$ 26,693	\$ -	\$ 26,693
Interest income	444,390	624	445,024	(716)	444,298
Interest expense	35,523	707	36,230	(689)	35,532
Gain on disposal of fixed assets	863	0	872	-	872
Loss on disposal of fixed assets	477	0	486	-	486
Impairment loss on fixed assets	13,902	-	13,902	-	13,902
Income taxes	54,948	3,895	58,844	64	58,917
Increase in tangible and intangible fixed assets	44,399	3,087	47,486	-	47,486

Notes: 1. Ordinary income represents total income less certain specific income.

2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.

3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of \$(16,291) thousands represents intersegment elimination.

(2) "Reconciliation" of "Segment profit" in the amount of \$321 thousand represents intersegment elimination.

(3) "Reconciliation" of "Segment assets" in the amount of \$(328,944) thousand represents intersegment elimination.

(4) "Reconciliation" of "Segment liabilities" in the amount of \$(293,080) thousand represents intersegment elimination.

(5) "Reconciliation" of "Interest income" in the amount of \$(716) thousand represents intersegment elimination.

(6) "Reconciliation" of "Interest expenses" in the amount of \$(689) thousand represents intersegment elimination.

(7) "Reconciliation" of "Income taxes" in the amount of \$64 thousand represents intersegment elimination.

4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

(d) Information about services

Millions of yen

	2020			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥ 36,648	¥ 29,215	¥ 20,895	¥ 86,759

Millions of yen

	2019			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥ 34,639	¥ 20,046	¥ 19,677	¥ 74,364

Thousands of U.S. dollars

	2020			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	\$ 336,745	\$ 268,446	\$ 191,996	\$ 797,197

Note: Ordinary income represents total income less certain specific income.

(e) Information about geographic areas

The information is not required to be disclosed because the amounts of ordinary income and tangible fixed assets in Japan exceeded 90% of the respective total amount for all segments.

(f) Information about major customers

The information is not required to be disclosed because ordinary income from any particular outside customer represented less than 10% of consolidated ordinary income.

(g) Segment information for impairment loss on fixed assets by reportable segment

	Millions of yen		
	2020		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 1,513	¥ -	¥ 1,513

	Millions of yen		
	2019		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 159	¥ -	¥ 159

	Thousands of U.S. dollars		
	2020		
	Banking business	Other business	Total
Impairment loss on fixed assets	\$ 13,902	\$ -	\$ 13,902

(h) Segment information on amortization and the unamortized portion of goodwill by reportable segment

There was no applicable information for the years ended March 31, 2020 and 2019.

25. Related party transactions

Significant transactions with the directors of the Bank or major shareholders for the years ended March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Akira Danbooru Kogyo Co., Ltd. (Notes 2 and 4)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	(23)	Loans and bills discounted	14
	MORI KEN CO., LTD. (Notes 3 and 4)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	113	Loans and bills discounted	360

*1 A company in which an officer or his or her relative owns a majority interest

Notes:

- The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
- A relative of Mr. Yasuhiko Akira, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- A relative of Mr. Kazuhiro Yasuyuki, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- The Bank took out a revolving mortgage on its real estate to secure the loans.

Year ended March 31, 2019

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Ippei Uchita (Notes 2 and 7)	Office worker	-	Loans	Loan (Note 1)	¥ -	Loans and bills discounted	¥ 19
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 3 and 6)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	13	Loans and bills discounted	37
	MORI KEN CO., LTD. (Notes 4 and 6)	Construction	Non-controlled 0.00%, Directly	Loans	Loan (Note 1)	(10)	Loans and bills discounted	246
	Trendfix, Inc. (Notes 5 and 7)	Production of advertisement	-	Loans	Loan (Note 1)	-	Loans and bills discounted	16

*1 An officer of the Bank or his or her relative

*2 A company in which an officer or his or her relative owns a majority interest

Notes:

- The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
- Mr. Ippei Uchita is a relative of Mr. Keiji Shima, a former director and senior managing executive officer of the Bank.
- A relative of Mr. Yasuhiko Akira, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- A relative of Mr. Kazuhiro Yasuyuki, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- A relative of Mr. Keiji Shima, a former director and senior managing executive officer of the Bank, owns a majority of the voting rights of this company.
- The Bank took out a revolving mortgage on its real estate to secure the loans.
- As Mr. Keiji Shima retired as a director and senior managing executive officer of the Bank on June 28, 2018, the outstanding balance of Mr. Ippei Uchita and Trendfix, Inc. is presented as of that date.

Year ended March 31, 2020

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Akira Danbooru Kogyo Co., Ltd. (Notes 2 and 4)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	(211)	Loans and bills discounted	128
	MORI KEN CO., LTD. (Notes 3 and 4)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	1,038	Loans and bills discounted	3,307

*1 A company in which an officer or his or her relative owns a majority interest

Notes:

- The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
- A relative of Mr. Yasuhiko Akira, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- A relative of Mr. Kazuhiro Yasuyuki, a senior executive officer of the Bank, owns a majority of the voting rights of this company.
- The Bank took out a revolving mortgage on its real estate to secure the loans.

Information about parent company or significant affiliates

Years ended March 31, 2020 and 2019

Not applicable

26. Subsequent events

There are no significant subsequent events to be noted.



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Kiyo Bank, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

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

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

Convenience Translation

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

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Katsuhiko Akimune
Designated Engagement Partner
Certified Public Accountant

Takuya Obata
Designated Engagement Partner
Certified Public Accountant

Shingo Kitaguchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
September 18, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.