

The Hyakugo Bank, Ltd.
Consolidated Financial Statements

March 31, 2020 and 2019



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Hyakugo 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, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and 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 Corporate auditors and the board of corporate auditors 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.

鈴木賢次 

Kenji Suzuki

Designated Engagement Partner

Certified Public Accountant

山田昌紀 

Masaki Yamada

Designated Engagement Partner

Certified Public Accountant

藤澤孝 

Takashi Fujisawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 17, 2020

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Balance Sheets
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 7)	¥ 873,542	¥ 904,975	\$ 8,026,667
Call loans and bills bought (Note 3)	15,510	20,429	142,518
Monetary claims bought (Note 3)	23,829	12,804	218,965
Trading account securities (Notes 3 and 4)	18	23	170
Money held in trust (Notes 3 and 4)	1,977	1,997	18,171
Securities (Notes 3, 4 and 7)	1,733,678	1,731,418	15,930,149
Loans and bills discounted (Notes 3, 5 and 14)	3,616,221	3,431,337	33,228,166
Foreign exchanges (Notes 3 and 5)	5,840	2,484	53,667
Lease receivables and lease investment assets (Note 15)	23,447	21,023	215,447
Other assets (Notes 3, 7 and 16)	69,065	64,903	634,619
Tangible fixed assets (Note 6)	46,947	46,756	431,383
Intangible fixed assets	4,579	5,111	42,078
Asset for employee retirement benefits (Note 10)	14,969	14,675	137,553
Deferred tax assets (Note 17)	777	688	7,146
Customers' liabilities for acceptances and guarantees (Note 11)	22,904	22,090	210,460
Allowance for loan losses	(15,860)	(15,446)	(145,734)
Total assets (Note 19)	¥ 6,437,449	¥ 6,265,275	\$ 59,151,425

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities:			
Deposits (Notes 3, 7 and 8)	¥ 4,944,240	¥ 4,876,589	\$ 45,430,859
Negotiable certificates of deposit (Notes 3 and 8)	155,560	176,185	1,429,391
Call money and bills sold (Note 3)	210,000	240,000	1,929,615
Payables under securities lending transactions (Notes 3 and 7)	319,236	188,696	2,933,349
Borrowed money (Notes 3, 7 and 9)	359,098	316,314	3,299,627
Foreign exchanges (Note 3)	72	263	670
Other liabilities (Notes 3, 9, 15, 16 and 17)	61,421	42,416	564,377
Provision for bonuses	240	233	2,212
Liability for employee retirement benefits (Note 10)	2,492	3,278	22,904
Provision for directors' retirement benefits	116	125	1,072
Provision for reimbursement of deposits	1,573	1,600	14,460
Provision for point card certificates	461	390	4,239
Provision for contingent loss	405	455	3,722
Reserves under special laws	1	1	11
Deferred tax liabilities (Note 17)	25,133	38,239	230,942
Deferred tax liabilities for land revaluation (Note 6)	2,534	2,534	23,292
Acceptances and guarantees (Note 11)	22,904	22,090	210,460
Total liabilities	<u>6,105,493</u>	<u>5,909,416</u>	<u>56,101,202</u>
Net assets (Notes 12, 18 and 21):			
Capital stock	20,000	20,000	183,773
Capital surplus	10,384	10,381	95,422
Retained earnings	241,481	232,337	2,218,887
Treasury stock	(104)	(146)	(963)
Total shareholders' equity	<u>271,761</u>	<u>262,572</u>	<u>2,497,119</u>
Valuation difference on available-for-sale securities (Note 4)	62,889	94,072	577,866
Deferred gains/losses on hedges	(4,631)	(4,979)	(42,558)
Revaluation reserve for land (Note 6)	4,168	4,168	38,304
Retirement benefit adjustments (Note 10)	(2,379)	(149)	(21,864)
Total accumulated other comprehensive income	<u>60,046</u>	<u>93,112</u>	<u>551,748</u>
Stock acquisition rights (Note 13)	147	174	1,356
Total net assets	<u>331,955</u>	<u>355,859</u>	<u>3,050,223</u>
Total liabilities and net assets	<u>¥ 6,437,449</u>	<u>¥ 6,265,275</u>	<u>\$ 59,151,425</u>

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income (Note 19):			
Interest income:			
Interest on loans and bills discounted	¥ 35,019	¥ 34,097	\$ 321,782
Interest and dividends on securities	19,114	18,119	175,635
Interest on call loans and bills bought	386	874	3,554
Other interest income	296	289	2,721
Total interest income	54,816	53,381	503,692
Fees and commissions	16,934	16,180	155,609
Other operating income	17,212	12,347	158,161
Other income (Note 10)	4,759	3,937	43,736
Total income	93,724	85,847	861,198
Expenses (Note 19):			
Interest expense:			
Interest on deposits	924	998	8,491
Interest on negotiable certificates of deposit	29	30	269
Interest on call money and bills sold	(66)	(90)	(612)
Interest on payables under securities lending Transactions	3,186	1,153	29,284
Interest on borrowings and rediscounts	271	306	2,496
Other interest expense	1,931	2,288	17,748
Total interest expense	6,276	4,686	57,676
Fees and commissions	4,577	4,137	42,058
Other operating expenses	16,732	14,232	153,753
General and administrative expenses	44,422	44,376	408,187
Provision of allowance for loan losses	2,238	363	20,571
Other expenses	3,809	2,747	35,000
Total expenses	78,058	70,542	717,245
Income before income taxes (Note 19)	15,666	15,304	143,953
Income taxes (Note 17):			
Current	3,596	3,953	33,043
Deferred	642	507	5,906
Total income taxes (Note 19)	4,238	4,461	38,949
Net income	11,427	10,843	105,004
Net income attributable to owners of the parent (Note 21)	¥ 11,427	¥ 10,843	\$ 105,004
Per share (Note 21):			
Net income:			
- Basic	¥ 45.02	¥ 42.73	\$ 0.41
- Diluted	44.95	42.66	0.41
Cash dividends	9.00	9.00	0.08

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	¥ 11,427	¥ 10,843	\$ 105,004
Other comprehensive income (loss) (Note 20):			
Valuation difference on available-for-sale securities	(31,183)	(8,109)	(286,536)
Deferred gains/losses on hedges	347	(512)	3,198
Retirement benefit adjustments	(2,230)	(1,617)	(20,492)
Total other comprehensive income (loss)	(33,065)	(10,239)	(303,830)
Comprehensive income (loss) for the year	¥ (21,638)	¥ 603	\$ (198,826)
Comprehensive income (loss) attributable to:			
Owners of the parent	¥ (21,638)	¥ 603	\$ (198,826)

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2020 and 2019

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Number of shares of common stock issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains/losses on hedges	Revaluation reserve for land	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	
		Millions of yen											
Balance at April 1, 2018	254,119,000	¥ 20,000	¥ 10,381	¥ 223,649	¥ (146)	¥ 253,885	¥ 102,182	¥ (4,466)	¥ 4,170	¥ 1,467	¥ 103,353	¥ 153	¥ 357,391
Net income attributable to owners of the parent	-	-	-	10,843	-	10,843	-	-	-	-	-	-	10,843
Dividends from surplus	-	-	-	(2,156)	-	(2,156)	-	-	-	-	-	-	(2,156)
Reversal of revaluation reserve for land	-	-	-	1	-	1	-	-	-	-	-	-	1
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	0	-	0	0	-	-	-	-	-	-	0
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(8,109)	(512)	(1)	(1,617)	(10,240)	21	(10,219)
Balance at March 31, 2019 (April 1, 2019)	254,119,000	¥ 20,000	¥ 10,381	¥ 232,337	¥ (146)	¥ 262,572	¥ 94,072	¥ (4,979)	¥ 4,168	¥ (149)	¥ 93,112	¥ 174	¥ 355,859
Net income attributable to owners of the parent	-	-	-	11,427	-	11,427	-	-	-	-	-	-	11,427
Dividends from surplus	-	-	-	(2,284)	-	(2,284)	-	-	-	-	-	-	(2,284)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	3	-	42	45	-	-	-	-	-	-	45
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(31,183)	347	-	(2,230)	(33,065)	(26)	(33,092)
Balance at March 31, 2020	<u>254,119,000</u>	<u>¥ 20,000</u>	<u>¥ 10,384</u>	<u>¥ 241,481</u>	<u>¥ (104)</u>	<u>¥ 271,761</u>	<u>¥ 62,889</u>	<u>¥ (4,631)</u>	<u>¥ 4,168</u>	<u>¥ (2,379)</u>	<u>¥ 60,046</u>	<u>¥ 147</u>	<u>¥ 331,955</u>
Thousands of U.S. dollars (Note 1)													
Balance at April 1, 2019	\$ 183,773	\$ 95,393	\$ 2,134,870	\$ (1,348)	\$ 2,412,688	\$ 864,402	\$ (45,756)	\$ 38,304	\$ (1,372)	\$ 855,578	\$ 1,599	\$ 3,269,865	
Net income attributable to owners of the parent	-	-	105,004	-	105,004	-	-	-	-	-	-	-	105,004
Dividends from surplus	-	-	(20,987)	-	(20,987)	-	-	-	-	-	-	-	(20,987)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	(2)	(2)	-	-	-	-	-	-	-	(2)
Disposal of treasury stock	-	29	-	387	416	-	-	-	-	-	-	-	416
Net changes in items other than shareholders' equity	-	-	-	-	-	(286,536)	3,198	-	(20,492)	(303,830)	(243)	(304,073)	
Balance at March 31, 2020	<u>\$ 183,773</u>	<u>\$ 95,422</u>	<u>\$ 2,218,887</u>	<u>\$ (963)</u>	<u>\$ 2,497,119</u>	<u>\$ 577,866</u>	<u>\$ (42,558)</u>	<u>\$ 38,304</u>	<u>\$ (21,864)</u>	<u>\$ 551,748</u>	<u>\$ 1,356</u>	<u>\$ 3,050,223</u>	

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the 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:			
Income before income taxes	¥ 15,666	¥ 15,304	\$ 143,953
Adjustments for:			
Depreciation and amortization	3,914	3,520	35,970
Impairment loss	9	108	86
Increase (decrease) in allowance for loan losses	413	(279)	3,803
Interest income	(54,816)	(53,381)	(503,692)
Interest expense	6,276	4,686	57,676
Gain related to securities	(1,259)	(1,736)	(11,577)
Net decrease (increase) in loans and bills discounted	(184,883)	(336,125)	(1,698,828)
Net increase (decrease) in deposits	67,650	160,493	621,618
Net increase (decrease) in negotiable certificates of deposit	(20,624)	(5,315)	(189,512)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	42,783	118,886	393,124
Net decrease (increase) in call loans	(7,432)	57,787	(68,295)
Net increase (decrease) in call money	(30,000)	140,000	(275,659)
Net increase (decrease) in payables under securities lending transactions	130,540	113,181	1,199,486
Net decrease (increase) in lease receivables and investment assets	(2,423)	(2,209)	(22,267)
Proceeds from fund management	57,075	54,902	524,443
Payments for financing	(6,513)	(4,753)	(59,850)
Others, net	10,201	1,604	93,804
Subtotal	26,585	266,676	244,283
Income taxes paid	(3,769)	(4,239)	(34,641)
Net cash provided by (used in) operating activities	22,815	262,437	209,642
Cash flows from investment activities:			
Purchase of securities	(520,499)	(482,952)	(4,782,682)
Proceeds from sales of securities	273,150	293,189	2,509,883
Proceeds from redemption of securities	198,689	226,734	1,825,685
Payments for increase in money held in trust	(22)	(24)	(207)
Proceeds for decrease in money held in trust	-	0	-
Purchase of tangible fixed assets	(3,004)	(2,584)	(27,611)
Proceeds from sales of tangible fixed assets	72	37	668
Purchase of intangible fixed assets	(740)	(964)	(6,802)
Net cash provided by (used in) investment activities	(52,354)	33,436	(481,066)
Cash flows from financing activities:			
Cash dividends paid	(2,282)	(2,157)	(20,969)
Others, net	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(2,282)	(2,158)	(20,969)
Effect of exchange rate change on cash and cash equivalents	(5)	5	(55)
Net increase (decrease) in cash and cash equivalents	(31,827)	293,721	(292,448)
Cash and cash equivalents at beginning of period	902,578	608,857	8,293,468
Cash and cash equivalents at end of period (Note 2(b))	¥ 870,751	¥ 902,578	\$ 8,001,020

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Financial Statements

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (together with the Bank, the “Hyakugo Bank Group”) have been prepared on the basis of accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been compiled from the original Japanese consolidated financial statements, prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan and submitted to the Director of the Kanto Finance Bureau of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements were made to the original Japanese consolidated financial statements in order to present them in a form that would be more familiar to readers outside Japan. In addition, certain reclassifications have been made in the financial statements for the year ended March 31, 2019 to conform to the classifications used in the financial statements for the year ended March 31, 2020.

The amounts in Japanese yen are presented in millions of yen, rounded down to the nearest million in accordance with legal provisions. Accordingly, the total yen amounts may not be equal to the sum of the individual account balances.

(b) U.S. dollar amounts

The Hyakugo Bank Group maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and these accompanying notes represent the conversion of Japanese yen amounts to U.S. dollar amounts using the exchange rate at March 31, 2020, which was ¥108.83 to U.S. \$1.00. The inclusion of the dollar amounts is solely for the convenience of the readers and is not intended to imply that the assets and liabilities originated in yen have been, could have been or could in the future be readily converted, realized or settled in dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 11 and 10 significant subsidiaries at March 31, 2020 and 2019, respectively. These consolidated subsidiaries primarily engage in providing a wide range of financial services to customers. Under the control concept, companies over which the Bank, directly or indirectly, exercises control in regards to operations are fully consolidated. The consolidated financial statements do not include the accounts of 4 and 3 subsidiaries at March 31, 2020 and 2019, respectively, because the total assets, total income, net income and retained earnings of the subsidiaries did not have any material impact on the consolidated financial statements. For the years under review, there were no affiliates over which the Bank had significant influence, and all intercompany transactions and accounts have been eliminated.

HMholdings Co., Ltd., HMcompany LLC, Relato LLC, TREE CLIMBING WORLD holdings Co., Ltd., and TREE CLIMBING WORLD Co., Ltd., each of which the Bank owns more than 50% of the voting rights, are not recognized as consolidated subsidiaries for the year ended March 31, 2020 because these companies are directly or indirectly held by the Bank’s unconsolidated subsidiary for the purpose of incubating the investees and not for the purpose of controlling entities.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from The Bank of Japan as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Cash and due from banks	¥ 873,542	¥ 904,975	\$ 8,026,667
Less due from banks other than The Bank of Japan	(2,791)	(2,397)	(25,647)
Cash and cash equivalents	<u>¥ 870,751</u>	<u>¥ 902,578</u>	<u>\$ 8,001,020</u>

(c) Trading account securities

Trading account securities are stated at fair value at the fiscal year-end. Related gains and losses, both realized and unrealized, are included in current earnings. Accrued interest on trading account securities is included in “other assets.”

(d) Securities

Debt securities for which the Hyakugo Bank Group has both a positive intent and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. Marketable securities other than those classified as trading or held-to-maturity securities are carried at fair value as available-for-sale securities, and net unrealized gains and losses reported as valuation differences on available-for-sale securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Available-for-sale securities that are nonmarketable are stated at moving average cost. The carrying values of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairments in value. Gains and losses on the disposal of investment securities are computed principally using the moving average method.

Accrued interest on securities is included in “other assets.” Funds entrusted to trust banks as securities for the Bank (included in “money held in trust”) are stated using the method applicable to the marketable securities described above.

(e) Derivatives and hedge accounting

The Hyakugo Bank Group uses swaps, forwards, options and other types of derivative contracts. These derivative instruments are used for the following purposes: to meet the customers’ needs for risk management; to manage the Hyakugo Bank Group’s assets and liabilities; and to generate income. Derivatives are recorded at fair value if hedge accounting is not appropriate or when there is no hedge designation. Gains and losses on derivatives are recognized in current earnings.

In connection with interest rate risks arising from financial assets and liabilities, the Bank applies the deferral method of hedge accounting as prescribed in the Industry Audit Committee Report No. 24, entitled the “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”) on February 13, 2002. The effectiveness of a fair value hedge in offsetting movements in the fair value of hedged items due to changes in interest rates is assessed by classifying the hedged items, such as deposits, loans and similar instruments, and the corresponding hedging instruments, such as interest rate swaps, and grouping those with similar risk characteristics in a maturity bucket. In addition, the effectiveness of a cash flow hedge is assessed by verifying the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

In addition, the Bank applies the portfolio hedge method or the exceptional treatment permitted for interest rate swaps to certain assets and liabilities. The Bank's consolidated subsidiaries also apply methods similar to those of the Bank for hedge accounting.

The Bank also applies the deferral method to account for hedges of foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the standard treatment under JICPA's Industry Audit Committee Report No. 25 of July 29, 2002, entitled the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry." The effectiveness of currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities to that of the corresponding hedging instruments.

(f) Loans and bills discounted and allowance for loan losses

Loans and bills discounted are stated at the amount of the unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

An allowance for loan losses of the Bank is established to cover future credit losses in accordance with internal rules on self-assessment of asset quality and provision of allowances for possible loan losses. Loans written off are charged to either allowance for loan losses or current income. The recovery of loans written off is recorded as other income.

The allowance is made based on the Bank's internal rules on establishing allowances for possible loan losses. For claims against borrowers in legal bankruptcy ("Bankrupt Borrowers") and virtual bankruptcy ("Virtually Bankrupt Borrowers"), an allowance is provided based on the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against borrowers having the possibility of bankruptcy ("Potentially Bankrupt Borrowers"), an allowance is provided based on an overall solvency assessment performed for the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against other borrowers, an allowance is provided based on the historical loan loss experience of the Bank for a certain past period. All claims are assessed by the Bank's operating divisions based on the Bank's internal rules on self-assessment of asset quality. The Bank's inspection division, which is independent from the Bank's operating divisions, conducts audits of such assessments, and an allowance is provided based on such audit results.

The Bank's consolidated subsidiaries provide allowances for loan losses on a similar basis.

(g) Tangible fixed assets and depreciation

Except for lease assets, tangible fixed assets are stated at cost, less accumulated depreciation, computed using the straight-line method over the estimated useful life of the asset. For buildings, the useful life ranges from 15 to 50 years. For other assets, the useful life ranges from 4 to 15 years.

(h) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized on a straight-line basis over the estimated useful life of five years.

(i) Leases

Prior to April 1, 2008, the Hyakugo Bank Group had accounted for finance leases that do not transfer ownership of the leased property to the lessee ("non-transferrable finance leases") as operating lease transactions in accordance with the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Council of Japan ("BACJ") in June 1993, on the condition that certain "as if capitalized" information of lessees or "as if sold" information of lessors was disclosed in the notes to financial statements. On March 30, 2007, the Accounting Standards Board of Japan ("ASBJ") issued

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. Under the revised accounting standard, lessees are required to capitalize all finance leases and recognize lease assets and lease obligations in the balance sheets. In addition, the revised accounting standard requires lessors to recognize all finance leases that transfer ownership of the leased property to the lessee (“transferable finance leases”) as lease receivables and all non-transferrable finance leases as lease investment assets.

The Hyakugo Bank Group has adopted the revised accounting standard for lease transactions effective from April 1, 2008. In accordance with the revised accounting standard, the Hyakugo Bank Group has changed its accounting for non-transferrable finance leases that commenced prior to April 1, 2008. For leases under which a Hyakugo Bank Group company is a lessor, the applicable leased property is stated at initial book value, less accumulated depreciation, as of April 1, 2008, and accounted for as lease investment assets pursuant to Paragraph 81 of ASBJ Guidance No. 16, “Implementation Guidance on Accounting Standard for Lease Transactions,” issued by ASBJ on March 30, 2007. The difference between income before income taxes when Paragraph 80 of ASBJ Guidance was applied and when Paragraph 81 of ASBJ Guidance was applied was immaterial.

As lessor, revenue from finance lease transactions and the related costs are recognized when the lease payments are received. As lessee, lease assets under non-transferrable finance leases recorded in “tangible fixed assets” or “intangible fixed assets” are depreciated using the straight-line method over the term of the lease with a predetermined residual value of zero or as stated in the applicable lease contract.

(j) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Revenues and expenses are translated at the exchange rates prevailing on the applicable transaction dates. Foreign exchange gains and losses resulting from such transactions are included in the determination of net income.

(k) Provision for bonuses

The consolidated subsidiaries provide provisions for bonuses based on the estimated amounts of future payments to employees attributable to the current year.

(l) Provision for directors’ retirement benefits

Provisions for the retirement benefits of the directors of the consolidated subsidiaries are provided for the payment of retirement benefits to directors and corporate auditors in the amounts deemed accrued at the fiscal year-end based on internal regulations.

(m) Provision for reimbursement of deposits

A provision for the reimbursement of deposits which had been derecognized from liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

(n) Provision for point card certificates

A provision for point card certificates is recorded for the future use of point card certificates by card holders in an amount rationally estimated and deemed necessary.

(o) Provision for contingent loss

A provision for contingent loss is provided for contingent liabilities not covered by other provisions in an amount deemed necessary based on future estimated losses.

(p) Reserves under special laws

Reserves under special laws are reserves for contingent liabilities and are provided for compensation for losses from securities related transactions pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act of Japan and Article 175 of the Cabinet Ordinance on Financial Instruments Business.

(q) Employee retirement benefits

Employees who terminate their services with the Hyakugo Bank Group are entitled to retirement benefits generally determined based on the current basic rate of pay, length of service and conditions under which the termination has occurred.

In accordance with the accounting standard for employee retirement benefits, the Hyakugo Bank Group recognizes retirement benefits based on the actuarial present value of the retirement benefit obligations using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the respective fiscal year-end. In calculating retirement benefit obligations, the Hyakugo Bank Group adopts the method of attributing expected retirement benefits to periods on a benefit formula basis. Consolidated subsidiaries use the simplified method to calculate the amounts required to be paid as retirement benefits if such benefits for all the employees retired voluntarily at the fiscal year end are regarded as retirement benefit obligations.

Past service cost that is yet to be recognized is amortized on a straight-line basis over a fixed period of 3 years, which is within the average remaining service years of the employees, measured from the year in which such cost arises. Actuarial differences arising from changes in retirement benefit obligations or pension plan assets not anticipated under previous assumptions or from changes in the assumptions themselves that are yet to be recognized are amortized on a straight-line basis over a fixed period of 10 years, which is within the average remaining service years of the employees, measured from the year following the year in which such differences arise. Actuarial differences and past service cost that are yet to be recognized in profit or loss are recognized as retirement benefit adjustments under a component of accumulated other comprehensive income within the net assets section, after adjusting for tax effects, and the difference between retirement benefit obligations and plan assets are recognized as asset or liability for employee retirement benefits, without any adjustments, in the accompanying consolidated balance sheets.

In addition, in order to provide for payments of retirement bonuses to executive officers of the Bank, the amount considered to be incurred up to the end of the year ended March 31, 2020 was recorded in "Liability for employee retirement benefits" on the consolidated balance sheet out of the estimated amount of retirement bonuses to be paid to the executive officers.

(Additional information)

On April 1, 2019, the Bank changed and transferred a portion of its defined benefit corporate pension plans to the defined contribution pension plans. In addition, on April 1, 2019, certain consolidated subsidiaries transferred a portion of the lump-sum retirement benefit plans to the defined contribution pension plans. Following these changes, the Bank adopted "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, issued on December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issues Task Force No. 2 issued on February 7, 2007) and related effects of ¥2,356 million (\$21,655 thousand) were recorded in "Other income."

(r) Income taxes

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized as future tax consequences attributable to the differences between the financial statement

carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(s) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the board of directors and/or shareholders.

(t) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is calculated to reflect the potential dilution assuming that all stock options are exercised at the time of issue, unless such options are anti-dilutive.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective years shown.

(u) New accounting standard not yet adopted

Accounting Standard for Revenue Recognition

On March 31, 2020, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition.” The new standard and guidance provide comprehensive principles for revenue recognition to Japanese GAAP in order to converge with IFRS 15, “Revenues from Contracts with Customers” and require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that principle by applying the following 5 steps:

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

The Hyakugo Bank Group expects to apply the standard and guidance effective from the beginning of the fiscal year ending March 31, 2022 and is in the process of measuring the effects of applying the new standard and guidance on the consolidated financial statements.

Accounting Standard for Fair Value Measurement

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

In order to enhance comparability with international accounting standards, “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 financial instruments defined in “Accounting Standard for Financial Instruments.” In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised and note items such as the components by Level of the fair value of financial instruments were provided.

The Hyakugo Bank Group expects to apply these standards and guidance effective from the beginning of the fiscal year ending March 31, 2022 and is in the process of measuring the effects of applying the new standards and guidance on the consolidated financial statements.

(v) Change in presentation

“Interest on payables under securities lending transactions,” which had been included in “Other interest expenses” in the consolidated statements of income has been separately presented from the fiscal year ended March 31, 2020 since its materiality increased and the consolidated statement of income for the fiscal year ended March 31, 2019 was restated.

Dividend income from group credit life insurance, etc., contracted by the Bank was previously recorded in “Other income,” but the Bank reviewed the presentation method, taking the opportunity of the changes in contracts regarding the payment of insurance premiums and the receipt of dividends and the trend of increasing dividend income. As a result of the examination of insurance premiums paid and dividend income, the Bank determined that it was more appropriate to record the net amount of the insurance premiums less dividend income as expense. Accordingly, from the year ended March 31, 2019, dividend income is recorded in “Fees and commissions (Expenses)” and “General and administrative expenses.”

(w) Additional information

(Accounting estimates on the effects of Covid-19)

The Bank makes accounting estimates on allowance for loan losses, impairment losses on fixed assets, etc., in preparing consolidated financial statements, assuming that economic measures by the government, etc., and support by financial institutions would prevent the Bank from incurring significant losses on loans, etc., although legal bankruptcy or deteriorated credit status of counterparties and delayed payments of principal or interest are expected following the spread of the Covid-19. The Bank assumes that the effects of the Covid-19 will continue over a certain period during the fiscal year ending March 31, 2021.

3. Financial Instruments and Related Disclosures

Outline of financial instruments

(1) Policy for financial instruments

The Hyakugo Bank Group is engaged in financial services centered on banking operations. In addition to investing funds in loans, securities and monetary claims bought for the purpose of earning interest income, the Bank also operates, within defined limits, in securities and money held in trust for the purpose of earning income from price fluctuations. In order to enhance the liquidity of its assets, the Bank also maintains cash deposits and invests funds in call loans and others in short-term markets. These investments are funded almost exclusively through deposits and negotiable certificates of deposit, while from an asset and liability management (ALM) perspective, other sources of funding are used as necessary, including call money and borrowings.

Moreover, the Bank uses derivative transactions in order to meet customers’ risk hedging needs and to make use of the Bank’s own ALM. Within defined limits, the Bank also engages in derivative transactions for the purpose of earning income from trading derivatives.

The consolidated subsidiaries of the Bank include companies that engage in securities operations, credit card operations and leasing operations. Each of these companies holds various financial assets, such as lease receivables and investment assets, installment receivables, member accounts receivable and cash deposits. Certain consolidated subsidiaries use borrowed money to raise funds.

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

The financial assets held by the Hyakugo Bank Group mainly comprise loans to corporations and individuals located in the Bank’s business area, as well as securities, including domestic and foreign

bonds and stocks. With regard to bonds, the Bank holds Japanese government bonds, local government bonds and bonds issued by highly creditworthy issuers, such as financial institutions, business entities and foreign governments, as well as securitized products comprising receivable or real estate backed assets. In terms of monetary claims bought, the Bank maintains lease receivables and investment assets related to the business of holding trust beneficiary rights and monetary claims purchased from customers in relation to the integrated factoring system. Monetary claims bought are exposed to the credit risk of borrowers and issuers. Of such monetary claims bought, fixed interest rate items are exposed to the risk of fluctuation in actual value due to interest rate fluctuations while marketable securities are exposed to the risk of fluctuation in market value.

The majority of financial liabilities comprise deposits and negotiable certificates of deposit, the majority of which in turn are received from customers located in the Bank's business area. A high proportion of financial liabilities consist of short-term deposits, such as liquid deposits with no defined maturity and fixed deposits maturing within one year. Call money and other short-term fund raising sources are primarily used for adjusting yen and foreign currency denominated capital positions.

With financial assets and liabilities, there is risk of loss due to changes in the actual value or capital margins from fluctuations in interest rates or foreign currency exchange rates as a result of differences in interest rate renewal dates, fund settlement dates or transaction currencies between assets and liabilities. Should circumstances significantly impair the short-term liquidity of assets, there is risk that the Bank would be forced to raise additional funds that are costly or dispose of assets at lower than expected prices or the like in order to cover the shortfall.

With regard to derivative transactions, interest related derivatives primarily comprise interest rate swaps, and currency related derivative transactions primarily involve currency swaps and foreign exchange forwards. The majority of these derivatives are used primarily to hedge the Bank's own market risk or that of its customers. Stock futures, bond futures, over-the-counter bond options and credit derivatives are used to earn income from trading activities or to hedge risks. In terms of risks arising from transactions, both market and credit risks are limited because the great majority of the transactions are for the purpose of hedging or are covered transactions and all counterparties are highly creditworthy financial institutions or corporations. The Bank does not enter into any high-risk transactions in which the rate of change in fair value corresponding to the price fluctuation of the object is very high.

During the years ended March 31, 2020 and 2019, hedged items accounted for using hedge accounting consisted of debt securities, loans and bills discounted, call loans and borrowed money, and hedging instruments consisted of interest rate swaps, foreign currency swaps and foreign exchange swaps. The Bank determines whether to revise its hedging policy every month and determines the hedged items, hedging instruments and hedging ratios semi-annually. Consolidated subsidiaries sometimes set for themselves the above policies. Hedge effectiveness is assessed using the methods provided in JICPA's Accounting System Committee Report No. 14, "Practical Guidance concerning Accounting for Financial Instruments."

(3) Risk management for financial instruments

i. Credit risk management

In order to avoid large-scale losses resulting from the materialization of credit risk, the Hyakugo Bank Group adheres to the basic policy of maintaining the soundness of overall assets by controlling credit risk to within an acceptable level with reference to shareholders' equity. To this end, the Hyakugo Bank Group has prepared various rules and organizational structures on which it bases its credit risk management.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group company comprehensively gauges, evaluates and monitors the status of various risks, including credit risks, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses Value at Risk (VaR) to measure credit risk in a manner that includes credit concentration risk, which is not included in the calculation of the capital adequacy ratio, based on the framework for integrated risk management. By managing risk within specified limits, the

Bank aims to take on appropriate risks and secure stable earnings.

In managing credit risk, the loan screening divisions independent of the sales promotion divisions review and manage loans, and the market risk management department (middle office) manages the same on a day-to-day basis. The Bank has also established a credit risk management department within the risk management division, which is independent from other divisions, thus ensuring a system of mutual checks and balances.

In addition, the Bank has prepared a credit rating system to evaluate credit risk for each borrower and implement comprehensive measures. Credit ratings are used to formulate finance loan policies and to set loan interest rates. The Hyakugo Bank Credit Policy stipulates a basic policy regarding finance loans in managing credit portfolios. Under the policy, the Bank ensures that investments are not concentrated to only certain companies or corporate groups while also striving to ascertain and monitor the status of credit by categories such as industry, region, credit rating and level of borrowing and to distribute credits appropriately across such categories.

With regard to loan recipients who are facing difficulties due to worsening business conditions or other reasons, the Bank gauges and monitors the management status and implements guidance on restructuring plans and collecting receivables as needed.

The Bank prepares various rules for and manages the market risk of each of its consolidated subsidiaries and manages the credit risk of the entire Hyakugo Bank Group through its credit risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various types of risk, including credit risk, through the Risk Management Committees established at each subsidiary.

ii. Market risk management

The Hyakugo Bank Group works to accurately measure and evaluate the impact of market fluctuations on its business and to conduct appropriate portfolio management by limiting risk in light of the strength of management and preparing various rules and organizational systems to manage market risk under the basic policy of securing stable revenues.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group company comprehensively gauges, evaluates and monitors the status of various risks, including market risks, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses VaR to measure market risk in a manner that includes interest rate risk, which is not included in the calculation of the capital adequacy ratio, based on a framework for integrated risk management. By managing risk within specified limits set for each risk type, the Bank aims to take on appropriate risks and secure stable earnings.

The Bank seeks to reduce the risk of loss due to insufficient funds by managing market risk, drawing clear distinctions between the trade execution department (front office) and the administrative processing department (back office) and by establishing a market risk management department (middle office) within the risk management division, which is independent from other divisions. All of the above-mentioned departments are overseen by the risk control management department, thus ensuring a system of mutual checks and balances. The transaction status, fair value and risk exposure are calculated and managed on appropriate dates, and management systems are strengthened at appropriate times in response to situations that arise. In addition, for transactions entered into to secure a profit through purchase and sale, etc., the Bank limits its risk of loss by preparing a management framework tailored to the specific circumstances of each investment, including by establishing position limits, loss cutting rules and cumulative loss limits, and conducting rigorous management on such framework.

The Bank manages market risk for its overall financial assets and listed liabilities, including deposits and other forms of funds, from an ALM perspective. The Bank seeks to reduce foreign exchange rate fluctuation risk associated with foreign currency denominated products used for procurement of funds through the operation of foreign currency denominated foreign bonds and foreign currency funds by using call money and other forms of procurement as well as by using currency exchange related derivatives to

maintain roughly the equivalent operating and procurement amounts in each currency.

The Bank prepares various rules and manages market risk of each of its consolidated subsidiaries and manages market risk of the entire Hyakugo Bank Group through its market risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various types of risk, including market risk, through the Risk Management Committees established at each subsidiary company.

Quantitative information concerning market risk:

Interest rate risk

The main financial instruments used by the Hyakugo Bank Group that are exposed to interest rate risk are bonds included in securities, loans and bills discounted, deposits, negotiable certificates of deposit, borrowed money and interest rate swap contracts included in derivative transactions. Interest rate risks attached to these financial assets and liabilities are managed by monitoring VaR calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years). As of March 31, 2020, the amount of interest rate risk (a predicted amount of loss) the Bank was exposed to was estimated to be ¥18,620 million (\$171,074 thousand) (¥8,926 million in 2019).

With regard to liquid deposits without maturity dates, VaR is calculated by internal models using due dates estimated with consideration for its long-term retention. The interest rate risk the consolidated subsidiaries are exposed to is not included in the calculation, as the outstanding balances of their financial instruments that are potentially exposed to interest rate risk are fairly small and, hence, their importance minimal.

Stock price risk

The main financial instruments used by the Hyakugo Bank Group exposed to stock price risk are stocks included in securities. Of these financial assets, stock price risks attached to those held for pure investment purposes are managed by monitoring its VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years), and stock price risks attached to those held for purposes other than pure investments are managed by monitoring valuation losses, which may arise to a degree as assumed under the VaR model, the VaR of which is calculated using the historical simulation method (which applies a holding period of six months, confidence interval of 99% and observation period of five years). As of March 31, 2020, the total amount of stock price risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥1,082 million (\$9,938 thousand) (¥1,767 million in 2019).

The stock price risk the consolidated subsidiaries are exposed to is not included in the calculation, as the outstanding balances of their financial instruments that are potentially exposed to stock price risk are fairly small and, hence, its importance minimal.

Other price fluctuation risk

The main financial instruments used by the Hyakugo Bank Group exposed to price fluctuation risk are investment trusts included in securities. Price fluctuation risks attached to these financial assets are managed by monitoring its VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years).

As of March 31, 2020, the total amount of stock price risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥33,437 million (\$307,222 thousand) (¥22,684 million in 2019).

Reasonableness of VaR

The Bank conducts back testing which compares the results calculated under the VaR model with changes in present value. As a result of the back testing, the accuracy of capturing interest rate risk and other price fluctuation risk was concerned, and, therefore, the value computed after adjustment of multipliers to VaR calculated by the measurement model to secure the capturing accuracy with confidence level of 99%.

iii. Liquidity risk management

The Hyakugo Bank Group manages liquidity risks through the establishment of relevant internal rules and organizational structures, adherence to the basic policy of maintaining structures that can appropriately respond to a liquidity crisis and by accurately grasping situations of investment and funding and market trends on stable funding.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various risks, including liquidity risks, and considers risk management policies and response measures on a monthly basis.

In funding operations, the Bank controls and manages daily and future funding requirements in Japanese yen and foreign currencies. The Bank also monitors funding availability in the markets and establishes countermeasures, such as the establishment and timely review of maximum funding amounts based on the funding availability against unexpected adverse events beforehand to prepare against liquidity risks.

(4) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no available market prices. Since variable factors are incorporated in computing the relevant fair values, the fair values may vary depending on the application of different assumptions.

Fair values of financial instruments

The carrying amounts and fair values of and unrealized gains/losses on the financial instruments as of March 31, 2020 and 2019 are set forth in the tables below.

Unlisted stocks and other items for which the fair values were deemed extremely difficult to estimate were not included in the tables (*see Note 2 below*). In addition, lease receivables and lease investment assets, contracts for overdraft facilities, loan commitments, bonds and agreements on guarantee of liabilities (customers' liabilities for acceptances and guarantees) were omitted from the below table due to immateriality.

March 31, 2020	Carrying value	Fair value	Differences
	Millions of yen		
(1) Cash and due from banks	¥ 873,542	¥ 873,542	¥ -
(2) Call loans and bills bought	15,510	15,510	-
(3) Monetary claims bought (*1)	23,829	23,829	-
(4) Trading account securities	18	18	-
(5) Money held in trust	1,977	1,977	-
(6) Securities:			
Available-for-sale securities	1,725,965	1,725,965	-
(7) Loans and bills discounted	3,616,221		
Allowance for loan losses (*1)	(14,656)		
	3,601,564	3,614,365	12,800
(8) Foreign exchanges (*1)	5,840	5,840	-
Total assets	<u>¥ 6,248,248</u>	<u>¥ 6,261,049</u>	<u>¥ 12,800</u>
(1) Deposits	¥ 4,944,240	¥ 4,944,122	¥ (117)
(2) Negotiable certificates of deposit	155,560	155,560	(0)
(3) Call money and bills sold	210,000	210,000	-
(4) Payables under securities lending transactions	319,236	319,236	-
(5) Borrowed money	359,098	359,614	515
(6) Foreign exchanges	72	72	-
Total liabilities	<u>¥ 5,988,208</u>	<u>¥ 5,988,606</u>	<u>¥ 397</u>
Derivative transactions (*2)			
Hedge accounting not applied	¥ 200	¥ 200	¥ -
Hedge accounting applied	(6,225)	(6,225)	-
Total derivative transactions	<u>¥ (6,025)</u>	<u>¥ (6,025)</u>	<u>¥ -</u>

March 31, 2019	Carrying value	Fair value	Differences
	Millions of yen		
(1) Cash and due from banks	¥ 904,975	¥ 904,975	¥ -
(2) Call loans and bills bought	20,429	20,429	-
(3) Monetary claims bought (*1)	12,803	12,803	-
(4) Trading account securities	23	23	-
(5) Money held in trust	1,997	1,997	-
(6) Securities:			
Available-for-sale securities	1,724,933	1,724,933	-
(7) Loans and bills discounted	3,431,337		
Allowance for loan losses (*1)	(14,313)		
	3,417,023	3,435,552	18,528
(8) Foreign exchanges (*1)	2,484	2,484	-
Total assets	¥ 6,084,672	¥ 6,103,201	¥ 18,528
(1) Deposits	¥ 4,876,589	¥ 4,876,472	¥ (117)
(2) Negotiable certificates of deposit	176,185	176,185	-
(3) Call money and bills sold	240,000	240,000	-
(4) Payables under securities lending transactions	188,696	188,696	-
(5) Borrowed money	316,314	316,886	571
(6) Foreign exchanges	263	263	-
Total liabilities	¥ 5,798,049	¥ 5,798,504	¥ 454
Derivative transactions (*2)			
Hedge accounting not applied	¥ 3,614	¥ 3,614	¥ -
Hedge accounting applied	(7,111)	(7,111)	-
Total derivative transactions	¥ (3,496)	¥ (3,496)	¥ -

March 31, 2020	Carrying value	Fair value	Differences
	Thousands of U.S. dollars		
(1) Cash and due from banks	\$ 8,026,667	\$ 8,026,667	\$ -
(2) Call loans and bills bought	142,518	142,518	-
(3) Monetary claims bought (*1)	218,959	218,959	-
(4) Trading account securities	170	170	-
(5) Money held in trust	18,171	18,171	-
(6) Securities:			
Available-for-sale securities	15,859,282	15,859,282	-
(7) Loans and bills discounted	33,228,166		
Allowance for loan losses (*1)	(134,677)		
	33,093,489	33,211,112	117,623
(8) Foreign exchanges (*1)	53,666	53,666	-
Total assets	<u>\$ 57,412,922</u>	<u>\$ 57,530,545</u>	<u>\$ 117,623</u>
(1) Deposits	\$ 45,430,859	\$ 45,429,777	\$ (1,082)
(2) Negotiable certificates of deposit	1,429,391	1,429,391	(0)
(3) Call money and bills sold	1,929,615	1,929,615	-
(4) Payables under securities lending transactions	2,933,349	2,933,349	-
(5) Borrowed money	3,299,627	3,304,365	4,738
(6) Foreign exchanges	670	670	-
Total liabilities	<u>\$ 55,023,511</u>	<u>\$ 55,027,167</u>	<u>\$ 3,656</u>
Derivative transactions (*2)			
Hedge accounting not applied	\$ 1,841	\$ 1,841	\$ -
Hedge accounting applied	(57,204)	(57,204)	-
Total derivative transactions	<u>\$ (55,363)</u>	<u>\$ (55,363)</u>	<u>\$ -</u>

(*1) A general allowance for loan losses and specific allowance for loan losses corresponding to loans and bills discounted have been deducted. Allowances for doubtful receivables for monetary claims bought and foreign exchanges were not significant in amount. Therefore, such allowances were written-down directly from the amounts listed in the consolidated balance sheets.

(*2) Derivative transactions recorded under other assets and liabilities have been listed together. Receivables and payables arising from derivative transactions have been presented in net amounts. Net payables have been presented in parentheses.

For derivative transactions to which exceptional treatment for interest rate swaps was applied, the fair values have been included in the fair values of the loans and bills discounted, which are the hedged items.

(Note 1) Calculation method for fair values of financial instruments

Assets:

(1) Cash and due from banks

With respect to due from banks without maturities, the fair value is presented at the carrying amount because the carrying amount approximates the fair value. With respect to due from banks with maturity or due from banks held by a consolidated subsidiary, the fair value is presented at the carrying amount because of the minimal amount and out of necessity.

(2) Call loans and bills bought

The fair value of a call loan or bill bought is presented at the carrying amount since the residual maturity of such call loan or bill is within one year and such carrying amount approximates the fair value.

(3) Monetary claims bought

Of the monetary claims bought, trust beneficiary rights are valued at the price presented by partner financial institutions. Monetary claims purchased from customers in relation to the integrated factoring system are settled over a specified short-term period. The fair value of such claims are, therefore, presented at the carrying amount as such carrying amounts approximate the fair values.

(4) Trading account securities

The fair value of trading account securities held for the purpose of dealing operations are determined by the price at the exchange or presented by partner financial institutions.

(5) Money held in trust

Of the nonconsolidated money held in trust as security, the fair value of a financial project operated as trust asset is determined by the price at the exchange or presented by partner financial institutions, etc. With respect to call loans and other similar loans, their carrying amounts are each presented as the fair value.

For details regarding money held in trust for holding purpose, see Note 4, entitled the "Trading Account Securities, Money Held in Trust and Securities."

(6) Securities

The fair values of securities are each determined using the quoted price at the stock exchange. (The above does not apply to unlisted stocks as their fair values are deemed extremely difficult to determine.)

Fair values of debt securities are each determined by the price at the exchange or presented by partner financial institutions, etc. Of such debt securities, the fair values of privately-placed bonds guaranteed by the Bank are calculated by discounting the sum of future interest income, the principal and guarantee receivables, using the assumed rate applicable to a similar type of loans newly advanced and procedures applicable to business loans. In addition, the fair values of debt securities of Bankrupt Issuers, Virtually Bankrupt Issuers or Potentially Bankrupt Issuers are stated at actual value, which is calculated by assessing the amount of write-offs based on estimated loan losses for similar business loans.

The fair value of an investment trust is determined using the published standard quotation.

For details regarding securities categorized by holding purpose, see Note 4, entitled "Trading Account Securities, Money Held in Trust and Securities."

(7) Loans and bills discounted

The carrying amount of a loan or bill discounted (except for loans containing credit derivatives) with a variable interest rate and short maturity is presented as the fair value as the carrying amount approximates the fair value, unless the credit situation of the borrower changes significantly after executing the loan or bill discounted. In such a case, the market interest rate will quickly react to such change.

Of the fixed-rate loans and bills discounted, the fair value of a consumer loan or loaned product to local governments is computed, with respect to each category of products and lending terms, by discounting the sum of future principal and interest income, using the assumed rate applicable to the same type of new loan. The fair values of loans to businesses and similar instruments are computed, with respect to each category of internal ratings and lending terms, by discounting the sum of future principal and interest income, using the assumed rate applicable to the same type of new loan. The carrying amount of a loan or bill discounted with a short-term contract period or maturity (within one year) is presented as the fair

value as the carrying amount approximates the fair value.

The fair values of loans containing credit derivatives are determined using the price presented by partner financial institutions.

Losses on claims against Bankrupt Borrowers, Virtually Bankrupt Borrowers and Potentially Bankrupt Borrowers are estimated based on the forecasted recoverable amount of collateral and guarantees. The market values of such claims approximated the carrying amounts of such claims as of the consolidated closing date after deduction of the present relevant estimated loan losses. Therefore, the Bank uses the market values as the fair values of such claims.

Meanwhile, with respect to the loans and bills discounted of the consolidated subsidiaries, their carrying amounts are presented as the fair value as a minimum requirement.

(8) Foreign exchanges

Foreign exchanges include foreign currency deposits with other banks (due from foreign banks - own accounts), foreign exchange related short-term loans receivable (due from foreign banks – their accounts), export bills, traveler’s checks (foreign bills bought) and loans on import bills (foreign bills receivable). The carrying amounts of these instruments are presented as the fair value as they are dues from banks without maturities or instruments with a short-term contract period (within one year) and their carrying amounts approximate the fair values.

Liabilities:

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

With respect to an on-demand deposit, the payment obligation demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of a time deposit is computed using the present value by discounting future cash flows for each category of a certain period. The interest rate to be applied when a new deposit is made is used as the discount rate. For a deposit whose residual maturity is within one year, the carrying amount is presented as the fair value since such carrying amount approximates the fair value.

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

The carrying amounts of items (3) and (4) are presented as the fair value as such carrying amounts approximate the fair values due to the short-term maturities (within one year).

(5) Borrowed money

The present value of borrowed money is computed by discounting the sum of principal and interest income to be received, classified by a fixed period, using the assumed rate applicable to the same type of borrowings. The carrying amount of such instruments is presented as the fair value as the carrying amount approximates the fair value due to the short-term maturity (within one year). With respect to the borrowed money of the consolidated subsidiaries, the carrying amount is presented as the fair value as a minimum requirement.

(6) Foreign exchanges

Foreign exchanges include foreign currency deposits from other banks and non-resident yen deposits (due to foreign branches – their accounts), foreign exchange related short-term loans payable (due to foreign banks – own accounts), foreign exchange related accrued liabilities sold to customers (foreign bills sold) and foreign exchange related accrued liabilities sent to customers (foreign bills payable). The carrying amounts of these instruments are presented as the fair value as the carrying amounts approximate the fair values due to such instruments being dues from banks without maturities or having short maturities (within one year).

Derivative transactions:

Please see Note 16, entitled the “Derivative Instruments.”

(Note 2) The following table summarizes financial instruments whose fair values were extremely difficult to estimate. It is noted that these instruments were not included in the aforementioned table regarding the fair values of financial instruments.

Category	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted stocks (*1)(*2)	¥ 1,961	¥ 2,229	\$ 18,026
Investments in capital of partnerships (*3)	5,750	4,255	52,841
Total	¥ 7,712	¥ 6,485	\$ 70,867

*(*1) The fair values of unlisted stocks were not disclosed since there were no available market prices and the fair values were extremely difficult to estimate.*

*(*2) The Bank recognized impairment loss in the amount of ¥296 million (\$2,725 thousand) and ¥42 million on unlisted stocks for the years ended March 31, 2020 and 2019, respectively.*

*(*3) The fair values of investments in the capital of partnerships comprise assets whose fair values are deemed to be extremely difficult to estimate such as unlisted stocks. Thus, the fair values of investments in the capital of partnerships were not disclosed.*

(Note 3) Maturity of financial assets and securities with contractual maturities at March 31, 2020:

	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	¥ 805,225	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	15,510	-	-	-	-	-
Monetary claims bought	5,450	3,394	9,052	5,875	80	-
Available-for-sale securities with maturity:						
Japanese government bonds	210,500	176,500	14,500	-	-	56,000
Local government bonds	37,562	97,464	59,227	118,297	82,199	8,041
Corporate bonds	58,842	52,050	22,019	18,741	7,800	67,259
Other	26,864	36,825	89,151	15,931	71,814	147,177
Subtotal	<u>333,769</u>	<u>362,840</u>	<u>184,898</u>	<u>152,969</u>	<u>161,813</u>	<u>278,478</u>
Loans and bills discounted (*)	<u>750,835</u>	<u>573,975</u>	<u>458,743</u>	<u>317,242</u>	<u>356,103</u>	<u>1,108,812</u>
Total	<u>¥ 1,910,791</u>	<u>¥ 940,209</u>	<u>¥ 652,694</u>	<u>¥ 476,087</u>	<u>¥ 517,997</u>	<u>¥ 1,387,290</u>

(*) These loans and bills discounted do not include loans of ¥50,507 million, which do not have specific maturity dates.

	Thousands of U.S. dollars					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	\$ 7,398,931	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills bought	142,518	-	-	-	-	-
Monetary claims bought	50,081	31,188	83,183	53,984	744	-
Available-for-sale securities with maturity:						
Japanese government bonds	1,934,209	1,621,796	133,235	-	-	514,564
Local government bonds	345,144	895,566	544,221	1,086,990	755,297	73,892
Corporate bonds	540,680	478,269	202,325	172,204	71,671	618,023
Others	246,851	338,377	819,184	146,385	659,875	1,352,358
Subtotal	3,066,884	3,334,008	1,698,965	1,405,579	1,486,843	2,558,837
Loans and bills discounted (*)	6,899,162	5,274,058	4,215,228	2,915,032	3,272,108	10,188,479
Total	<u>\$ 17,557,576</u>	<u>\$ 8,639,254</u>	<u>\$ 5,997,376</u>	<u>\$ 4,374,595</u>	<u>\$ 4,759,695</u>	<u>\$ 12,747,316</u>

(*) These loans and bills discounted do not include loans of \$464,100 thousand, which do not have specific maturity dates.

(Note 4) Maturity of interest bearing liabilities at March 31, 2020:

	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	¥ 4,611,507	¥ 277,721	¥ 55,011	¥ -	¥ -	¥ -
Negotiable certificates of deposit	155,510	50	-	-	-	-
Call money and bills sold	210,000	-	-	-	-	-
Payables under securities lending transactions	319,236	-	-	-	-	-
Borrowed money	58,253	4,269	296,575	-	-	-
Total	<u>¥ 5,354,507</u>	<u>¥ 282,040</u>	<u>¥ 351,587</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>

(*) On-demand deposits are included in the "within one year" column.

	Thousands of U.S. dollars					
	<u>Within one year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>Five to seven years</u>	<u>Seven to 10 years</u>	<u>Over 10 years</u>
Deposits (*)	\$ 42,373,491	\$ 2,551,884	\$ 505,484	\$ -	\$ -	\$ -
Negotiable certificates of deposit	1,428,932	459	-	-	-	-
Call money and bills sold	1,929,615	-	-	-	-	-
Payables under securities lending transactions	2,933,349	-	-	-	-	-
Borrowed money	<u>535,269</u>	<u>39,230</u>	<u>2,725,128</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 49,200,656</u>	<u>\$ 2,591,573</u>	<u>\$ 3,230,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(*) On-demand deposits are included in the "within one year" column.

4. Trading Account Securities, Money Held in Trust and Securities

At March 31, 2020 and 2019, securities consisted of the following.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Japanese government bonds	¥ 468,619	¥ 541,697	\$ 4,305,974
Local government bonds	405,685	365,318	3,727,702
Corporate bonds	228,092	336,264	2,095,856
Stocks	152,248	172,597	1,398,954
Other securities	479,032	315,541	4,401,663
Total	¥ 1,733,678	¥ 1,731,418	\$ 15,930,149

In the accompanying consolidated balance sheets, trading account securities, money held in trust and securities included marketable securities traded on stock exchanges. Included in government bonds and other securities were investment securities lent to third parties under securities loan agreements in the amounts of ¥74,978 million (\$688,953 thousand) and ¥73,068 million at March 31, 2020 and 2019, respectively.

Guarantees provided for certain privately placed bonds were included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥16,589 million (\$152,433 thousand) and ¥10,963 million at March 31, 2020 and 2019, respectively.

Investments in securities are classified as trading, held-to-maturity or available-for-sale securities. Such classifications determine the respective accounting method to be applied as stipulated under the accounting standard for financial instruments. At March 31, 2020 and 2019, the carrying values of trading account securities, money held in trust for trading purposes and related net unrealized gains (losses) included in current earnings were as follows.

	Unrealized		Unrealized		Unrealized	
	Carrying	gains	Carrying	gains	Carrying	gains
	value	(losses)	value	(losses)	value	(losses)
	Millions of yen				Thousands of	
	2020		2019		U.S. dollars	
					2020	
Trading account securities	¥ 18	¥ 0	¥ 23	¥ 0	\$ 170	\$ 5
Money held in trust	1,977	(22)	1,997	(2)	18,171	(206)

At March 31, 2020 and 2019, gross unrealized gains and losses on marketable available-for-sale securities were summarized as follows.

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Millions of yen				
As of March 31, 2020				
Securities for which carrying value exceeds acquisition cost:				
Stocks	¥ 40,742	¥ 93,891	¥ -	¥ 134,633
Bonds:				
Japanese government bonds	440,468	9,135	-	449,603
Local government bonds	299,529	3,311	-	302,841
Corporate bonds	170,278	1,467	-	171,746
Others	125,703	3,768	-	129,471
Securities for which carrying value does not exceed acquisition cost:				
Stocks	17,818	-	(2,165)	15,653
Bonds:				
Japanese government bonds	19,188	-	(172)	19,015
Local government bonds	103,303	-	(458)	102,844
Corporate bonds	56,567	-	(221)	56,346
Others	380,649	-	(18,459)	362,190
Total	<u>¥ 1,654,248</u>	<u>¥ 111,574</u>	<u>¥ (21,477)</u>	<u>¥ 1,744,345</u>
As of March 31, 2019				
Securities for which carrying value exceeds acquisition cost:				
Stocks	¥ 52,998	¥ 109,329	¥ -	¥ 162,328
Bonds:				
Japanese government bonds	527,472	14,225	-	541,697
Local government bonds	352,663	5,423	-	358,087
Corporate bonds	319,089	2,692	-	321,782
Others	181,928	7,633	-	189,562
Securities for which carrying value does not exceed acquisition cost:				
Stocks	9,136	-	(1,097)	8,039
Bonds:				
Japanese government bonds	-	-	-	-
Local government bonds	7,236	-	(5)	7,231
Corporate bonds	14,518	-	(36)	14,481
Others	131,201	-	(3,850)	127,350
Total	<u>¥ 1,596,246</u>	<u>¥ 139,304</u>	<u>¥ (4,990)</u>	<u>¥ 1,730,560</u>

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
As of March 31, 2020				
Securities for which carrying value exceeds acquisition cost:				
Stocks	\$ 374,366	\$ 862,732	\$ -	\$ 1,237,098
Bonds:				
Japanese government bonds	4,047,304	83,946	-	4,131,250
Local government bonds	2,752,274	30,425	-	2,782,699
Corporate bonds	1,564,625	13,488	-	1,578,113
Others	1,155,042	34,625	-	1,189,667
Securities for which carrying value does not exceed acquisition cost:				
Stocks	163,727	-	(19,897)	143,830
Bonds:				
Japanese government bonds	176,312	-	(1,588)	174,724
Local government bonds	949,220	-	(4,217)	945,003
Corporate bonds	519,776	-	(2,033)	517,743
Others	3,497,656	-	(169,618)	3,328,038
Total	<u>\$ 15,200,302</u>	<u>\$ 1,025,216</u>	<u>\$ (197,353)</u>	<u>\$ 16,028,165</u>

Impairment loss on investment securities in the amount of ¥1,574 million (\$14,469 thousand), consisting of marketable and unlisted stocks in the amount of ¥752 million (\$6,913 thousand) and others in the amount of ¥822 million (\$7,556 thousand), was recorded for the year ended March 31, 2020.

Impairment loss on marketable investments securities (stocks) in the amount of ¥340 million was recorded for the year ended March 31, 2019. With respect to a marketable investment security, if the fair value of a marketable investment security declines to between 30% and 50% of the acquisition cost, recoverability of such security will be determined based on the trend of changes in related fair values over a given period and the financial condition of the issuing company. If, based on the application of such method, the amount of decline in the fair value is deemed unrecoverable, impairment loss will be recognized.

At March 31, 2020 and 2019, net unrealized gains on available-for-sale securities, net of applicable income taxes and noncontrolling interests, recorded in the valuation difference on available-for-sale securities in the accompanying consolidated balance sheets were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized gains	¥ 90,123	¥ 134,331	\$ 828,109
Less applicable income taxes	(27,153)	(40,177)	(249,503)
Less noncontrolling interests portion	(80)	(80)	(740)
Net unrealized gains in net assets	<u>¥ 62,889</u>	<u>¥ 94,072</u>	<u>\$ 577,866</u>

Available-for-sale securities sold during the years ended March 31, 2020 and 2019 were as follows.

	Proceeds from sales	Gain on sales	Loss on sales
	Millions of yen		
For the year 2020:			
Stocks	¥ 4,447	¥ 654	¥ 553
Bonds:			
Japanese government bonds	90,316	842	-
Local government bonds	18,580	0	-
Corporate bonds	68	0	-
Others	128,764	3,734	1,105
	<u>¥ 242,177</u>	<u>¥ 5,231</u>	<u>¥ 1,658</u>

For the year 2019:			
Stocks	¥ 12,362	¥ 856	¥ 826
Bonds:			
Japanese government bonds	25,896	89	-
Local government bonds	31,215	0	60
Corporate bonds	1,697	0	5
Others	179,707	3,691	1,194
	<u>¥ 250,879</u>	<u>¥ 4,639</u>	<u>¥ 2,086</u>

	Proceeds from sales	Gain on sales	Loss on sales
	Thousands of U.S. dollars		
For the year 2020:			
Stocks	\$ 40,871	\$ 6,014	\$ 5,082
Bonds:			
Japanese government bonds	829,888	7,737	-
Local government bonds	170,730	5	-
Corporate bonds	626	1	-
Others	1,183,170	34,316	10,161
	<u>\$ 2,225,285</u>	<u>\$ 48,073</u>	<u>\$ 15,243</u>

5. Loans and Bills Discounted

At March 31, 2020 and 2019, loans and bills discounted consisted of the following.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Bills discounted	¥ 7,039	¥ 8,263	\$ 64,688
Loans on notes	91,100	93,938	837,088
Loans on deeds	3,178,522	2,997,823	29,206,304
Overdrafts	339,558	331,311	3,120,086
	<u>¥ 3,616,221</u>	<u>¥ 3,431,337</u>	<u>\$ 33,228,166</u>

Bills discounted are accounted for as financial transactions in accordance with JICPA's Industry Audit Committee Report No. 24 of February 13, 2002, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." The Hyakugo Bank Group has the right to sell or pledge bills discounted and foreign exchanges bought without restrictions. The total face values of these bills amounted to ¥7,044 million (\$64,726 thousand) and ¥8,267 million at March 31, 2020 and 2019, respectively.

Claims against borrowers in bankruptcy and past due loans were included in loans and bills discounted and amounted to ¥45,981 million (\$422,507 thousand) and ¥45,811 million at March 31, 2020 and 2019, respectively. Loans are generally placed on non-accrual status when substantial doubt exists as to the ultimate collectability of either the principal or interest because they are past due for a certain period or for other reasons. Interest revenue accruals are suspended when loans are classified as claims against borrowers in bankruptcy or past due loans. Claims against borrowers in bankruptcy represent non-accrual loans, less partial charge-off of claims deemed uncollectible against borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation Tax Act of Japan. Past due loans, other than claims against borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties, are considered non-accrual loans.

At March 31, 2020 and 2019, accruing loans (which exclude non-accrual loans) for which the payment of the principal and/or interest was contractually past due by three months or more amounted to ¥64 million (\$596 thousand) and ¥140 million, respectively.

At March 31, 2020 and 2019, restructured loans (which excludes non-accrual loans and accruing loans contractually past due by three months or more as mentioned above) for which the Bank had relaxed its lending conditions for borrowers in financial difficulties through measures such as reduction of the original interest rate, forbearance of interest and/or principal payments and extension of the maturity date in order to support such borrowers in their financial recovery or restructuring, amounted to ¥9,187 million (\$84,417 thousand) and ¥6,741 million, respectively.

Total nonperforming assets, net of charge-offs, consisted of non-accrual loans, accruing loans contractually past due by three months or more and restructured loans in the amounts of ¥55,233 million (\$507,520 thousand) and ¥52,694 million at March 31, 2020 and 2019, respectively.

6. Tangible Fixed Assets

At March 31, 2020 and 2019, tangible fixed assets, net of accumulated depreciation, were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Buildings	¥ 21,214	¥ 21,669	\$ 194,935
Land	19,907	19,913	182,925
Construction in progress	-	235	-
Other tangible fixed assets	5,824	4,938	53,523
Tangible fixed assets	¥ 46,947	¥ 46,756	\$ 431,383

Accumulated depreciation of tangible fixed assets amounted to ¥36,224 million (\$332,849 thousand) and ¥35,670 million as of March 31, 2020 and 2019, respectively.

Pursuant to the Act Concerning Revaluation of Land (the “Revaluation Act”), the Bank elected a one-time revaluation to restate the cost of land used for the banking business at values reassessed to reflect adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency effective on March 31, 1998. According to the Revaluation Act, the amount equivalent to the tax effect on the excess of the reassessed value over the original book value is recorded as deferred tax liabilities for land revaluation. The rest of such excess, net of the tax effect, is recorded as revaluation reserve for land in accumulated other comprehensive income of net assets in the balance sheets. At March 31, 2020 and 2019, the differences in the carrying values of land used for the banking business after revaluation over then current market values at the fiscal year-end amounted to ¥4,123 million (\$37,891 thousand) and ¥4,839 million, respectively.

As permitted by the accounting principles and practices generally accepted in Japan, the Bank deducts deferred capital gains on sales of real property from the original acquisition costs of property which is newly acquired for replacement purpose in the same line of business as the property sold. At March 31, 2020 and 2019, deferred capital gains in the amounts of ¥4,002 million (\$36,782 thousand) and ¥3,940 million, respectively, were directly deducted from the acquisition costs of land and buildings.

7. Pledged Assets

At March 31, 2020 and 2019, the following assets were pledged as collateral for liabilities.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Securities	¥ 821,893	¥ 516,213	\$ 7,552,088

The above pledged assets secure the following liabilities.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Deposits	¥ 42,663	¥ 22,614	\$ 392,023
Payables under securities lending transactions	319,236	188,696	2,933,349
Borrowed money	350,159	296,109	3,217,487

In addition, securities amounting to ¥1,023 million (\$9,400 thousand) and ¥1,034 million at March 31, 2020 and 2019, respectively, and cash and due from banks amounting to ¥200 million (\$1,838 thousand) at March 31, 2020 and 2019, respectively, were pledged as collateral for settlements of exchange, derivatives and other transactions.

Other assets include guarantee money of ¥1,173 million (\$10,787 thousand) and ¥1,388 million as of March 31, 2020 and 2019, respectively, margin money deposited with a central clearing organization of ¥25,000 million (\$229,716 thousand) as of both March 31, 2020 and 2019 and margin money deposited for financial instruments of ¥8,788 million (\$80,750 thousand) and ¥5,809 million as of March 31, 2020 and 2019, respectively.

8. Deposits and Negotiable Certificates of Deposit

At March 31, 2020 and 2019, deposits consisted of the following.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Demand deposits	¥ 2,870,304	¥ 2,752,552	\$ 26,374,204
Time deposits	2,013,590	2,065,066	18,502,162
Other deposits	60,345	58,971	554,493
Deposits	4,944,240	4,876,589	45,430,859
Negotiable certificates of deposit	155,560	176,185	1,429,391
	<u>¥ 5,099,801</u>	<u>¥ 5,052,774</u>	<u>\$ 46,860,250</u>

9. Borrowed Money and Lease Obligations

Borrowed money consisted of borrowings from financial institutions with an average interest rate of 0.06% per annum at March 31, 2020 due through March 2025.

Borrowed money due annually through 2025 at March 31, 2020 was as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 58,253	\$ 535,269
2022	2,849	26,179
2023	1,420	13,051
2024	296,081	2,720,589
2025	494	4,539
	<u>¥ 359,098</u>	<u>\$ 3,299,627</u>

Lease obligations included in “other liabilities” due annually through September 2025 at March 31, 2020 were as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 9	\$ 87
2022	9	87
2023	8	81
2024	3	30
2025	0	4
2026	0	1
	<u>¥ 31</u>	<u>\$ 290</u>

10. Employee Retirement Benefits

(1) Outline of the retirement benefit plans adopted

The Bank has corporate pension fund plans and lump-sum retirement benefit plans as its defined benefit pension plans and defined contribution pension plans, which together substantially cover all employees. On April 1, 2019, the Bank changed a part of the defined benefit pension plan and transferred a part of defined benefit plan to the defined contribution pension plan. In addition, the Bank has set up a retirement benefit trust.

Consolidated subsidiaries have lump-sum retirement benefit plans as their defined benefit plans. On April 1, 2019, certain consolidated subsidiaries transferred a part of the lump-sum retirement benefit plans to the defined contribution pension plans. Under the lump-sum retirement benefit plans of the consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are computed using the simplified method.

(2) Defined benefit plans

- i. The changes in retirement benefit obligations for the years ended March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Beginning balance of retirement benefit obligations	¥ 44,371	¥ 45,066	\$ 407,710
Service cost	1,379	1,687	12,672
Interest cost	123	139	1,132
Actuarial differences	737	209	6,779
Retirement benefits paid	(2,595)	(2,732)	(23,849)
Past service cost	-	-	-
Decrease due to transfer to defined contribution pension plans	(3,709)	-	(34,086)
Other	0	0	1
Ending balance of retirement benefit obligations	¥ 40,306	¥ 44,371	\$ 370,359

- ii. The changes in pension plan assets for the years ended March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Beginning balance of pension plan assets	¥ 55,768	¥ 57,451	\$ 512,435
Expected return on pension plan assets	1,657	1,696	15,226
Actuarial differences	(2,176)	(2,199)	(20,003)
Contribution from the employer	335	473	3,083
Retirement benefits paid	(1,648)	(1,654)	(15,151)
Decrease due to transfer to defined contribution pension plans	(1,151)	-	(10,583)
Other	0	0	1
Ending balance of pension plan assets	¥ 52,783	¥ 55,768	\$ 485,008

- iii. Reconciliations between the ending balances of retirement benefit obligations and pension plan assets and the liability or asset for employee retirement benefits recorded in the consolidated balance sheet were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Funded retirement benefit obligations	¥ 39,916	¥ 43,927	\$ 366,778
Pension plan assets	(52,783)	(55,768)	(485,008)
	(12,866)	(11,840)	(118,230)
Unfunded retirement benefit obligations	389	443	3,581
Net liability (asset) recorded in the consolidated balance sheet	¥ (12,477)	¥ (11,397)	\$ (114,649)

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Liability for employee retirement benefits	¥ 2,492	¥ 3,278	\$ 22,904
Asset for employee retirement benefits	(14,969)	(14,675)	(137,553)
Net liability (asset) recorded in the consolidated balance sheet	¥ (12,477)	¥ (11,397)	\$ (114,649)

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

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Service cost	¥ 1,379	¥ 1,687	\$ 12,672
Interest cost	123	139	1,132
Expected return on pension plan assets	(1,657)	(1,696)	(15,226)
Amortization of actuarial differences	(388)	92	(3,572)
Amortization of past service cost	-	-	-
Other	-	-	-
Retirement benefit expenses on defined benefit plans	¥ (543)	¥ 223	\$ (4,994)
Gain on transfer to defined contribution pension plans	¥ 2,356	¥ -	\$ 21,655

(Notes) 1. Retirement benefit expenses of consolidated subsidiaries applying the simplified method calculation were all included in "service cost."

2. Gain on transfer to defined contribution pension plans is recorded in "Other income" for the fiscal year ended March 31, 2020.

- v. The components of retirement benefit adjustments (before tax effect) on other comprehensive income were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Past service cost	¥ -	¥ -	\$ -
Actuarial differences	3,194	2,316	29,354
Other	-	-	-
Total	¥ 3,194	¥ 2,316	\$ 29,354

- vi. The components of retirement benefit adjustments (before tax effect) on accumulated other comprehensive income were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Unrecognized past service cost	¥ -	¥ -	\$ -
Unrecognized actuarial differences	3,408	213	31,320
Other	-	-	-
Total	¥ 3,408	¥ 213	\$ 31,320

- vii. Pension plan assets

- i. Components of pension plan assets

Pension plan assets consisted of the following:

	2020	2019
Bonds	7%	4%
Stocks	46%	51%
Cash and deposits	0%	0%
General account	22%	20%
Other	25%	25%
Total	100%	100%

(Note) At March 31, 2020, the retirement benefit trust established for lump-sum retirement benefit plans and corporate pension fund plans accounted for 37% (34% in 2019) of the total pension plan assets.

- ii. Method for determining the long-term expected rate of return on pension plan assets

The long-term expected rate of return on pension plan assets is determined by considering the allocation of pension plan assets and long-term rates of return that are expected currently and in the future for various components of the pension plan assets.

- viii. Assumptions used for the years ended March 31, 2020 and 2019 were as follows.

		2020	2019
Discount rate	Corporate pension fund plans	0.4%	0.4%
	Lump-sum retirement benefit plans	0.0%	0.0%
Long-term expected rate of return(mainly)		3.5%	3.5%

(Note) In computing retirement benefit obligations, points granted in the future on the benefit formula basis are not incorporated and the expected rate of salary is not applied.

(3) Defined contribution plans

The required contribution to the defined contribution plans of the Bank and its consolidated subsidiaries amounted to ¥443 million (\$4,075 thousand) and ¥104 million for the years ended March 31, 2020 and 2019, respectively.

(4) Other matters related to retirement benefits

The effects of the partial transfer from corporate pension fund plan to defined contribution pension plans in the fiscal year ended March 31, 2020 were as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Decrease in retirement benefit obligations	¥ (3,709)	\$ (34,085)
Amount of assets transferred to defined contribution pension plans	<u>1,243</u>	<u>11,430</u>
Subtotal	(2,465)	(22,655)
Amortization of actuarial differences	<u>108</u>	<u>1,000</u>
Total	<u>¥ (2,356)</u>	<u>\$ (21,655)</u>

The effects of the transfer were recorded as “gain on revision of retirement benefit plans” under “Other income” for the year ended March 31, 2020.

11. Acceptances and Guarantees

The Bank provides guarantees with respect to liabilities of its customers for payment of loans or other liabilities from other financial institutions. As a contra account, “customers’ liabilities for acceptances and guarantees” has been shown in assets on the accompanying consolidated balance sheets, indicating the Bank’s right of indemnity from customers.

12. Net Assets

The authorized number of shares of common stock without par value is 396,000,000 shares. At both March 31, 2020 and 2019, the numbers of shares of common stock issued were 254,119,000 shares. At March 31, 2020 and 2019, the numbers of shares of treasury stock held by the Hyakugo Bank Group were 276,930 shares and 387,600 shares, respectively.

At both March 31, 2020 and 2019, capital surplus consisted principally of additional paid-in capital. Retained earnings included legal reserve of the Bank amounting to ¥17,377 million (\$159,677 thousand) at both March 31, 2020 and 2019. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as an appropriation of retained earnings be appropriated as legal reserve until the total amount of additional paid-in capital and such reserve equals 100% of common stock. The reduction of the legal reserve amount is restricted under the current circumstances to proper action of the shareholders of the Bank.

13. Stock Options

On July 30, 2019 and July 30, 2018, stock options were granted to the directors of the Bank. The related costs in the amounts of ¥18 million (\$172 thousand) and ¥21 million were recorded under general and administrative expenses for the years ended March 31, 2020 and 2019, respectively.

The stock options outstanding at March 31, 2020 were as follows.

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Persons granted	13 directors of the Bank	13 directors of the Bank	13 directors of the Bank (excluding independent directors)	13 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)
Number of options granted*	91,600 shares of common stock of the Bank	94,000 shares of common stock of the Bank	71,700 shares of common stock of the Bank	71,200 shares of common stock of the Bank	48,100 shares of common stock of the Bank
Date of grant	July 25, 2011	July 26, 2012	July 24, 2013	July 31, 2014	July 30, 2015
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	July 26, 2011 through July 25, 2041	July 27, 2012 through July 26, 2042	July 25, 2013 through July 24, 2043	August 1, 2014 through July 31, 2044	July 31, 2015 through July 30, 2045
	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	
Persons granted	12 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)	
Number of options granted*	71,400 shares of common stock of the Bank	62,800 shares of common stock of the Bank	43,800 shares of common stock of the Bank	61,700 shares of common stock of the Bank	
Date of grant	July 27, 2016	July 27, 2017	July 30, 2018	July 30, 2019	
Vesting conditions	Not defined	Not defined	Not defined	Not defined	
Eligible service period	Not defined	Not defined	Not defined	Not defined	
Exercise period	July 28, 2016 through July 27, 2046	July 28, 2017 through July 27, 2047	July 31, 2018 through July 30, 2048	July 31, 2019 through July 30, 2049	

*The number of options is equal to and is shown as the number of shares.

The stock option activities were as follows.

Number of stock options (in shares)	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Nonvested:					
Outstanding at April 1, 2018	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2019	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2020	-	-	-	-	-
Vested:					
Outstanding at April 1, 2018	49,200	51,500	51,600	56,700	45,900
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding at March 31, 2019	49,200	51,500	51,600	56,700	45,900
Vested	-	-	-	-	-
Exercised	(11,700)	(13,400)	(13,600)	(15,600)	(11,900)
Forfeited	-	-	-	-	-
Outstanding at March 31, 2020	37,500	38,100	38,000	41,100	34,000
Number of stock options (in shares)					
	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	
Nonvested:					
Outstanding at April 1, 2018	-	-	-	-	
Granted	-	-	43,800	-	
Forfeited	-	-	-	-	
Vested	-	-	(43,800)	-	
Outstanding at March 31, 2019	-	-	-	-	
Granted	-	-	-	61,700	
Forfeited	-	-	-	-	
Vested	-	-	-	(61,700)	
Outstanding at March 31, 2020	-	-	-	-	
Vested:					
Outstanding at April 1, 2018	68,100	62,800	-	-	
Vested	-	-	43,800	-	
Exercised	-	-	-	-	
Forfeited	-	-	-	-	
Outstanding at March 31, 2019	68,100	62,800	43,800	-	
Vested	-	-	-	61,700	
Exercised	(17,700)	(15,300)	(12,000)	-	
Forfeited	-	-	-	-	
Outstanding at March 31, 2020	50,400	47,500	31,800	61,700	

Unit price information:

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	¥323	¥323	¥323	¥323	¥323
Fair value at grant date	¥302	¥300	¥404	¥396	¥578

	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options
Exercise price	¥1	¥1	¥1	¥1 (\$0.01)
Average stock price at exercise	¥323	¥323	¥323	-
Fair value at grant date	¥377	¥433	¥480	¥303 (\$2.78)

The method and assumptions used to measure the fair value of stock option granted for the years ended March 31, 2020 and 2019 were as follows.

1) 2019 stock options:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	25.88%
Estimated remaining outstanding period (Note 2):	1.92 years
Estimated dividend (Note 3):	¥9.0 (\$0.08) per share
Risk free interest rate (Note 4):	(0.20)%

Notes:

- Volatility was computed based on actual stock prices during the period corresponding to the estimated remaining outstanding period from August 2017 through July 2019;
- The estimated remaining outstanding period was determined using the difference between the average retirement age of the retired directors with titles and directors who concurrently served as executive officers during the past 10 years and the average age of the present directors. If the difference is shorter than the period from the date of allotment of the stock options to the following election, the period until the next election is considered to be the difference in estimating the remaining outstanding period.
- The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2019.
- The risk free interest rate is the yield of Japanese government bonds corresponding to the estimated remaining outstanding period.

2) 2018 stock options:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	23.27%
Estimated remaining outstanding period (Note 2):	0.92 years
Estimated dividend (Note 3):	¥8.0 per share
Risk free interest rate (Note 4):	(0.12)%

Notes:

- Volatility was computed based on actual stock prices during the period corresponding to the estimated remaining outstanding period from August 2017 through July 2018;
- The estimated remaining outstanding period was determined using the difference between the average retirement age of the retired directors with titles and directors who concurrently served as executive officers during the past 10 years and the average age of the present directors. If the difference is shorter than the period from the date of allotment of the stock options to the following election, the period until the next election is considered to be the difference in estimating the remaining outstanding period.
- The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2018.
- The risk free interest rate is the yield of Japanese government bonds corresponding to the estimated remaining outstanding period.

14. Loan Commitments

Contracts for overdraft facilities and loan commitment limits represent the maximum amounts the Bank will lend to customers in response to the customers' applications for loans, provided that there are no violations of any conditions in the applicable contracts. At March 31, 2020 and 2019, the total unused amounts within the limits of these contracts were ¥1,252,636 million (\$11,510,031 thousand) and ¥1,257,328 million, respectively. These unused amounts included amounts related to contracts which will expire within one year or are revocable by the Bank at any time without any conditions in the amounts of ¥1,193,662 million (\$10,968,143 thousand) and ¥1,210,396 million at March 31, 2020 and

2019, respectively.

Since many of these commitments expire without being drawn down, an unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that permit the Bank to refuse the customers' applications for loans or decrease the contract limit for proper reasons (e.g., changes in the financial situation, deterioration in the customer's creditworthiness or the like). As a condition to entering a contract, the Bank may obtain collateral such as real estate, securities, etc., if considered necessary. During the term of the contract, the Bank performs periodic reviews of the customers' business results based on internal rules and may take necessary measures that include reconsidering the conditions under the contract and/or requiring additional collateral and/or guarantees.

15. Leases

(1) Finance leases

As a lessor:

Lease investment assets at March 31, 2020 and 2019 are summarized as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Gross lease receivables	¥ 19,353	¥ 16,759	\$ 177,828
Estimated residual values	645	508	5,934
Unearned interest income	(1,392)	(1,218)	(12,794)
Lease investment assets	<u>¥ 18,606</u>	<u>¥ 16,049</u>	<u>\$ 170,968</u>

Lease receivables which arose under transferable finance leases that mature subsequent to March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Due within one year	¥ 1,633	¥ 1,145	\$ 15,013
More than one year, but within two years	957	1,434	8,799
More than two years, but within three years	767	757	7,052
More than three years, but within four years	471	564	4,330
More than four years, but within five years	240	267	2,206
More than five years	956	1,006	8,793
Lease receivables	<u>¥ 5,027</u>	<u>¥ 5,176</u>	<u>\$ 46,193</u>

Gross lease receivables under non-transferrable finance leases that mature subsequent to March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Due within one year	¥ 5,263	¥ 4,716	\$ 48,367
More than one year, but within two years	4,389	3,903	40,337
More than two years, but within three years	3,670	3,001	33,724
More than three years, but within four years	2,905	2,282	26,695
More than four years, but within five years	1,628	1,552	14,963
More than five years	1,495	1,303	13,743
Gross lease receivables of lease investment assets	<u>¥ 19,353</u>	<u>¥ 16,759</u>	<u>\$ 177,829</u>

(2) Operating leases

Future minimum lease payments under noncancellable operating lease transactions were as follows.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
As lessee:			
Due within one year	¥ 285	¥ 462	\$ 2,627
Due after one year	913	996	8,393
	<u>¥ 1,199</u>	<u>¥ 1,458</u>	<u>\$ 11,020</u>
As lessor:			
Due within one year	¥ 660	¥ 575	\$ 6,069
Due after one year	1,028	899	9,453
	<u>¥ 1,689</u>	<u>¥ 1,475</u>	<u>\$ 15,522</u>

(3) Subleases

Sublease related amounts before deducting interest equivalent amounts recorded in the consolidated balance sheets were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Lease investment assets	¥ 31	¥ 40	\$ 290
Lease obligations	31	40	290

16. Derivative Instruments

Derivative instruments involve, in varying degrees, elements of credit and market risk. The Hyakugo Bank Group is exposed to credit loss in the event of non-performance by the counterparties. However, the Hyakugo Bank Group has not faced and does not expect such non-performance.

Derivative contracts to which hedge accounting was not applied:

With respect to derivatives to which hedge accounting was not applied, the contract amounts or notional principal amounts as defined in the applicable contracts, the fair values and valuation gains (losses) as of March 31, 2020 and 2019 are set forth in the table below. Note that the contract amounts do not represent market risk exposure of the derivative transactions themselves.

	<u>Contract amounts</u>	<u>Fair value</u>	<u>Valuation gains (losses)</u>
	Millions of yen		
<u>At March 31, 2020</u>			
Interest rate contracts:			
Swaps	¥ 27,252	¥ 148	¥ 148
Foreign exchange contracts:			
Currency swaps	214,515	2,794	2,794
Forwards	150,507	(2,743)	(2,743)
Currency options	13	0	0
Earthquake derivatives	4,810	2	-
<u>At March 31, 2019</u>			
Interest rate contracts:			
Swaps	¥ 15,600	¥ 86	¥ 86
Foreign exchange contracts:			
Currency swaps	215,871	3,109	3,109
Forwards	123,288	418	418
Currency options	1,497	0	0
Earthquake derivatives	4,160	(0)	-
	Thousands of U.S. dollars		
<u>At March 31, 2020</u>			
Interest rate contracts:			
Swaps	\$ 250,410	\$ 1,367	\$ 1,367
Foreign exchange contracts:			
Currency swaps	1,971,111	25,681	25,681
Forwards	1,382,959	(25,206)	(25,206)
Currency options	120	0	0
Earthquake derivatives	44,197	19	-

Notes:

1. The above transactions have been stated at fair value, and valuation gains (losses) have been recorded in the consolidated statements of income.
2. The fair value has been determined using the discounted present value.
3. Since the fair value of earthquake derivatives is difficult to calculate, the acquisition cost is presented as the fair value.

Derivative contracts to which hedge accounting was applied:

With respect to derivatives to which hedge accounting was applied, the contract amounts or notional principal amounts as defined in the applicable contracts and the fair values by transaction type and accounting method as of March 31, 2020 and 2019 are set forth the table below. Note that the contract amounts do not represent market risk exposure of the derivative transactions.

Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Millions of yen					
<u>At March 31, 2020</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	¥ 121,984	¥ 116,700	¥ (6,704)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	2,520	2,291	See Note 3
Deferral method	Foreign currency swaps: Foreign currency forward contracts:	Call loans, loans and bills discounted	27,868	27,868	417
			5,455	-	61
<u>At March 31, 2019</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	¥ 124,224	¥ 123,961	¥ (7,073)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	4,479	3,303	See Note 3
Deferral method	Foreign currency swaps: Foreign currency forward contracts:	Call loans, loans and bills discounted	22,198	11,099	(58)
			12,638	-	21

Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Thousands of U.S. dollars					
<u>At March 31, 2020</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	\$ 1,120,873	\$ 1,072,317	\$ (61,607)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	23,156	21,054	See Note 3
Deferral method	Foreign currency swaps: Forward contracts:	Call loans, loans and bills discounted	256,073 50,127	256,073 -	3,838 565

Notes:

- 1. Gains/losses on the above contracts are deferred until maturity of the hedged items, which is the deferral method used under the "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA's Industry Audit Committee Report No. 24 of February 13, 2002).;*
- 2. The fair value has been determined using the discounted present value, etc.*
- 3. With respect to interest rate swap contracts which meet certain conditions, the fair values of the interest rate swap contracts are considered part of the fair values of the relevant loans and bills discounted described in Note 3, "Financial Instruments and Related Disclosures," since such interest rate swap contracts are used for recording loans and bills discounted as hedged items.*
- 4. With respect to foreign currency related contracts, the deferral method of hedge accounting is principally applied in accordance with the "Accounting and Auditing Treatment of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA's Industry Audit Committee Report No. 25 of July 29, 2002).*

17. Income Taxes

At March 31, 2020 and 2019, income taxes (including local taxes) payable in the amounts of ¥1,225 million (\$11,257 thousand) and ¥1,477 million, respectively, were included in “other liabilities” in the accompanying consolidated balance sheets.

At March 31, 2020 and 2019, the tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for loan losses	¥ 4,516	¥ 4,228	\$ 41,500
Deferred losses on hedges	2,029	2,156	18,651
Valuation loss on securities	1,149	1,160	10,558
Others	3,121	3,148	28,679
Subtotal	<u>10,816</u>	<u>10,693</u>	<u>99,388</u>
Less valuation allowance	<u>(1,309)</u>	<u>(1,572)</u>	<u>(12,034)</u>
Total deferred tax assets	<u>9,506</u>	<u>9,121</u>	<u>87,354</u>
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(27,153)	(40,177)	(249,503)
Retirement benefits	(6,517)	(6,333)	(59,883)
Deferred gains on hedges	(26)	(3)	(246)
Others	(165)	(158)	(1,518)
Total deferred tax liabilities	<u>(33,862)</u>	<u>(46,673)</u>	<u>(311,150)</u>
Net deferred tax assets (liabilities)	<u>¥ (24,355)</u>	<u>¥ (37,551)</u>	<u>\$ (223,796)</u>

A reconciliation between the Japanese statutory tax rate and the effective income tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2020 was as follows:

	Percentage of <u>pre-tax income</u>
Statutory tax rate	30.19%
Increase (decrease) due to:	
Permanently nondeductible expenses	0.60%
Tax exempt income	(2.27)%
Local minimum taxes per capita levy	0.37%
Changes in valuation allowance	(1.67)%
Other	(0.17)%
Effective income tax rate	<u>27.05%</u>

A reconciliation between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statement of income for the year ended March 31, 2019 was not presented because the difference was less than 5% of the statutory tax rate.

18. Subsequent Events

Appropriation of retained earnings

The shareholders of the Bank approved the following appropriation of retained earnings at the annual general shareholders' meeting on June 23, 2020.

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends (¥4.50 (\$0.04) per share)	¥ 1,142	\$ 10,496

19. Segment Information

(a) Description of reportable segment

The reportable segments of the Hyakugo Bank Group are business units for which separate financial information is available and whose results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to such segments.

The Hyakugo Bank Group's business centers on banking operations, but the Hyakugo Bank Group also engages in financial service operations, such as leasing operations.

The Hyakugo Bank Group's segments are based on its business activities related to financial services, and its reportable segments comprise the "banking" and "leasing" segments.

The "banking" segment includes deposit taking and lending operations, and the "leasing" segment includes leasing operations.

(b) Methods of measurement for the amounts of ordinary income, profit (loss), assets and other items for each reportable segment

The accounting treatment of the business segments reported in this section is the same as that stated in Note 2, "Summary of Significant Accounting Policies." Segment profit is based on ordinary profit which represents ordinary income less ordinary expenses. Ordinary income represents total income less special gains included in other income. Ordinary expenses represent total expenses less special losses included in other expenses.

Intersegment ordinary income is valued at market prices.

(c) Information with regard to ordinary income, profit (loss), assets and other items is as follows.

For the year ended March 31, 2020

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Millions of yen							
Ordinary income:							
External customers	¥ 74,747	¥ 12,226	¥ 86,973	¥ 4,391	¥ 91,365	¥ -	¥ 91,365
Intersegment	841	448	1,289	1,321	2,610	(2,610)	-
Total	75,588	12,675	88,263	5,712	93,976	(2,610)	91,365
Segment profit	¥ 13,208	¥ 467	¥ 13,676	¥ 504	¥ 14,180	¥ (678)	13,502
Special gains (losses), net							2,164
Income before income taxes							¥ 15,666
Segment assets	¥ 6,418,663	¥ 35,749	¥ 6,454,412	¥ 20,410	¥ 6,474,823	¥ (37,373)	¥ 6,437,449
Others:							
Depreciation	3,333	509	3,843	71	3,914	-	3,914
Interest income	55,299	98	55,398	138	55,536	(719)	54,816
Interest expense	6,254	64	6,319	0	6,319	(42)	6,276
Special gain:	2,358	0	2,358	-	2,358	-	2,358
Gain on disposal of fixed assets	2	-	2	-	2	-	2
Gain on revision of retirement benefit plans	2,356	0	2,356	-	2,356	-	2,356
Special loss:	190	-	190	4	194	(0)	194
Loss on disposal of fixed assets	181	-	181	4	185	(0)	185
Impairment loss	9	-	9	-	9	-	9
Income tax expense	3,981	130	4,111	127	4,238	-	4,238
Amount of increase in tangible and intangible fixed assets (capital expenditure)	2,805	858	3,664	89	3,753	-	3,753

Notes:

(1) The "other" business segment includes credit card operations, financial instruments business operations and so forth.

(2) Reconciliations consist of the following.

- a. Reconciliation of segment profit of ¥(678) million consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of ¥(37,373) million consists of elimination of intersegment assets.
- c. Reconciliation of interest income of ¥(719) million consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of ¥(42) million consists of elimination of intersegment interest expense.
- e. Reconciliation of special loss of ¥(0) million consists of elimination of intersegment special loss.

For the year ended March 31, 2019

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Millions of yen							
Ordinary income:							
External customers	¥ 72,271	¥ 9,770	¥ 82,041	¥ 3,806	¥ 85,847	¥ -	¥ 85,847
Intersegment	769	454	1,224	1,267	2,492	(2,492)	-
Total	73,040	10,224	83,265	5,074	88,339	(2,492)	85,847
Segment profit	¥ 14,960	¥ 406	¥ 15,366	¥ 796	¥ 16,163	¥ (680)	15,482
Special gains (losses), net							(177)
Income before income taxes							¥ 15,304
Segment assets	¥ 6,248,299	¥ 31,247	¥ 6,279,546	¥ 19,650	¥ 6,299,197	¥ (33,921)	¥ 6,265,275
Others:							
Depreciation	3,053	410	3,464	56	3,520	-	3,520
Interest income	53,901	61	53,962	134	54,097	(715)	53,381
Interest expense	4,657	64	4,721	-	4,721	(35)	4,686
Special gain:	-	-	-	-	-	-	-
Gain on disposal of fixed assets	-	-	-	-	-	-	-
Special loss:	177	-	177	0	177	-	177
Loss on disposal of fixed assets	68	-	68	0	68	-	68
Impairment loss	108	-	108	-	108	-	108
Provision of reserves under special laws	-	-	-	0	0	-	0
Income tax expense	4,109	122	4,231	230	4,461	-	4,461
Amount of increase in tangible and intangible fixed assets (capital expenditure)	2,665	757	3,423	126	3,550	-	3,550

Notes:

(1) The "other" business segment includes credit card operations, financial instruments business operations and so forth.

(2) Reconciliations consist of following.

a. Reconciliation of segment profit of ¥(680) million consists of elimination of intersegment profits.

b. Reconciliation of segment assets of ¥(33,921) million consists of elimination of intersegment assets.

c. Reconciliation of interest income of ¥(715) million consists of elimination of intersegment interest income.

d. Reconciliation of interest expense of ¥(35) million consists of elimination of intersegment interest expense.

For the year ended March 31, 2020

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Thousands of U.S. dollars							
Ordinary income:							
External customers	\$ 686,825	\$ 112,347	\$ 799,172	\$ 40,351	\$ 839,523	\$ -	\$ 839,523
Intersegment	7,730	4,123	11,853	12,139	23,992	(23,992)	-
Total	694,555	116,470	811,025	52,490	863,515	(23,992)	839,523
Segment profit	\$ 121,372	\$ 4,296	\$ 125,668	\$ 4,634	\$ 130,302	\$ (6,234)	124,068
Special gains (losses), net							19,885
Income before income taxes							\$ 143,953
Segment assets	\$ 58,978,804	\$ 328,492	\$ 59,307,296	\$ 187,542	\$ 59,494,838	\$ (343,413)	\$ 59,151,425
Others:							
Depreciation	30,634	4,678	35,312	658	35,970	-	35,970
Interest income	508,130	903	509,033	1,274	510,307	(6,615)	503,692
Interest expense	57,474	590	58,064	0	58,064	(388)	57,676
Special gain:	21,670	5	21,675	-	21,675	-	21,675
Gain on disposal of fixed assets	20		20	-	20	-	20
Gain on revision of retirement benefit plans	21,650	5	21,655	-	21,655		21,655
Special loss:	1,750	-	1,750	42	1,792	(2)	1,790
Loss on disposal of fixed assets	1,664	-	1,664	42	1,706	(2)	1,704
Impairment loss	86	-	86	-	86	-	86
Income tax expense	36,584	1,198	37,782	1,167	38,949	-	38,949
Amount of increase in tangible and intangible fixed assets (capital expenditure)	25,777	7,893	33,670	818	34,488	-	34,488

Notes:

(1) The "others" business segment includes credit card operations, financial instruments business operations and so forth.

(2) Reconciliations consist of the following.

- Reconciliation of segment profit of \$(6,234) thousand consists of elimination of intersegment profits.
- Reconciliation of segment assets of \$(343,413) thousand consists of elimination of intersegment assets.
- Reconciliation of interest income of \$(6,615) thousand consists of elimination of intersegment interest income.
- Reconciliation of interest expense of \$(388) thousand consists of elimination of intersegment interest expense.
- Reconciliation of special loss of \$(2) thousand consists of elimination of intersegment special loss.

(d) Related information

a. Information on each service

	Loan business	Securities investment	Leasing	Others	Total
	Millions of yen				
Ordinary income from external customers:					
For the year ended March 31, 2020	¥ 38,532	¥ 24,997	¥ 12,226	¥ 15,607	¥ 91,365
For the year ended March 31, 2019	¥ 37,268	¥ 23,845	¥ 9,770	¥ 14,963	¥ 85,847
	Thousands of U.S. dollars				
For the year ended March 31, 2020	\$ 354,065	\$ 229,695	\$ 112,347	\$ 143,416	\$ 839,523

b. Geographical information

(1) Ordinary income

Geographical information for ordinary income for the years ended March 31, 2020 and 2019 was not disclosed because such income from external customers located in Japan was more than 90% of total ordinary income.

(2) Tangible fixed assets

Geographical information for tangible fixed assets for the years ended March 31, 2020 and 2019 was not disclosed because such assets located in Japan were more than 90% of total tangible fixed assets.

c. Information on each main customer

Information for each main customer for the years ended March 31, 2020 and 2019 was not disclosed because the Hyakugo Bank Group had no customers which accounted for 10% or more of total ordinary income.

(e) Information with regard to impairment loss on fixed assets for each reportable segment

	Reportable segments			Others	Total
	Banking	Leasing	Total		
	Millions of yen				
Impairment loss:					
For the year ended March 31, 2020	¥ 9	¥ -	¥ 9	¥ -	¥ 9
For the year ended March 31, 2019	¥ 108	¥ -	¥ 108	¥ -	¥ 108
	Thousands of U.S. dollars				
For the year ended March 31, 2020	\$ 86	\$ -	\$ 86	\$ -	\$ 86

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Gain (loss) incurred during the year	¥ (41,737)	¥ (7,769)	\$ (383,513)
Reclassification adjustment to net income	(2,470)	(3,401)	(22,700)
Amount before tax effect	(44,208)	(11,171)	(406,213)
Tax effect	13,024	3,061	119,677
Valuation difference on available-for-sale- securities	(31,183)	(8,109)	(286,536)
Deferred gains/losses on hedges:			
Gain (loss) incurred during the year	(1,429)	(3,018)	(13,137)
Reclassification adjustment to net income	1,928	2,284	17,718
Amount before tax effect	498	(734)	4,581
Tax effect	(150)	221	(1,383)
Deferred gains/losses on hedges	347	(512)	3,198
Retirement benefit adjustments:			
Gain (loss) incurred during the year	(2,914)	(2,408)	(26,782)
Reclassification adjustment to net income	(279)	92	(2,572)
Amount before tax effect	(3,194)	(2,316)	(29,354)
Tax effect	964	699	8,862
Retirement benefit adjustments	(2,230)	(1,617)	(20,492)
Total other comprehensive income (loss)	¥ (33,065)	¥ (10,239)	\$ (303,830)

21. Per Share Information

Net assets per share at March 31, 2020 and 2019 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 1,307.14	¥ 1,401.81	\$ 12.01
Net income per share – basic	45.02	42.73	0.41
Net income per share – diluted	44.95	42.66	0.41

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
(Net assets per share)			
Net assets per balance sheet	¥ 331,955	¥ 355,859	\$ 3,050,223
Amounts to be attributed to subscription rights to shares	(147)	(174)	(1,356)
Net assets attributed to common stock	331,808	355,685	3,048,867
Outstanding number of common stocks at end of year (unit: thousand shares)	253,842	253,731	
(Net income per share - basic)			
Net income attributable to owners of the parent per income statement	11,427	10,843	105,004
Net income attributable to owners of the parent regarding common stock	11,427	10,843	105,004
Average outstanding number of shares during the year (unit: thousands shares)	253,823	253,731	
(Net income per share - diluted)			
Increase in common stock (unit: thousand shares)	391	417	
Of which, subscription rights to shares (unit: thousand shares)	391	417	

22. Financial Information of the Hyakugo Bank, Ltd. (Parent)

Presented below are the nonconsolidated balance sheets, nonconsolidated statements of income and changes in net assets of the Bank, the parent company.

Nonconsolidated Balance Sheets The Hyakugo Bank, Ltd. (Parent)

As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets:			
Cash and due from banks	¥ 871,122	¥ 902,902	\$ 8,004,435
Call loans	15,510	20,429	142,518
Monetary claims bought	23,829	12,804	218,965
Trading account securities	18	23	170
Money held in trust	1,977	1,997	18,171
Securities	1,743,857	1,741,466	16,023,681
Loans and bills discounted	3,631,051	3,441,753	33,364,431
Foreign exchanges	5,840	2,484	53,667
Other assets	53,337	52,827	490,096
Tangible fixed assets	44,063	44,185	404,883
Intangible fixed assets	4,435	4,910	40,754
Prepaid pension cost	19,472	15,712	178,930
Customers' liabilities for acceptances and guarantees	22,904	22,090	210,460
Allowance for loan losses	(14,059)	(13,907)	(129,184)
Total assets	<u>¥ 6,423,361</u>	<u>¥ 6,249,680</u>	<u>\$ 59,021,977</u>
Liabilities:			
Deposits	¥ 4,950,887	¥ 4,882,986	\$ 45,491,936
Negotiable certificates of deposit	160,490	182,115	1,474,691
Call money	210,000	240,000	1,929,615
Payables under securities lending transactions	319,236	188,696	2,933,349
Borrowed money	350,948	307,869	3,224,743
Foreign exchanges	72	263	670
Other liabilities	49,960	32,527	459,073
Provision for employee retirement benefits	3,257	3,694	29,936
Provision for reimbursement of deposits	1,573	1,600	14,460
Provision for point card certificates	344	300	3,170
Provision for contingent loss	345	392	3,174
Deferred tax liabilities	26,140	38,259	240,199
Deferred tax liabilities for land revaluation	2,534	2,534	23,292
Acceptances and guarantees	22,904	22,090	210,460
Total liabilities	<u>6,098,699</u>	<u>5,903,330</u>	<u>56,038,768</u>
Net assets:			
Capital stock	20,000	20,000	183,773
Capital surplus	7,560	7,557	69,473
Retained earnings	234,686	225,599	2,156,452
Treasury stock	(104)	(146)	(962)
Total shareholders' equity	<u>262,142</u>	<u>253,010</u>	<u>2,408,736</u>
Valuation difference on available-for-sale securities	62,835	93,976	577,371
Deferred gains/losses on hedges	(4,631)	(4,979)	(42,558)
Revaluation reserve for land	4,168	4,168	38,304
Total valuation and translation adjustments	<u>62,372</u>	<u>93,165</u>	<u>573,117</u>
Stock acquisition rights	147	174	1,356
Total net assets	<u>324,662</u>	<u>346,349</u>	<u>2,983,209</u>
Total liabilities and net assets	<u>¥ 6,423,361</u>	<u>¥ 6,249,680</u>	<u>\$ 59,021,977</u>

Nonconsolidated Statements of Income
The Hyakugo Bank, Ltd. (Parent)
For the Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Income:			
Interest income:			
Interest on loans and bills discounted	¥ 35,020	¥ 34,089	\$ 321,788
Interest and dividends on securities	19,647	18,791	180,534
Interest on call loans	386	874	3,554
Others	295	289	2,717
Total interest income	55,350	54,044	508,593
Fees and commissions	14,555	13,816	133,743
Other operating income	3,271	1,367	30,060
Other income	4,848	3,996	44,548
Total income	78,025	73,225	716,944
Expenses:			
Interest expense:			
Interest on deposits	925	999	8,500
Interest on negotiable certificates of deposit	29	30	269
Interest on call money	(66)	(90)	(611)
Interest on payables under securities lending Transactions	3,186	1,153	29,284
Interest on borrowings and rediscounts	248	276	2,284
Others	1,931	2,288	17,748
Total interest expense	6,254	4,657	57,474
Fees and commissions	4,963	4,516	45,609
Other ordinary expenses	4,818	4,923	44,278
General and administrative expenses	41,028	41,190	377,000
Provision of allowance for loan losses	1,854	368	17,044
Other expenses	3,792	2,723	34,848
Total expenses	62,713	58,379	576,253
Income before income taxes	15,311	14,845	140,691
Income taxes:			
Current	3,206	3,622	29,459
Deferred	734	457	6,745
Total income taxes	3,940	4,079	36,204
Net income	¥ 11,371	¥ 10,766	\$ 104,487

Nonconsolidated Statements of Changes in Net Assets
The Hyakugo Bank, Ltd. (Parent)

For the Years Ended March 31, 2020 and 2019

	Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments						Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Stock acquisition rights		
												Millions of yen	
Balance at April 1, 2018	254,119,000	¥ 20,000	¥ 7,557	¥ 216,988	¥ (146)	¥ 244,399	¥ 102,011	¥ (4,466)	¥ 4,170	¥ 101,714	¥ 153	¥ 346,267	
Net income	-	-	-	10,766	-	10,766	-	-	-	-	-	10,766	
Dividends from surplus	-	-	-	(2,156)	-	(2,156)	-	-	-	-	-	(2,156)	
Reversal of revaluation reserve for land	-	-	-	1	-	1	-	-	-	-	-	1	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	(0)	
Disposal of treasury stock	-	-	0	-	0	0	-	-	-	-	-	0	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(8,034)	(512)	(1)	(8,549)	21	(8,528)	
Balance at March 31, 2019 (April 1, 2019)	254,119,000	¥ 20,000	¥ 7,557	¥ 225,599	¥ (146)	¥ 253,010	¥ 93,976	¥ (4,979)	¥ 4,168	¥ 93,165	¥ 174	¥ 346,349	
Net income	-	-	-	11,371	-	11,371	-	-	-	-	-	11,371	
Dividends from surplus	-	-	-	(2,284)	-	(2,284)	-	-	-	-	-	(2,284)	
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	(0)	
Disposal of treasury stock	-	-	3	-	42	45	-	-	-	-	-	45	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(31,141)	347	-	(30,793)	(26)	(30,819)	
Balance at March 31, 2020	254,119,000	¥ 20,000	¥ 7,560	¥ 234,686	¥ (104)	¥ 262,142	¥ 62,835	¥ (4,631)	¥ 4,168	¥ 62,372	¥ 147	¥ 324,662	
Thousands of U.S. dollars													
Balance at April 1, 2019		\$ 183,773	\$ 69,444	\$ 2,072,952	\$ (1,347)	\$ 2,324,822	\$ 863,515	\$ (45,756)	\$ 38,304	\$ 856,063	\$ 1,599	\$ 3,182,484	
Net income		-	-	104,487	-	104,487	-	-	-	-	-	104,487	
Dividends from surplus		-	-	(20,987)	-	(20,987)	-	-	-	-	-	(20,987)	
Reversal of revaluation reserve for land		-	-	-	-	-	-	-	-	-	-	-	
Purchase of treasury stock		-	-	-	(2)	(2)	-	-	-	-	-	(2)	
Disposal of treasury stock		-	29	-	387	416	-	-	-	-	-	416	
Net changes in items other than shareholders' equity		-	-	-	-	-	(286,144)	3,198	-	(282,946)	(243)	(283,189)	
Balance at March 31, 2020		\$ 183,773	\$ 69,473	\$ 2,156,452	\$ (962)	\$ 2,408,736	\$ 577,371	\$ (42,558)	\$ 38,304	\$ 573,117	\$ 1,356	\$ 2,983,209	