

# 2020 ANNUAL REPORT

絆をつくる、明日へつなぐ。



Established 1949  
Number of Employees 1,839  
(As of March 31, 2020)

#### Subsidiaries

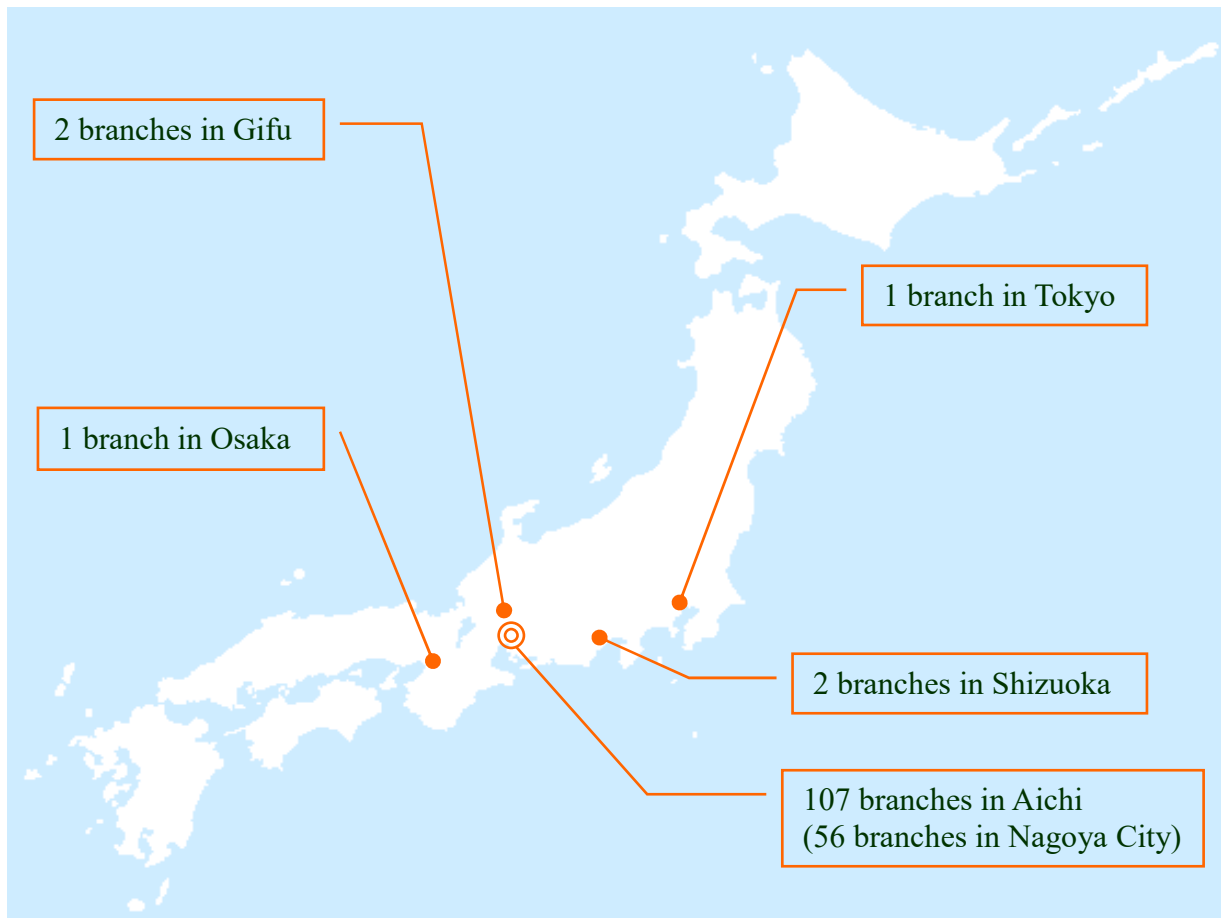
Nagoyalease Co., Ltd.  
Nagoya Business Service Co., Ltd.  
Nagoya Card, Ltd.  
NAGOYA MC CARD Co., Ltd.  
Nagoya Capital Partners Co., Ltd. (established April 1, 2020)

## **THE BANK OF NAGOYA, LTD.**

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Nagoya City, Aichi 460-0003 Japan  
Tel: +81 52 962 9520  
Fax: +81 52 961 6605  
<https://www.meigin.com/>

## Domestic Branches

Number of Branches: 113 (As of March 31, 2020)



## Overseas

### Nantong Branch

2nd Floor, Business Service Outsourcing Center,  
Building C, 188 Tongsheng Road, Economic and  
Technological Development Area,  
Nantong, Jiangsu, China  
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## Message from the Management

We would first like to extend our sincere gratitude to all our stakeholders for their patronage to the Bank of Nagoya.

We sincerely wish for the novel coronavirus (COVID-19) pandemic to end soon and hope that you remain healthy.

Since April 2020, we have been “Hastening Evolution Toward the Business of Creating Better Futures” under our 21st medium-term management plan encompassing a three-year duration. We are accordingly creating better futures in conjunction with our corporate customers in helping them develop their companies, while also creating better futures in conjunction with our retail customers in helping them achieve greater happiness within their families. We will continue to serve as a financial group that is absolutely essential to the region, by achieving a sustainable cycle of co-creation with everyone as we seek to hasten our evolution toward becoming a business of creating better futures, from the conventional business of banking. Knowing that such endeavors embody our guiding precept of “fostering regional prosperity,” we will continue to take action in a manner that involves every one of our executives and employees embracing a sense of unity.

We look forward to your ongoing support and patronage going forward.



June 2020

*Kazumaro Kato*      *Ichiro Fujiwara*

Kazumaro Kato  
Chairman

Ichiro Fujiwara  
President

## Operating Environment

### Looking Back on Fiscal 2019

This year has been one during which we have taken on various challenges with the intent of creating a better future with our customers.

#### Initiatives to support the core business of our customers

In February 2020, we started operations of the Meigin Big Advance online platform for supporting core business in partnership with Kokopelli Inc., in order to provide total support that helps address management issues encountered by our customers. As use of the Big Advance platform by financial institutions is expanding across Japan, we will create opportunities that entail business matching nationwide in conjunction with Big Advance member companies as well as opportunities for open innovation with well-known major companies.

#### Initiatives that contribute to achieving the SDGs

In October 2019, we prepared a map of companies in the town of Togo in partnership with entities in the town of Togo, Aichi Prefecture, including local companies, local junior high schools, boards of education, the chamber of commerce and the Togo town government, utilizing “Ties to the future,” the SDGs and donation-type private placement bonds. This has earned us high marks from stakeholders as a prime example of efforts to help revitalize communities. We intend to keep engaging in various initiatives in this regard going forward.

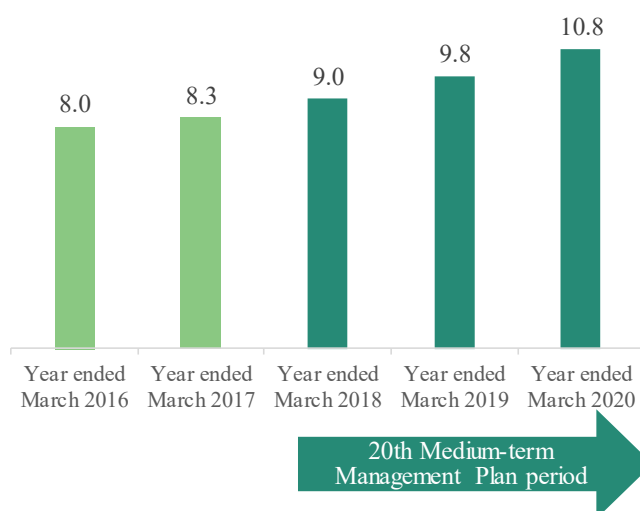
### 20th Medium-term Management Plan

#### Achievements of 20th Medium-term Management Plan

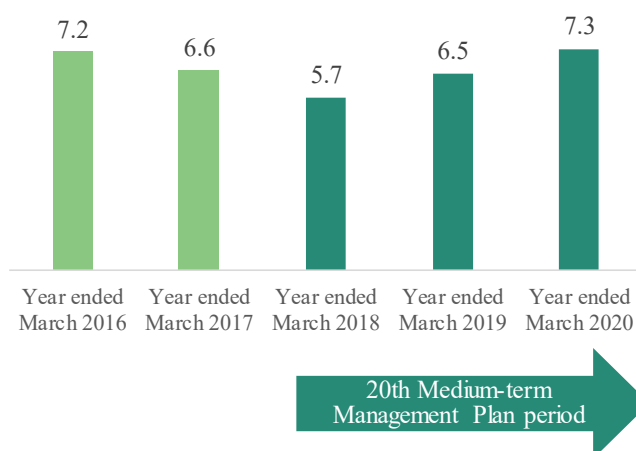
Under the 20th medium-term management plan “Stronger, Longer, Deeper - Deepening Bonds with Local Community” we have carried out various initiatives with the aim of remaining the most relied upon financial institution in the region by providing highly satisfying services.

We have enhanced our menu of solutions in alignment with customer needs, having set quantitative targets with respect to “acquiring new customers” and “shifting to more business involving main bank transactions.” This has enabled us to achieve substantial results, particularly in terms of encountering significant gains with respect to fees and commissions, along with increases each fiscal year with respect to core net business profits which reflect earnings of such businesses.

Fees and commissions (Billions of yen)



Core net business profits (Billions of yen)



## Our path going forward

We will continue down our path toward developing business of creating better futures with the aim of achieving our Ten-year Vision such that, “we will continue to serve as a financial group that is absolutely essential by thoroughly facing the region and creating new value for our customers.” We will also strive to achieve our guiding precept of fostering regional prosperity.

## 21st Medium-term Management Plan

### Title

21st Medium-term Management Plan

**“Hastening Evolution Toward the Business of Creating Better Futures”**

### Duration

From April 1, 2020 to March 31, 2023

### Mission

Shift from the banking services to the **business of creating better futures**

We are in the **business of creating better futures.**

We will create **better futures** in conjunction with our corporate customers **in helping them develop their companies.**

We will create **better futures** in conjunction with our retail customers **in helping them achieve greater happiness within their families.**

## ■ Toward Achieving the Ten-year Vision

### Ten-year Vision (from April 2017)

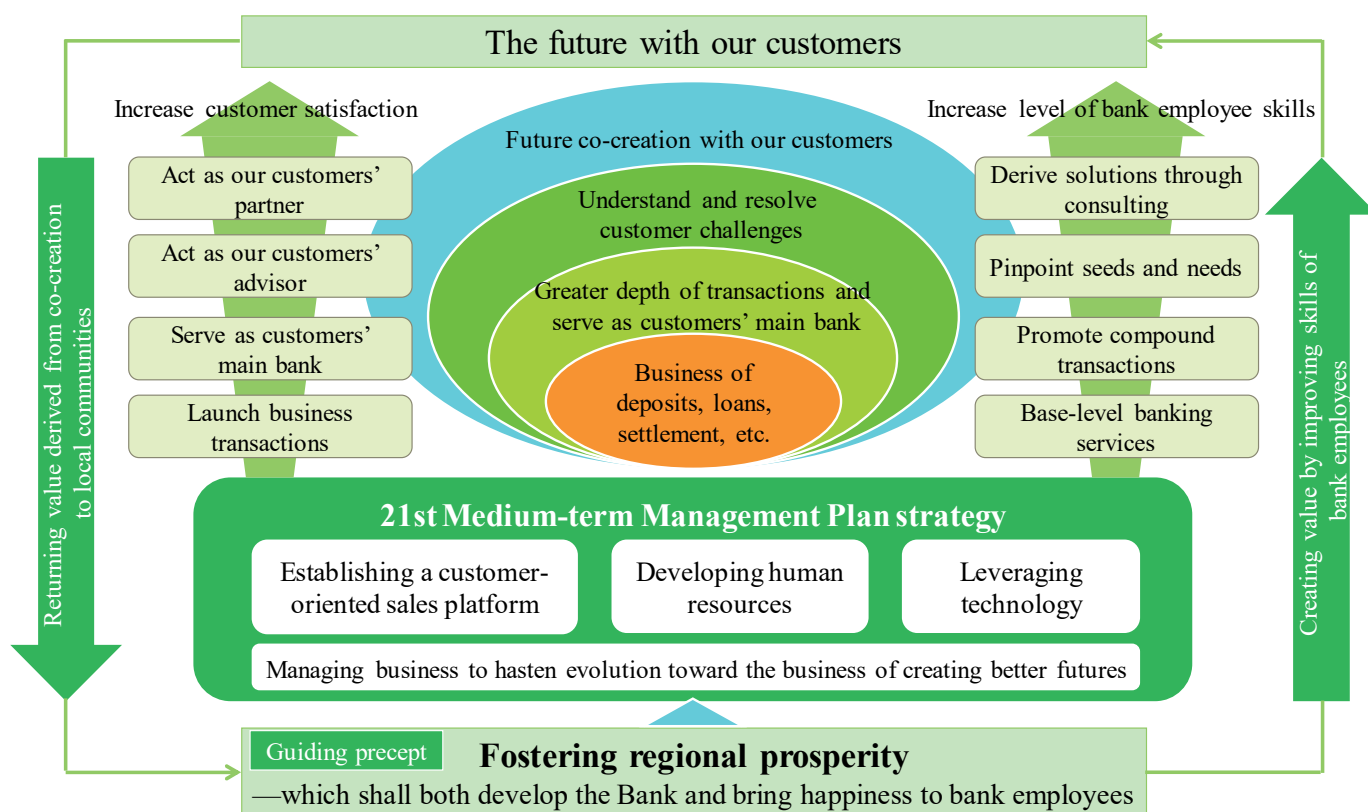
**We will continue to serve as a financial group that is absolutely essential by thoroughly facing the region and creating new value for our customers.**

**20th Medium-term Management Plan**  
**Deepening Bonds with**  
**Local Community**  
 (From April 2017 to March 2020)

**21st Medium-term**  
**Management Plan**  
**Hastening Evolution toward the**  
**Business of Creating Better Futures**  
 (From April 2020 to March 2023)

**From the 22nd onward**  
**Delivering True Value with**  
**respect to the Business of**  
**Creating Better Futures**  
 (From April 2023)

## ■ Sustainable Co-creation Cycle Through Hastening Evolution Toward the Business of Creating Better Futures



## ■ Quantitative Targets

Targets for the final FY	Fiscal 2022	Targets for each fiscal year	Fiscal 2020 - 2022
Core net business profits (nonconsolidated)	¥7.0 billion	Number of instances in providing corporate client solutions *1	3,000 or more
Profit (consolidated)	¥5.0 billion	Number of instances in providing retail client solutions *2	13,000 or more

\*1 This figure represents to the total number of service initiatives that lead to development of corporate customers, including such services as business matching, personnel recruitment, M&A, management consultation, business succession, support for arranging subsidies, business start-up support.

\*2 This figure represents the total number of service initiatives that lead to happiness of retail clients. This includes numbers of new customers gained particularly with respect to investment trusts and life insurance, the number of consultations relating to inheritance, and the number of home loans.

## Initiatives Taken in Response to the COVID-19 Pandemic

We would like to extend our heartfelt sympathies to those who have been affected by the COVID-19 pandemic.

Accordingly, the Bank deems that the followings are our mission as a regional financial institution and is striving to achieve aims with respect to the three objectives of: (i) providing maximum support for financing needs of our clients who are business proprietors particularly of small and medium-sized enterprises (SMEs), (ii) implementing accompaniment assistance to facilitate ongoing business operations of our clients who are business proprietors, and (iii) providing consultation regarding household budgets of retail clients (home loans, etc.) and providing follow-up regarding asset formation. To such ends, we are maintaining a policy of actively supporting our locally-based customers by ensuring operation of the Bank's business continuity framework while engaging in measures that particularly involve acting to prevent infection of our workforce.

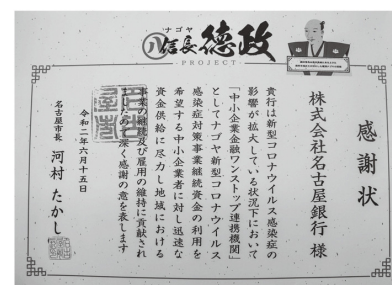
### Prompt support for financing needs of our clients

#### ○ Establishment of a one-stop reception process

On May 11, 2020, we initiated one-stop procedures upon having gained certification as a financial institution under a “One-stop Partner Organization for SME Financing in Nagoya” program, established by the City of Nagoya.

We received a certificate of appreciation from the City of Nagoya for our having arranged loans in excess of ¥20 billion in May under the “Nagoya Nobunaga Tokusei Project.”

Our bank branch employees are also promoting our one-stop procedures in other municipalities.



Certificate of appreciation granted by the City of Nagoya

#### ○ Enhanced consultation desks

We have set up consultation desks at the three plaza locations: Heartful Plaza, Loan Plaza Hirabari, and Loan Plaza Toyota. They also operate on Saturdays and Sundays, which are bank holidays.

#### ○ Waiver of fees for revising terms and conditions of home loans, etc.

We waive fees for revising terms and conditions, including changes to repayment dates and repayment amounts.

### Initiatives involving “Accompaniment Assistance” for clients

We provide support for arranging subsidies and grants, and for facilitating access to remote working arrangements, which involves holding various online seminars. In addition, having set up a “Help Desk Tasked With Solutions in Response to the COVID-19 Pandemic” within our Business Promotion Division, we are maintaining systems that enable our bank branches to concentrate on furnishing support to our clients in terms of their financing needs.

### Initiatives to help prevent transmission of COVID-19

To help ensure continuance of our banking services, we require use of face masks and have installed panels to guard against droplet infection. We have also taken steps to prevent transmission of COVID-19 by preemptively implementing teleworking arrangements and revising business hours of our bank teller desks at 14 branches.



Panels installed to guard against droplet infection

## Financing Initiatives Closely Tied to the Region

### ■ Basic Policies Behind the Bank's Initiative

#### (1) Basic Policies for Demonstrating Customer Consulting Capabilities

- i) Evaluate business viability (identify and analyze business content and growth potential, as well as business goals and issues) through day-to-day and ongoing relationship strengthening.
- ii) Propose optimal solutions through business viability evaluation.
- iii) Work with customers to resolve management issues and, if necessary, propose revisions to solutions.

#### (2) Proactive Participation in Improving Revitalization of “Towns, People, and Jobs” in Local Communities

- i) Coordinate with local governments, working together with them to proactively participate in initiatives for revitalization of the entire region.
- ii) Provide support for developing growth fields and creating higher added value through industrial agglomeration.

#### (3) Proactive Dissemination of Information to the Region and Customers

Proactively provide information to the region and customers with respect to specific goals and achievements of financing initiatives closely tied to the region.

### ■ The Bank's Numerical Targets and Results

#### (1) Fiscal 2019 Numerical Targets and Achievement (From April 2019 to March 2020)

Item	Target	Result
Consultation on M&A and business succession	550	645
Support for the formulation of startup plans	50	130
Number of clients that have received support for the normalization process upon having restructured repayment terms and conditions	50	27

#### (2) Fiscal 2020 Numerical Targets (From April 2020 to March 2021)

Item	Target
Consultation on M&A and business succession	550
Support for the formulation of startup plans	100
Number of clients that have received support for the normalization process upon having restructured repayment terms and conditions	40

## Operating Results (Nonconsolidated basis)

Number of borrowers and amount financed for each stage of life

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(As of March 31, 2020)

Management support system for each stage of life (Total borrowers: 26,496. Total loaned funds: ¥1,985.2 billion)

- Founding stage -  
1,783  
¥66.6 billion

- Growth stage -  
2,036  
¥127.4 billion

- Stable stage -  
15,956  
¥1,171.5 billion

- Downturn stage -  
876  
¥33.3 billion

-Regeneration stage-  
1,381  
¥68.2 billion

\* Borrowers for whom it is not possible to determine a stage of life (4,464 borrowers for whom settlement information for the past five fiscal years has not been obtained that have borrowed a total of ¥518.2 billion) have been excluded.

Number of clients for whom an improvement in management indices (net sales, operating profit margin, labor productivity, etc.) or an increase in the number of employees can be observed, of companies for whom we are the main bank (on a group basis), as well as the amount financed to these clients over time

BENCHMARK

(As of March 31, 2020)

Number of main clients and amount financed  
Clients are counted on a group basis

10,522  
¥708.2 billion

Number of clients for whom management indices, etc., improved  
and amount financed  
Including clients for whom the main group companies improved (1) net  
sales, (2) operating profit margin, (3) labor productivity, or (4) increased  
number of employees

7,513  
¥508.2 billion

Amount financed for clients over time that have improved management indices, etc.,  
as of the end of the fiscal year (Unit: Billions of yen)

Year ended March 2018	Year ended March 2019	Year ended March 2020
503.7	549.0	508.2



Number of all clients and regional clients over time (on a per client basis)

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Number of main clients over time and proportion of all clients (on a per client basis)

BENCHMARK

(As of March 31, 2020)

Number of main clients as a proportion of all clients over time (Unit: Companies)

	Year ended March 2018	Year ended March 2019	Year ended March 2020
All clients	27,238	27,321	27,328
Main clients	12,053 (44.3%)	12,487 (45.7%)	11,814 (43.2%)

\* Clients: Borrowers and recipients of all types of assistance

Clients over time by region (Unit: Companies)

		Year ended March 2018	Year ended March 2019	Year ended March 2020
Base region	Aichi Prefecture	25,630	25,646	25,612
Outside base region	Outside Aichi Prefecture (Gifu, Tajimi, Hamamatsu)	563	582	633
	Outside Aichi Prefecture (Tokyo, Osaka, Shizuoka)	1,045	1,093	1,083

\* Base region: Branches within Aichi Prefecture, Gifu branch, Tajimi branch, Hamamatsu branch

\* Outside base region: Tokyo branch, Osaka branch, Shizuoka branch

## ● Initiative on Business Manager Guarantee Guidelines

- The Bank observes the “Guideline on Business Manager Guarantees” announced by the Business Manager Guarantee Guideline Working Group (Secretariat: Japanese Bankers Association and The Japan Chamber of Commerce and Industry) and has upgraded its systems to comply with the Guideline. We will strive to respond sincerely in accordance with the Guideline when concluding guarantee agreements with customers, or when receiving a request from a customer acting as a guarantor to clear the guaranteed debt in line with the Guideline.

### [Achievements]

	Results for Fiscal 2019
Number of new unsecured loans	5,285
Number of loans with guarantee contracts cancelled	820
Number of guaranteed debt clearances based on the Guideline	3
Ratio of new loans that do not depend on business manager guarantees	27.17%

- Status of Measures on Business Viability Evaluation

- Utilization of Business Viability Evaluation Sheet

In April 2015, we created Business Viability Evaluation Sheets to accurately evaluate the content and growth potential of a business (business viability evaluation) and provide financing and advice appropriate to the customer life stage. In recent years, we have increasingly engaged in situations where we propose solutions to clients that help them address management issues, based on business viability evaluation worksheets. As a regional financial institution, the Bank will strive to support companies over the medium to long term by working with its customers with respect to taking on management issues.

[Achievements]

Total number of Business Viability Evaluation Sheets created as of March 31, 2020: 6,067

Number of borrowers for whom financing is conducted based on a business viability evaluation as well as amount financed, and proportion of all borrowers and amount financed (Nonconsolidated basis)

BENCHMARK

(As of March 31, 2020)

Number of borrowers (Proportion of all borrowers)	5,466 (20.6%)
Balance of amount financed (Proportion of balance of amount financed for all borrowers)	¥670.4 billion (33.8%)

\* Number of borrowers for whom financing is conducted based on a business viability evaluation:

Clients for whom financing has been conducted having drafted the Business Viability Evaluation Sheet prescribed by the Bank

- Specific Initiatives

- Start-ups and New Business Pioneers

- Start-up Support

In taking on its role of handling one-stop financing and consultation services for customers that are considering starting up or incorporating a new business, “The Bank of Nagoya Motto-Jimoto Start-up Support Team” has been redoubling its efforts to furnish support with respect to start-up, second start-up, and new business ventures. In June 2017, we began handling “NEXT” loan products for those involved in second start-up ventures, in conjunction with Japan Finance Corporation (JFC). In September 2017, we began handling the “Start-up Support Package” service which provides access to various preferential services such that include limited-time access free of charge to cloud-based accounting software of the company free K.K. Also, in August 2018, we held the “Third Start-up Café,” and in November 2018, held the “Fourth Start-up Café Mini-Seminar” with JFC. Going forward, we will provide support for starting up and incorporating new businesses through initiatives that include working together with local community organizations and holding various seminars.

- New Business Development

[Support for Applications for Manufacturing Subsidies]

We introduced clients to outside specialists associated with the Bank and continued to provide support for drafting business plans for capital investment of new businesses and making applications to subsidy schemes. Throughout the year, we extensively informed our customers of small and medium-sized enterprise (SME) with respect to the Japanese government’s support initiatives, which involved holding seminars on Manufacturing Subsidies and other such topics.

Clients that received support at founding stage (Type of support)

BENCHMARK

(As of March 31, 2020)

Clients that received support at founding stage (Type of support) (Unit: Companies)

Support for drafting a founding plan	129
Investment in clients at founding stage (proper)	536
Investment in clients at founding stage (credit guarantee)	1,247
Introduction to government financial agencies or start-up support institutions	18

Total clients that received support at founding stage

\* Founding stage: Period of five years from founding

1,980

\* Calculated on the basis of all group companies constituting a single company

- Further Significant Progress During the Growth Phase

#### Support for overseas expansion

- We support our customers' overseas expansion into China and Southeast Asia with a focus on regional mid-sized companies and SMEs. In particular, we help them to diversify the fund procurement methods used by their local subsidiaries overseas by actively providing cross-border loans and syndicated loans with the JBIC.

##### [Achievements]

	Results for Fiscal 2019
Transfers of capital	25
Transfer of loans to parent and subsidiary	22
Standby letters of credit	5
Cross-border loans and syndicated loans with the JBIC	0
Bond	2
Total	54

- In addition to our Nantong Branch in China, we also dispatch Bank employees to local affiliated financial institutions and the Japan External Trade Organization (JETRO) to provide information aligned to actual local situations.

##### [Bank Employee Dispatch Destinations]

Bangkok Bank Public Company Limited (Thailand), PT. Bank Negara Indonesia (Persero) Tbk. (Indonesia), JETRO Nagoya

- We have also set up an environment for providing information, etc. on local areas by forming alliances with financial institutions other than those to which we have dispatched Bank employees.

##### [Alliance Partners]

KASIKORNBANK Public Company Limited (Thailand), Metropolitan Bank and Trust Company (Philippines), Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietnam), Foreign Investment Agency (Vietnam), State Bank of India (India), State of Aguascalientes (Mexico), State of Jalisco (Mexico), State of Guanajuato (Mexico), State of Nuevo León (Mexico), Banamex (Mexico), Bank of Communications Co., Ltd. (China), Bank of China (China)

- The International Business Promotion Group within the Corporate Banking Division provides support for overseas expansion and trade.

##### [Achievements]

	Results for Fiscal 2019
Number of accompanied visits with branch Bank employees	230

- To respond to the yuan-based fundraising needs of companies expanding into China, in November 2017, we began offering yuan-based transactions at our Nantong Branch.

- Support for Overseas Business Expansion

- Established intelligence gathering capabilities and support framework for clients seeking overseas expansion, particularly in China and Southeast Asia
- Provided support for diverse forms of fund procurement aligned with customer needs

Support for fund procurement of local subsidiaries  
(Year-end balances)

(Billions of yen)



Year ended:	March 2018	March 2019	March 2020
Nantong Branch	1.8	4.5	6.8
Cross-border loans	2.4	1.8	1.5
Standby letters of credit	2.8	3.6	3.6
Total	7.0	10.0	11.9



### Support for Sales Channel Development

- In order to support our customers' business expansion, we actively provide support for sales channel expansion through various trade fairs, etc., including business matching.

#### [Reverse-style Trade Fair]

We hold "Meigin Joint," which is a reverse-style trade fair that gathers suppliers that can meet the needs of buyers. We have held this event ten times in the fiscal year ended March 31, 2019, and we plan to continue holding it periodically going forward. We aim to engage in business talks having a high contract rate, particularly with respect to limiting buyers each session to single categories. Accordingly, we will furnish support for development of our customers' sales channels by establishing points of contact between SME clients who are customers of the Bank and major buyers.

### Clients for whom sales channel development support was provided (Type of region) BENCHMARK

(Fiscal 2019)

Clients for whom sales channel development support was provided (Unit: Companies)

Base region	972
Outside base region	314
Overseas	16

\* Base region refers to instances where both the seller and the purchaser are companies located in the base region (Aichi Prefecture, Gifu Prefecture, Shizuoka Prefecture (Hamamatsu area)). Outside base region refers to instances where either the seller, the purchaser, or both, are companies located outside of the base region. Overseas refers to instances where either the seller, the purchaser, or both are overseas companies.

- Management Improvement

- We aggressively promote efforts to support identification and resolution of customers' management issues by introducing them to our affiliated consulting companies and enhancing our links with external organizations.

	Results for Fiscal 2019
■ Number of cases acquired from the Aichi Prefecture Small and Medium-Sized Enterprise Revitalization Support Council	14
■ Number of companies in the process of negotiations with the Aichi Prefecture Small and Medium-Sized Enterprise Revitalization Support Council	54
■ Number of cases in the process of negotiations by the Aichi Prefecture Management Improvement Support Center	146

### Progress of management improvement plans for SMEs that change loan conditions

BENCHMARK
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(As of March 31, 2020)

### Progress of management improvement plans for SME clients that change loan conditions (Unit: Companies)

Total number of conditions changed	1,392
Favorable clients	42
Satisfactory clients	576
Unfavorable clients	774

- Business Succession

- For owner-operated companies who face the absence of a successor or concerns over the problem of transferring owner's shares to a successor, we provide funding support and consultation regarding M&As.

### [Achievements]

	Details	Results for Fiscal 2019
Business Succession	Suggestion of issues arising in proposals for business succession	288
	Of which, introductions to affiliated consulting company in conjunction with business succession	6
	Of which, funding support provided in conjunction with business succession	16
M&A	Consultation on M&A regarding corporate acquisition and corporate divestment	357
	Of which, successful M&As	12

- Development of Human Resources and Accumulating Expertise

- We are engaging in human resource development in order to better carry out our consulting functions.

Number of sessions of training, etc. related to supporting core business of clients; number of participants in training, etc.; and, number of individuals awarded certifications

BENCHMARK

(Fiscal 2019)

Number of sessions held	58
Number of participants	1,280
Number of individuals awarded certifications (As of March 31, 2019)	144

\* Key components of training on core business support: Training on business viability evaluation, corporate customer solutions, etc.

\* Key certifications on core business support: Social insurance and labor consultant, Small and medium enterprise management consultant, healthcare management consultant, agricultural management advisor, 2nd-grade certified skilled professional of financial planning (SME owner)

- Initiatives to Stimulate Regional Economies

#### Initiative (1) Expansion of the regional collaboration promotion team partnership agreement

- Ensuring a complete system to support the formulation and promotion of comprehensive regional strategies by each local government, in order to proactively participate in improving revitalization of “Towns, People, and Jobs” in local communities.

#### Initiative (2) SDGs and donation-type private placement bonds: “Ties to the future”

- With the aim of furnishing support that gives rise to a bright future for our children in conjunction with our customers, we are taking action with respect to “Ties to the future” SDGs and donation-type private placement bonds, whereby a portion of issuance fees of customers issuing private placement bonds will be allocated to donations of school supplies. We have underwritten such bonds on 376 occasions through March 2020, upon having embarked on the initiative since February 2017 and overhauled it in January 2019. We are contributing funds to local governments and NPOs involved with SDGs, and to medical institutions designated by the Bank. We are also making donations of sporting goods, music equipment and other such items to schools located in Aichi Prefecture. Going forward, we will actively engage in efforts that help bring about achievement of the SDGs.

#### Initiative (3) Support for the tourism sector

- In June 2016, the Bank started the “Tokai Hokuriku Tourism Revitalization Project” which was a trans-regional collaboration with The Hokkoku Bank, The Fukui Bank, The First Bank of Toyama, The Hyakugo Bank, and The Juroku Bank, in order to revitalize the tourism industry and achieve regional vitalization in the Tokai and Hokuriku regions. In July 2017, we implemented the second part of the project which involved holding tourism-themed business trade fairs to which we invited 13 corporate buyers primarily in the transportation industry. Going forward, we will support the revitalization of the tourism industry by jointly promoting business support for tourism-related business operators.



## Medium- and Long-term Management Strategies

### Management Strategies

We have drawn up the “Hastening Evolution Toward the Business of Creating Better Futures,” the 21st medium-term management plan encompassing the three years beginning in April 2020, which follows on our “Stronger, Longer, Deeper - Deepening Bonds with Local Community,” the 20th medium-term management plan encompassing the three years beginning in April 2017. Under our latest medium-term management plan, we will implement the following key strategies looking toward our mission.

#### Mission

Shift from the banking services to the business of creating better futures

We are in the business of creating better futures.

We will create better futures in conjunction with our corporate customers in helping them develop their companies.

We will create better futures in conjunction with our retail customers in helping them achieve greater happiness within their families.

#### Key Strategies

Developing human resources

Establishing a customer-oriented sales platform

Leveraging technology

Managing business to hasten evolution toward the business of creating better futures

## Issues to Address

We are encountering rapid changes associated with the COVID-19 pandemic, in addition to transformations in social structures largely brought about by the declining birth rate and aging population, and the declining population. Amid that scenario, the business environment in which financial institutions operate is also likely to face challenges ahead given factors that include an uncertain outlook with respect to financial markets, in addition to the ongoing negative interest rate policy. As for the competitive landscape, we are encountering intense competition involving market entry of financial institutions including megabanks in Aichi Prefecture as well as banks from other prefectures.

The Bank is a regional financial institution with the largest network of branches in Aichi Prefecture as well as more than 26,000 business clients. While maintaining and expanding this network of branches, we intend to extend beyond providing traditional banking services such as deposits, loans and settlements leveraging our connections with our customers who are business borrowers. Accordingly, our policy calls for us to strengthen earning potential which will involve increasing our number of clients in the region and heightening the Bank's market share with respect to each customer segment and within Aichi Prefecture overall, by creating a better future with our customers by gaining an understanding of our customers' challenges and proposing appropriate solutions in that regard.

In order to adapt to the business environment, we will particularly work to improve the consulting capabilities of our employees underpinned by our most important strategy of human resources development as set forth in our 21st medium-term management plan. Moreover, we will actively engage in initiatives such that include: achieving more extensive financing by carrying out business viability evaluations and proposing various means of fund procurement; enhancing our support for core business particularly in terms of business matching and assistance with applications for subsidies; providing consulting services in areas such as business succession and M&As; offering regional vitalization support and assistance with initiatives related to SDGs; and, providing products that are tailored to life planning for retail clients. We will also focus our efforts on improving customer convenience and streamlining business operations drawing on information and communications technologies (ICT).

Under our philosophy of “fostering regional prosperity,” we will solve our customers' various issues and achieve co-existence with local communities with the goal of continuing to serve as a financial institution that is absolutely essential to the region.

We now face the pressing challenge of how best to deal with the impact of the COVID-19 pandemic. Accordingly, the Bank deems that the followings are our mission as a regional financial institution and is striving to achieve aims with respect to the three objectives of: (i) providing maximum support for financing needs of our clients who are business proprietors particularly of SMEs, (ii) implementing accompaniment assistance to facilitate ongoing business operations of our clients who are business proprietors, and (iii) providing consultation regarding household budgets of retail clients (home loans, etc.) and providing follow-up regarding asset formation. To such ends, we are maintaining a policy of actively supporting our locally-based customers by ensuring operation of the Bank's business continuity framework while engaging in measures that particularly involve acting to prevent infection of our workforce.

Whereas we find that our results have not been substantially affected by the COVID-19 pandemic as of yet, the pandemic could conceivably have an impact on our business results depending on developments such that may include changes with respect to the economic environment going forward.

## Management Policy

Based on the guiding precept of “fostering regional prosperity—which shall both develop the Bank and bring happiness to bank employees,” the Bank’s management policy comprises the following five matters which cover the overall image of what the Bank aims to be: “Contribute to the regional community,” “Strengthen our earnings power and ensure thoroughness in risk management,” “Provide financial services that suit the needs of the customers,” “Put compliance into practice” and “Establish a free and open-minded corporate climate.” In accordance with this basic policy, we will strive to further increase our corporate value as a regional financial institution which fosters regional prosperity. At the same time, we will work to fulfill this duty and earn the unshakeable support and trust of our shareholders and all other stakeholders.



## The Bank's Corporate Governance

At the Bank of Nagoya, we consider enhancing corporate governance to be one of the most important management challenges. While striving to further enhance our corporate value as a regional financial institution that fosters regional prosperity, we shall fulfill our responsibilities as a corporate citizen and work to establish unshakeable support and trust from all stakeholders, particularly the shareholders.

Based on this principle, the Bank's motto, which is the foundation of its management, is to "foster regional prosperity—which shall both develop the Bank and bring happiness to bank employees." Also, the Bank has the following precepts: (1) good service—a sincere, considerate and speedy service; (2) good people—lift people, broaden people and create a cheery workplace; and (3) good management—sound and richly innovative management that seeks full participation from employees. To this end, we shall strive to share the basic sense of values and ethics of directors and employees of the Bank, and to ensure that these are reflected in the Bank's operations. We have formulated a "Code of Ethics for Bank of Nagoya Directors and Employees" and "Regulations for Complying with Laws and Regulations etc." and through this we are striving to raise corporate value.

The Bank has a swift decision-making framework, led by the Board of Directors, that strictly operates internal regulations and delegates authority as appropriate.

To this end, in order to enhance the clarity of the system of responsibility, further improve the vitality and strengthen the supervisory functions of the Board of Directors, we have invited five highly independent outside directors, and adopted an executive officer system by the appointment of the Board of Directors.

Moreover, the Bank has transitioned to a company with audit and supervisory committee as of June 26, 2020, per amendment to the Articles of Incorporation resolved at the annual General Meeting of Shareholders held on the same date. The Audit & Supervisory Committee will coordinate with the independent auditor and the Internal Audit Division to audit the execution of the duties of directors. We have determined that we are able to adequately strengthen our corporate governance through this system.

## Risk Management System

The Bank has enhanced its risk management system by establishing the Asset Liability Management (ALM) Committee to oversee credit risk, liquidity risk, and market risk, and the Operational Risk Management Committee to oversee system risk, administrative risk, etc. The Bank also considers compliance as a top priority and aims to establish a system of checks and balances and tighten internal controls by, for example, establishing a Compliance Committee that includes attorneys at law from outside the Bank. Status of all risks the Bank should address is covered by monthly meetings of these three committees, which will be then reported to the Board of Directors. This consolidated reporting system is designed in the way to enhance the Board of Directors' ability to monitor the Bank's risk control functions.



## Breakdown of Loans (Nonconsolidated basis)

### Balance of problem loans under the Banking Act (risk monitored loans)

(As of March 31)

	2020 (Millions of yen)	2019 (Millions of yen)	Rate of change (%)
Total loans and bills discounted	2,821,918	2,596,413	8.68
Claims to borrowers in bankruptcy *1	2,365	2,584	-8.47
Past due loans *2	45,598	47,367	-3.73
Accruing loans past due three months or more *3	574	74	675.67
Restructured loans *4	6,843	7,082	-3.37
Ratio of risk monitored loans to total loans and bills discounted	1.96%	2.20%	-0.24%

**\*1 Claims to borrowers in bankruptcy**

Of non-accrual loans for which there is no prospect of payment or collection of principal and/or interest, for reasons such as the delay in payment of interest or principal having continued for a considerable period of time, those are subject to the following grounds set forth in the Order for Enforcement of the Corporation Tax Act of Japan:

- (a) Petition for commencement of reorganization proceedings pursuant to the provisions of the Corporate Reorganization Act or Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions.
- (b) Petition for commencement of rehabilitation proceedings pursuant to the provisions of the Civil Rehabilitation Act.
- (c) Petition for commencement of bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act.
- (d) Petition for commencement of special liquidation proceedings pursuant to the provisions of the Companies Act.
- (e) Suspension of transactions through a clearing house (including bank syndicates that undertake clearing in the relevant regions when there is no clearing house).
- (f) Should there be a significant decrease in the economic value of monetary claims against foreign governments, central banks, and local governments, due to long-term delays in the performance of obligations, and should the receipt of payment be recognized as being extremely difficult.

**\*2 Past due loans**

These are non-accrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

**\*3 Accruing loans past due three months or more**

These are loans for which the payment of the principal and/or interest is past due three months or more from the day following contractual payment date, excluding claims to borrowers in bankruptcy and past due loans.

**\*4 Restructured loans**

These are loans for which the Bank has relaxed the lending conditions for borrowers in financial difficulties—such as by a reduction of the original rate, forbearance of interest and/or principal payment, granting a maturity date extension, and renunciation of claims—in order to support their financial recovery or restructuring. These exclude claims to borrowers in bankruptcy, past due loans and accruing loans past due three months or more.

## Balance of problem loans under the Financial Revitalization Act

(As of March 31)

	2020 (Millions of yen)	2019 (Millions of yen)	Rate of change (%)
Bankrupt and quasi-bankrupt *5	6,891	6,733	2.34
Doubtful *6	41,251	43,445	-5.05
Need of special attention *7	7,418	7,157	3.64
Normal *8	2,819,032	2,586,952	8.97

### \*5 Bankrupt and quasi-bankrupt

These are loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement, and borrowers who are not currently in legal bankruptcy, but in quasi-bankruptcy.

### \*6 Doubtful

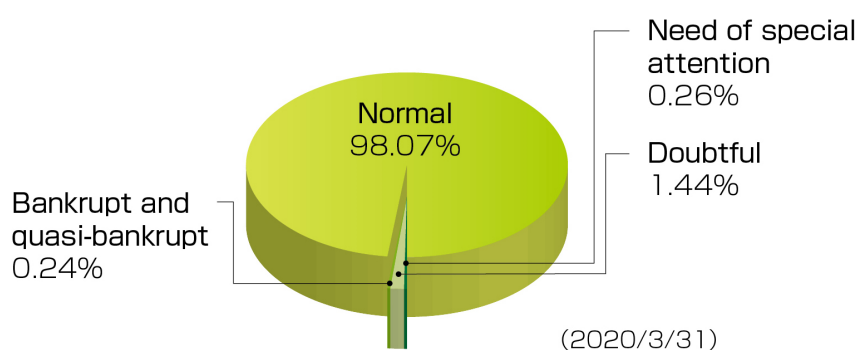
These are loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a possibility of higher default risk.

### \*7 Need of special attention

These are accruing loans past due three months or more (excluding those under \*5 and \*6), and restructured loans (excluding those under \*5 and \*6 and accruing loans past due three months or more).

### \*8 Normal

These are loans to borrowers not having particular problems regarding their financial situations and operating conditions, and excluding loans classified as “Bankrupt and quasi-bankrupt,” “Doubtful” and “Need of special attention.”

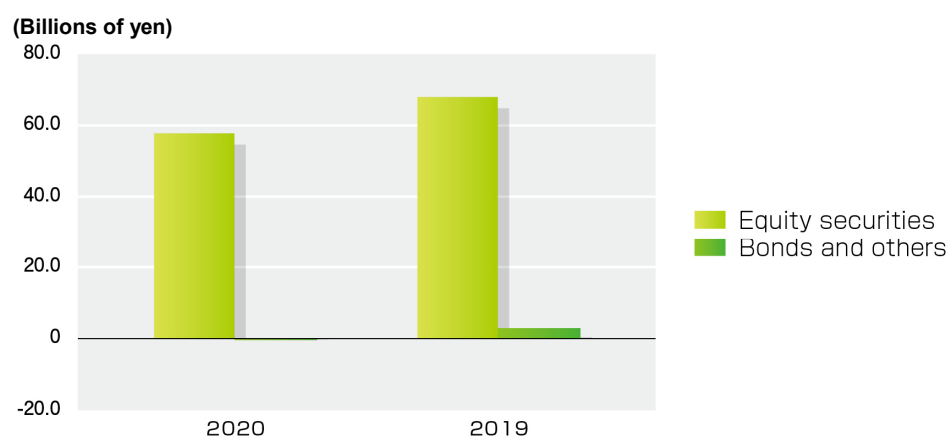


At March 31, 2020, the ratio of problem loans under the Financial Reconstruction Law was 1.93%.

## Unrealized Gains on Securities (Nonconsolidated basis)

(As of March 31)

	2020 (Billions of yen)	2019 (Billions of yen)
Equity securities	57.8	68.0
Bonds and others	-0.4	2.9
Total	57.3	70.9



## Capital Adequacy Ratio

A credit rating is a symbol provided by a credit rating agency indicating the degree of certainty that the principle and interest on an individual bond issued by a company will be paid as contracted. It is strongly related to the evaluation of a company's creditworthiness, and in a broad sense expresses the level of confidence in a bank.

The Bank has obtained a credit rating of "A" from Japan Credit Rating Agency, Ltd. (JCR) with respect to the Bank's long-term issuer rating. This rating indicates that the debt is investment grade, and is a high rating among Japanese financial institutions.

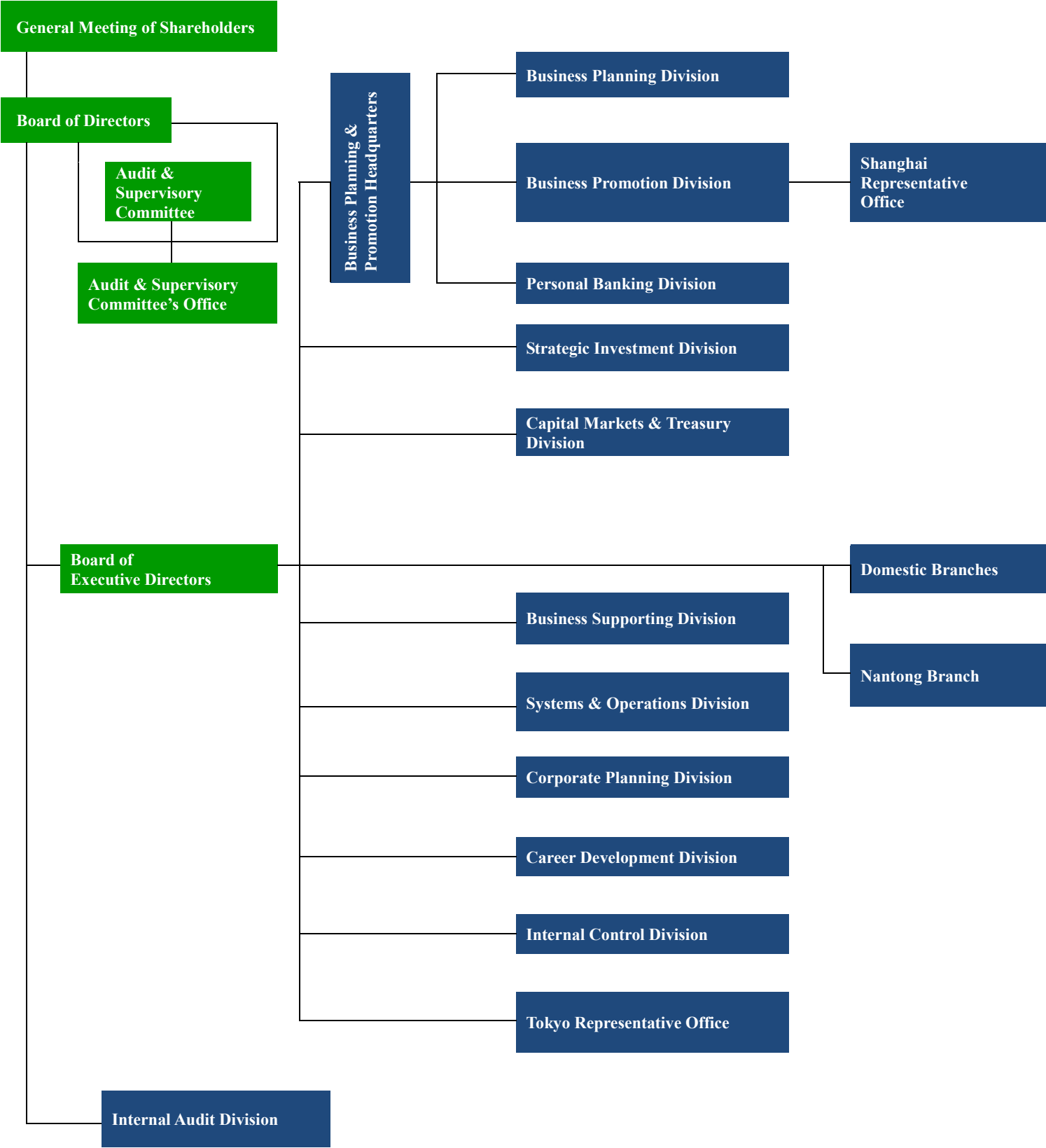
## Rating

Japan Credit Rating Agency, Ltd. (JCR)	A	A high level of capacity to honor the financial commitment on the obligation.
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# Organization of the Bank

(As of July 1, 2020)



## Board of Directors and Audit & Supervisory Committee (As of July 1, 2020)

### Chairman

Kazumaro Kato

### President

Ichiro Fujiwara

### Senior Managing Director

Yasuhisa Yamamoto

### Managing Directors

Shinichi Yokota  
Satoru Hattori

### Directors

Kiyoshi Imaoka  
Kenji Suzuki  
Tadashi Takahashi  
Masao Minamide  
Takehisa Matsubara\*1 \*1 Outside director  
Hisako Munekata\*1

### Audit & Supervisory Committee Members

Naoto Sugita\*2 \*2 Full-time  
Nobuyoshi Hasegawa\*1  
Takao Kondo\*1  
Masatoshi Sakaguchi\*1

### Executive Officers

Isao Takami  
Seiji Inagaki  
Katsutoshi Yamamoto  
Naoya Ohno

Naoto Sugi  
Yasushi Matsuo  
Mitsuru Yoshihashi  
Sadaharu Shimizu

## Principal Shareholders

(As of March 31, 2020)

The Master Trust Bank of Japan, Ltd. (Trust Account)	4.08%
Nippon Life Insurance Company	4.01%
Meiji Yasuda Life Insurance Company	4.00%
The Bank of Nagoya Employees' Shareholding Association (Meigin Minori-kai)	3.85%
The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account)	3.22%
Sumitomo Mitsui Banking Corporation	3.01%
SUMITOMO LIFE INSURANCE COMPANY	2.85%
Japan Trustee Services Bank, Ltd. (Trust Account)	2.75%
Mizuho Bank, Ltd.	2.46%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2.36%

- Notes:
1. Shares held by The Master Trust Bank of Japan, Ltd. (Trust Account and Toyota Motor Corporation Account) and Japan Trustee Services Bank, Ltd. (Trust Account and Trust Account 4) are shares in association with their trust business.
  2. In addition to the above, the Bank holds 147,000 treasury shares.
  3. In a report to amend a report of possession of large volume dated September 25, 2019, it is stated that Sumitomo Mitsui Banking Corporation, along with joint holders, SMBC Nikko Securities Inc. and Cedyna Financial Corporation are the owners of the following shares as of September 13, 2019. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2020, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above. Details included in the report to amend the report of possession of large volume are as follows:

Sumitomo Mitsui Banking Corporation	3.49%
SMBC Nikko Securities Inc.	0.27%
Cedyna Financial Corporation	0.82%

4. In a report to amend a report of possession of large volume dated March 16, 2020, it is stated that Mitsubishi UFJ Trust and Banking Corporation, along with the joint holder, Mitsubishi UFJ Kokusai Asset Management

Co., Ltd. are the owners of the following shares as of March 9, 2020. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2020, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above.

Details included in the report to amend the report of possession of large volume are as follows:

Mitsubishi UFJ Trust and Banking Corporation	4.59%
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	0.34%

5. In a report to amend a report of possession of large volume dated March 19, 2020, it is stated that Nomura Securities Co., Ltd., along with joint holders, Nomura Holdings, Inc., NOMURA INTERNATIONAL PLC, and Nomura Asset Management Co., Ltd. are the owners of the following shares as of March 13, 2020. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2020, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above.

Details included in the report to amend the report of possession of large volume are as follows:

Nomura Securities Co., Ltd.	0.62%
Nomura Holdings, Inc.	0.00%
NOMURA INTERNATIONAL PLC	0.24%
Nomura Asset Management Co., Ltd.	2.96%

6. In a report to amend a report of possession of large volume dated March 23, 2020, it is stated that Mizuho Bank, Ltd., along with joint holders, Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd., Asset Management One Co., Ltd., Mizuho International plc, and Mizuho Securities USA LLC are the owners of the following shares as of March 13, 2020. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2020, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above.

Details included in the report to amend the report of possession of large volume are as follows:

Mizuho Bank, Ltd.	2.26%
Mizuho Securities Co., Ltd.	0.11%
Mizuho Trust & Banking Co., Ltd.	0.57%
Asset Management One Co., Ltd.	2.36%



## Independent auditor's report

**To the Board of Directors of The Bank of Nagoya, Ltd.:**

### Opinion

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

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

### Basis for Opinion

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

### Responsibilities of Management and 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 of Notes 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.

*Tetsuya Nakamura* 

Tetsuya Nakamura

Designated Engagement Partner

Certified Public Accountant

*Satoshi Zengame* 

Satoshi Zengame

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

August 28, 2020

**The Bank of Nagoya, Ltd. and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Assets:</b>			
Cash and due from banks (Note 3)	¥ 191,659	¥ 320,576	\$ 1,761,089
Call loans and bills purchased (Note 3)	2,169	4,645	19,938
Securities (Notes 3, 4, 7 and 12)	750,558	806,312	6,896,611
Loans and bills discounted (Notes 3, 5, 15 and 20)	2,816,720	2,595,962	25,881,835
Foreign exchange	9,519	5,937	87,470
Lease receivables and investments in leased assets (Note 15)	37,667	35,012	346,114
Other assets (Note 7)	78,576	79,107	722,015
Tangible fixed assets (Note 6)	36,120	35,783	331,898
Intangible fixed assets	1,910	1,694	17,555
Employee retirement benefit assets (Note 11)	11,389	12,136	104,652
Deferred tax assets (Note 17)	612	638	5,624
Customers' liabilities for acceptances and guarantees (Note 12)	10,451	11,579	96,034
Reserve for possible loan losses (Note 3)	(12,392)	(12,179)	(113,871)
Total assets	<u>¥ 3,934,962</u>	<u>¥ 3,897,208</u>	<u>\$ 36,156,964</u> (Continued)

See accompanying Notes to Consolidated Financial Statements.



**The Bank of Nagoya, Ltd. and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Liabilities:</b>			
Deposits (Notes 3, 7 and 8)	¥ 3,560,799	¥ 3,482,922	\$ 32,718,914
Call money and bills sold (Notes 3 and 7)	8,469	7,214	77,823
Payables under securities lending transactions (Notes 3 and 7)	2,745	23,391	25,225
Borrowed money (Notes 3, 7 and 9)	42,487	44,479	390,401
Foreign exchange	33	68	304
Bonds payable (Notes 3 and 10)	40,000	30,000	367,546
Bonds with stock acquisition rights (Notes 3 and 10)	—	11,099	—
Other liabilities (Notes 9 and 17)	21,175	23,310	194,575
Reserve for employee bonuses	948	1,000	8,711
Reserve for executive bonuses	38	40	358
Employee retirement benefit liability (Note 11)	4,052	4,346	37,237
Reserve for executive retirement benefits	35	27	329
Reserve for losses on repayments of dormant bank accounts	425	376	3,907
Reserve for contingent losses	1,334	2,007	12,260
Reserve for loss on interest repayments	40	166	375
Deferred tax liabilities (Note 17)	12,483	16,656	114,710
Deferred tax liabilities for revaluation (Notes 6 and 17)	2,774	2,786	25,496
Acceptances and guarantees (Note 12)	10,451	11,579	96,034
<b>Total liabilities</b>	<b>3,708,295</b>	<b>3,661,474</b>	<b>34,074,205</b>
<b>Net assets (Notes 13, 14 and 19):</b>			
Common stock	25,090	25,090	230,551
Capital surplus	21,231	21,231	195,091
Retained earnings	136,520	139,076	1,254,440
Less treasury stock, at cost	(573)	(4,127)	(5,270)
<b>Total shareholders' equity</b>	<b>182,269</b>	<b>181,271</b>	<b>1,674,812</b>
Accumulated other comprehensive income	43,653	53,730	401,114
Stock acquisition rights	127	114	1,167
Noncontrolling interests	616	618	5,666
<b>Total net assets</b>	<b>226,666</b>	<b>235,734</b>	<b>2,082,759</b>
<b>Total liabilities and net assets</b>	<b>¥ 3,934,962</b>	<b>¥ 3,897,208</b>	<b>\$ 36,156,964</b>

**The Bank of Nagoya, 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
	2020	2019	2020
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥ 22,495	¥ 22,549	\$ 206,705
Interest and dividends on securities	6,814	7,970	62,615
Other interest income	308	342	2,838
Total interest income	29,618	30,861	272,158
Fees and commissions	10,704	9,717	98,360
Other operating income	22,806	20,817	209,561
Gain on sales of stocks and other securities	2,967	4,453	27,264
Other income	950	793	8,733
<b>Total income</b>	<b>67,047</b>	<b>66,643</b>	<b>616,076</b>
<b>Expenses:</b>			
Interest expense:			
Interest on deposits	904	1,063	8,310
Interest on borrowings and rediscounts	512	546	4,706
Other interest expense	1,189	2,018	10,933
Total interest expense	2,606	3,628	23,949
Fees and commissions	2,873	2,657	26,406
Other operating expenses	17,393	18,120	159,825
General and administrative expenses (Notes 14 and 18)	31,188	31,143	286,584
Provision of reserve for possible loan losses	1,164	328	10,704
Loss on devaluation of stocks and other securities	1,282	24	11,786
Impairment loss on fixed assets	71	33	658
Other expenses	4,286	1,968	39,389
<b>Total expenses</b>	<b>60,868</b>	<b>57,905</b>	<b>559,301</b>
<b>Profit before income taxes</b>	<b>6,178</b>	<b>8,738</b>	<b>56,775</b>
Income taxes (Note 17)	1,510	2,522	13,880
<b>Profit</b>	<b>4,668</b>	<b>6,216</b>	<b>42,895</b>
<b>Profit attributable to noncontrolling interests</b>	<b>42</b>	<b>43</b>	<b>391</b>
<b>Profit attributable to owners of the parent</b>	<b>¥ 4,625</b>	<b>¥ 6,172</b>	<b>\$ 42,504</b>

	Yen				U.S. dollars	
<b>Earnings per share (Note 2(u)):</b>						
Basic	¥	246.69	¥	328.27	\$	2.27
Diluted		246.22		302.22		2.26
Cash dividends		70.00		70.00		0.64

See accompanying Notes to Consolidated Financial Statements.

**The Bank of Nagoya, 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
	2020	2019	2020
<b>Profit</b>	¥ 4,668	¥ 6,216	\$ 42,895
<b>Other comprehensive income (Note 19):</b>			
Net change in unrealized losses on available-for-sale securities	(9,665)	(5,694)	(88,809)
Retirement benefit adjustments	(433)	(64)	(3,981)
Total other comprehensive income	(10,098)	(5,758)	(92,790)
<b>Comprehensive income</b>	<u>¥ (5,430)</u>	<u>¥ 458</u>	<u>\$ (49,895)</u>
<b>Comprehensive income attributable to:</b>			
Owners of the parent	¥ (5,471)	¥ 415	\$ (50,277)
Noncontrolling interests	41	42	382
Total comprehensive income	<u>¥ (5,430)</u>	<u>¥ 458</u>	<u>\$ (49,895)</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation excess	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets	
Balance at March 31, 2018	¥ 25,090	¥ 21,231	¥ 134,213	¥ (4,167)	¥ 176,368	¥ 55,874	¥ 3,421	¥ 206	¥ 59,501	¥ 123	¥ 659	¥ 236,653	
Profit attributable to owners of the parent	—	—	6,172	—	6,172	—	—	—	—	—	—	6,172	
Cash dividends	—	—	(1,316)	—	(1,316)	—	—	—	—	—	—	(1,316)	
Purchases of treasury stock	—	—	—	(4)	(4)	—	—	—	—	—	—	(4)	
Disposition of treasury stock	—	(7)	—	43	36	—	—	—	—	—	—	36	
Reversal of land revaluation excess	—	—	13	—	13	—	—	—	—	—	—	13	
Transfer from retained earnings to capital surplus	—	7	(7)	—	—	—	—	—	—	—	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	—	(5,693)	(13)	(64)	(5,771)	(9)	(40)	(5,821)	
Balance at March 31, 2019	25,090	21,231	139,076	(4,127)	181,271	50,181	3,407	142	53,730	114	618	235,734	
Profit attributable to owners of the parent	—	—	4,625	—	4,625	—	—	—	—	—	—	4,625	
Cash dividends	—	—	(1,316)	—	(1,316)	—	—	—	—	—	—	(1,316)	
Purchases of treasury stock	—	—	—	(2,302)	(2,302)	—	—	—	—	—	—	(2,302)	
Disposition of treasury stock	—	(2)	—	14	12	—	—	—	—	—	—	12	
Retirement of treasury stock	—	(5,842)	—	5,842	—	—	—	—	—	—	—	—	
Reversal of land revaluation excess	—	—	(20)	—	(20)	—	—	—	—	—	—	(20)	
Transfer from retained earnings to capital surplus	—	5,845	(5,845)	—	—	—	—	—	—	—	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	—	(9,664)	20	(433)	(10,077)	12	(1)	(10,066)	
Balance at March 31, 2020	¥ 25,090	¥ 21,231	¥ 136,520	¥ (573)	¥ 182,269	¥ 40,516	¥ 3,427	¥ (291)	¥ 43,653	¥ 127	¥ 616	¥ 226,666	

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

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation excess	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
<b>Balance at March 31, 2019</b>	\$ 230,551	\$ 195,091	\$ 1,277,926	\$ (37,930)	\$ 1,665,638	\$ 461,095	\$ 31,308	\$ 1,307	\$ 493,710	\$ 1,052	\$ 5,680	\$ 2,166,080
Profit attributable to owners of the parent	–	–	42,504	–	42,504	–	–	–	–	–	–	42,504
Cash dividends	–	–	(12,097)	–	(12,097)	–	–	–	–	–	–	(12,097)
Purchases of treasury stock	–	–	–	(21,159)	(21,159)	–	–	–	–	–	–	(21,159)
Disposition of treasury stock	–	(23)	–	134	111	–	–	–	–	–	–	111
Retirement of treasury stock	–	(53,685)	–	53,685	–	–	–	–	–	–	–	–
Reversal of land revaluation excess	–	–	(185)	–	(185)	–	–	–	–	–	–	(185)
Transfer from retained earnings to capital surplus	–	53,708	(53,708)	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(88,800)	185	(3,981)	(92,596)	115	(14)	(92,495)
<b>Balance at March 31, 2020</b>	<u>\$ 230,551</u>	<u>\$ 195,091</u>	<u>\$ 1,254,440</u>	<u>\$ (5,270)</u>	<u>\$ 1,674,812</u>	<u>\$ 372,295</u>	<u>\$ 31,493</u>	<u>\$ (2,674)</u>	<u>\$ 401,114</u>	<u>\$ 1,167</u>	<u>\$ 5,666</u>	<u>\$ 2,082,759</u>

See accompanying Notes to Consolidated Financial Statements.

**The Bank of Nagoya, 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
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 6,178	¥ 8,738	\$ 56,775
Adjustments for:			
Depreciation and amortization	2,051	2,161	18,851
Impairment loss on fixed assets	71	33	658
Stock option expenses	24	26	226
Increase (decrease) in reserve for possible loan losses	213	(442)	1,960
Decrease (increase) in employee retirement benefit assets	747	(68)	6,870
Decrease in employee retirement benefit liability	(293)	(342)	(2,699)
Increase (decrease) in reserve for executive retirement benefits	8	(4)	78
Decrease in reserve for contingent losses	(673)	(81)	(6,185)
Interest income recognized on statement of income	(29,618)	(30,861)	(272,158)
Interest expense recognized on statement of income	2,606	3,628	23,949
Net gains on securities	(2,067)	(3,417)	(18,999)
Foreign exchange losses (gains), net	3,388	(4,028)	31,132
Amortization of bond issuance cost	51	51	470
Net decrease (increase) in call loans and bills purchased and others	2,475	(2,656)	22,750
Net increase in loans and bills discounted	(220,757)	(137,933)	(2,028,460)
Net increase in lease receivables and investments in leased assets	(2,655)	(3,033)	(24,397)
Net increase in deposits	77,877	79,279	715,584
Net increase (decrease) in call money and bills sold	1,255	(9,784)	11,533
Net decrease in payables under securities lending transactions	(20,646)	(20,321)	(189,713)
Net (decrease) increase in borrowed money (excluding subordinated borrowings)	(1,992)	3,662	(18,305)
Interest income received	30,618	31,515	281,341
Interest expense paid	(3,205)	(3,919)	(29,454)
Others, net	(5,335)	(10,666)	(49,027)
Subtotal	(159,677)	(98,466)	(1,467,220)
Income taxes paid	(1,849)	(2,114)	(16,992)
Net cash used in operating activities	(161,526)	(100,581)	(1,484,212)
<b>Cash flows from investing activities:</b>			
Purchases of securities	(358,663)	(342,036)	(3,295,628)
Proceeds from sales and maturities of securities	399,001	402,564	3,666,284
Purchases of tangible fixed assets	(1,920)	(1,076)	(17,650)
Proceeds from sales of tangible fixed assets	53	139	487
Purchases of intangible fixed assets	(634)	(409)	(5,834)
Net cash provided by investing activities	37,835	59,181	347,659
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of subordinated bonds	9,948	9,948	91,416
Redemption of bonds with stock acquisition rights	(11,116)	—	(102,141)
Dividends paid to shareholders	(1,317)	(1,315)	(12,103)
Dividends paid to noncontrolling shareholders	(43)	(83)	(397)
(Purchase) disposition of treasury stock, net	(2,302)	(4)	(21,158)
Net cash (used in) provided by financing activities	(4,830)	8,545	(44,383)
Effect of exchange rate changes on cash and cash equivalents	1	10	17
Net decrease in cash and cash equivalents	(128,519)	(32,844)	(1,180,919)
Cash and cash equivalents at beginning of year	313,204	346,048	2,877,923
Cash and cash equivalents at end of year (Note 2(b))	¥ 184,684	¥ 313,204	\$ 1,697,004

See accompanying Notes to Consolidated Financial Statements.



## **The Bank of Nagoya, Ltd. and Consolidated Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **1. Basis of Consolidated Financial Statements**

The accompanying consolidated financial statements of The Bank of Nagoya, Ltd. (the “Bank”) and its consolidated subsidiaries (together with the Bank, the “Group”) have been prepared in conformity with 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. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, has not been presented in the accompanying consolidated financial statements.

The amounts in Japanese yen are presented in millions of yen and are rounded down to the nearest million. Accordingly, the totals shown in the accompanying consolidated financial statements and these notes may not equal the sum of the individual amounts.

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

Certain comparative figures have been reclassified to conform to the current year’s presentation.

#### **2. Summary of Significant Accounting Policies**

##### **(a) Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. At both March 31, 2020 and 2019, the Bank had four consolidated subsidiaries, engaged primarily in the business of providing a wide range of financial services to customers.

A subsidiary, Aichi-Jimoto Fund for Agriculture, Forestry and Fisheries Investment Limited Partnership, is excluded from the scope of consolidation and the scope of application of the equity method because its profit, retained earnings, accumulated other comprehensive income (each in proportion to the Bank’s interests) and assets are immaterial to the Group’s consolidated financial statements. The carrying amount of the investment in the subsidiary, which is included in “Securities” on the consolidated balance sheets, was ¥2 million (\$20 thousand) and ¥2 million at March 31, 2020 and 2019, respectively. As of both March 31, 2020 and 2019, the Bank had no affiliates.

The difference between the cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, is deferred as goodwill and amortized over five years using the straight-line method. Negative goodwill resulting from an acquisition, measured as the excess of the underlying equity in the net assets over the acquisition cost, is charged to income. In consolidation, all intercompany transactions and accounts have been eliminated. In addition, all significant unrealized profits, included in assets, resulting from transactions within the Group have been eliminated.

**(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 banks with an original maturity of three months or less. At March 31, 2020 and 2019 cash and cash equivalents were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥ 191,659	¥ 320,576	\$ 1,761,089
Less due from banks whose period exceeds three months	(6,974)	(7,372)	(64,085)
Cash and cash equivalents	¥ 184,684	¥ 313,204	\$ 1,697,004

**(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 Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost. Investments in nonconsolidated subsidiaries and affiliates are stated at moving average cost. In principle, available-for-sale securities other than those classified as trading or held-to-maturity debt securities are carried at fair value based on their market prices at the applicable fiscal year-end, with net unrealized gains and losses reported as a component of accumulated other comprehensive income in net assets, net of applicable income taxes. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. The carrying values of individual securities are reduced, if necessary, through write-downs to reflect other than temporary declines in value. Gains and losses on disposal of securities are computed based principally on the moving average method. Accrued interest on securities is included in “other assets.”

**(e) Derivatives and hedge accounting**

The Bank uses various derivative instruments. Derivatives are recorded at fair value, with changes in fair values included in the consolidated statements of income for the period in which they arise, except for derivatives that are designated as hedging instruments and qualify for hedge accounting.

The Bank applies the deferral method of hedge accounting for hedging foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the Industry Audit Committee Report No. 25 (July 29, 2002), entitled the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). The effectiveness of the currency swap transactions, foreign exchange swap transactions and similar transactions that hedge foreign exchange risks of monetary receivables and payables denominated in foreign currencies as described above is assessed based on a comparison of the hedged monetary receivables and payables denominated in foreign currencies and the foreign currency positions of the corresponding hedging instruments.

**(f) Loans and bills discounted and reserve for possible loan losses**

A reserve for possible loan losses is maintained based on the Bank’s management’s judgment and assessment of future losses. The Bank implements a self-assessment system for asset quality. The

quality of all loans is assessed by each of the Bank's branches and business units and is subsequently examined by the Bank's Credit Supervision Division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which customers are classified into five categories. All loans are classified through self-assessment into the following categories: "legal bankruptcy," "de facto bankruptcy," "bankruptcy risk," "under observation" and "normal." The Bank provides a reserve for possible loan losses at an amount deemed necessary to cover possible future losses. For claims against borrowers in legal bankruptcy and de facto bankruptcy, a reserve is provided based on the amounts of such claims, net of the amounts expected to be collected through disposal of collateral or from guarantees. For claims against borrowers who have bankruptcy risk, a reserve is provided in the amount considered necessary based on a solvency assessment performed for the amounts of such claims, net of the amounts expected to be collected through disposal of collateral or from guarantees. For claims against borrowers in the "under observation" and "normal" category, a reserve is provided as estimated loss amounts mainly for future one year or three years, which is calculated using an estimated loss ratio determined as an average of loan loss ratio over a certain period of time based on the historical loss experience of the Bank for the past one year, with required adjustments for future prospects and others.

Reserve amounts recorded by consolidated subsidiaries are provided at the aggregate amount of estimated credit loss based on an individual financial review approach for doubtful or troubled claims. For other claims, an amount deemed necessary is provided as reserve taking into consideration the historical loss experience.

**(g) Tangible fixed assets and depreciation**

Tangible fixed assets are stated principally at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the asset, except for buildings (excluding facilities attached thereto) acquired on or after April 1, 1998 and facilities attached thereto and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method. For the years ended March 31, 2020 and 2019, the useful life of buildings ranged from 15 to 50 years, and the useful life of equipment and other tangible fixed assets ranged from 4 to 20 years. Tangible fixed assets of the consolidated subsidiaries are depreciated mainly using the straight-line method over the estimated useful life of the asset.

**(h) Intangible fixed assets and amortization**

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are capitalized and amortized principally using the straight-line method over the estimated useful life of mainly five years.

**(i) Leases**

Income and expenses related to finance lease transactions are recognized when lease payments are received.

**(j) Impairment of fixed assets**

A fixed asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, measured at the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and other forms of property, including intangible assets, and are grouped at the lowest level at which there are identifiable cash flows separate from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Bank other than idle or unused property are grouped into cash generating units such as operating branches. Fixed assets of the consolidated subsidiaries are grouped into their respective units, which manage and determine income and expenses related to such assets. The Group recognized impairment loss on fixed assets in the amount of ¥71 million (\$658 thousand) and ¥33 million for unprofitable operating branches for the years ended March 31, 2020 and 2019, respectively. Recoverable amounts of the assets were measured based on net selling prices, which were based on appraisal values or expected selling amounts less estimated costs of disposal. Accumulated impairment loss is deducted from the net book value of each asset.

**(k) Foreign currency translation**

The Group's assets and liabilities denominated in foreign currencies, including the accounts of its foreign branches, are translated into Japanese yen at the exchange rate prevailing at the fiscal year-end. Revenues and expenses are translated at the exchange rate prevailing on the applicable transaction dates. Gains and losses resulting from transactions are included in the determination of profit (loss).

**(l) Reserve for employee bonuses**

A reserve for employee bonuses is provided based on the estimated amount of future payments attributable to the respective year.

**(m) Reserve for executive bonuses**

A reserve for executive bonuses is provided for the payment of bonuses to directors and audit and supervisory board members based on the estimated amount of payments attributable to the respective year.

**(n) Reserve for employee retirement benefits**

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

The Group recognizes retirement benefits based principally on the actuarial present value of the retirement benefit obligation using the actuarial appraisal approach and the fair value of the pension plan assets available for benefits at the respective fiscal year-end.

In the calculation of retirement benefit obligation, the expected retirement benefits are attributed to periods up to the end of the respective fiscal year using the benefit formula method. Past service cost is amortized by the straight-line method over a certain period within the average remaining years of service of the current employees. Actuarial differences arising from changes in the retirement benefit obligation or value of plan assets not anticipated by previous assumptions or from changes in the assumptions themselves are amortized on a straight-line basis over a certain period within the average remaining years of service of the current employees, measured from the year following the year in which the differences arise. For the amortization of past service cost and actuarial differences, the Bank recognizes an amortization period of 13 years, which is within the average remaining years of services of employees. The consolidated subsidiaries use the simplified method in calculating employee retirement benefit liability and retirement benefit expenses. Under this method, the amount for severance payments required at the year-end for voluntary termination is deemed the retirement benefit obligation.

**(o) Reserve for executive retirement benefits**

For consolidated subsidiaries, a reserve for executive retirement benefits is provided based on the Group's internal rules in the amount that would be payable assuming the directors and audit and supervisory board members of the consolidated subsidiaries terminated their services at the balance sheet date.

**(p) Reserve for losses on repayments of dormant bank accounts**

In order to cover possible losses on claims from customers for repayment of dormant bank accounts, the balances of which were previously recognized as income, the Bank provides a reserve to the extent of estimated losses based on historical loss experience and taking into consideration the repayment conditions for a certain past period. A reserve for losses on repayments of dormant bank accounts was included in "other expenses" and amounted to ¥273 million (\$2,515 thousand) and ¥143 million for the years ended March 31, 2020 and 2019, respectively.

**(q) Reserve for contingent losses**

A reserve for contingent losses is provided at an amount deemed necessary to cover possible future losses from the defaulting of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee Corporation based on the historical loss experience from prior defaults. For the years ended March 31, 2020 and 2019, a reversal of reserve for contingent losses of ¥673 million (\$6,185 thousand) and ¥81 million, respectively, was included in "other income."

**(r) Reserve for loss on interest repayments**

In order to cover possible losses on the repayment of interest to be received from customers that exceeds the upper limit of interest rates prescribed under the Interest Rate Restriction Act, two consolidated subsidiaries provide a reserve for loss on interest repayments to the extent of the estimated losses that may be incurred from repayment claims against customers for whom court settlements have not been reached. Such estimated losses are based on historical loss experience taking into consideration the repayment conditions for a certain past period.

**(s) Income taxes**

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized as future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. 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 of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

**(t) Appropriation of retained earnings**

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Bank's Board of Directors and/or shareholders.

**(u) Per share data**

Basic earnings per share is computed by dividing profit attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the respective year. Diluted earnings per share is computed by reflecting the potential dilution that would occur if all dilutive securities were exercised or converted into common stock.

Diluted earnings per share for the year ended March 31, 2020 was computed by taking into account 35 thousand potential shares of common stock related to stock acquisition rights. In addition, diluted earnings per share for the year ended March 31, 2020 was computed by adjusting profit attributable to

the owners of the parent by none.

Diluted earnings per share for the year ended March 31, 2019 was computed by taking into account 2,713 thousand potential shares of common stock related to bonds with stock acquisition rights of 2,680 thousand shares and stock acquisition rights of 32 thousand shares. In addition, diluted earnings per share for the year ended March 31, 2019 was computed by adjusting profit attributable to the owners of the parent by ¥330 million, which was the adjustment to other operating income after the tax effect.

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

**(v) New accounting standards not yet applied by the Group**

- Accounting Standard for Revenue Recognition (Corporate Accounting Standards No. 29, March 31, 2020 Accounting Standards Board of Japan (ASBJ))
- Implementation Guidance on Accounting Standard for Revenue Recognition (Corporate Accounting Standards Application Guideline No. 30, March 31, 2020 ASBJ)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Corporate Accounting Standards Application Guideline No. 19, March 31, 2020 ASBJ)

**(1) Outline**

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014. The IASB issued IFRS 15, which is effective from the fiscal year beginning on or after January 1, 2018, and the FASB issued Topic 606, which is effective from the fiscal year beginning after December 15, 2017. In accordance with the IASB and FASB standard, the ASBJ developed its own comprehensive accounting standard for revenue recognition and issued it with the implementation guidance.

The ASBJ’s basic policy in developing the accounting standard for revenue recognition was to establish accounting standards with the incorporation of the basic principles of IFRS 15 as a starting point from a viewpoint of comparability between financial statements, which is one of benefits of maintaining consistency with IFRS 15, and to add alternative treatments to the extent necessary to address practices conducted in Japan, but not to the extent that would impair comparability.

**(2) Effective date**

The Bank will adopt the new standard and related guidance from the beginning of the year ending March 31, 2022.

**(3) Effects of application**

The Bank is currently assessing the effect of applying the new standard and related guidance on the consolidated financial statements.

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

**(1) Outline**

The ASBJ promoted an initiative to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards, primarily in the areas of guidance on the

fair values of financial instruments and their disclosures, and issued “Accounting Standard for Fair Value Measurement,” etc., considering the circumstance where the IASB and the FASB have prescribed almost the similar detailed guidance (IFRS 13 “Fair Value Measurement” issued by IASB and Accounting Standard Codification Topic 820 “Fair Value Measurement” issued by FASB).

The ASBJ’s basic policy in developing the accounting standard for fair value measurement and other standards and guidance are, in principle, to implement all the requirements of IFRS 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, and also to prescribe other treatments for individual matters so that comparability would not be impaired while the accounting practices that have conventionally been adopted in Japan are taken into account.

(2) Effective date

The Bank will adopt the new standards and related guidance from the beginning of the year ending March 31, 2022.

(3) Effect of application

The effect of applying the new standards and related guidance on the consolidated financial statements is currently has not yet been determined.

**(w) Additional information**

For the year ended March 31, 2020, the effect of the coronavirus (COVID-19) pandemic on the reserve for possible loan losses is limited as there are no objective external measures that can be used to determine the effect of COVID-19 on the estimates, and emergency economic measures taken by the national and local governments are expected to reduce the effect. There is also the possibility of additional future losses if the cessation of the disease is delayed and period of its effects is prolonged.



### **3. Financial Instruments and Related Disclosures**

#### **(a) Qualitative information on financial instruments**

##### **(1) Group policy for financial instruments**

The Group conducts deposit, loan and investment operations. Since the Group has financial assets and liabilities which involve interest rate risk, the Bank has established an Asset Liability Management (“ALM”) system to avoid unfavorable effects of interest rate fluctuations.

##### **(2) Nature of financial instruments and related risks**

Financial assets held by the Group comprise mainly loans to domestic corporate entities and individuals and securities. Loans are subject to customer credit risk arising from defaults by borrowers. There is a possibility that borrowers will not perform their obligations in accordance with the applicable contract terms due to economic circumstances or other reasons. Securities, which primarily comprise equity securities, bonds and investment trusts, are held for investment and business promotion purposes. These securities are exposed to the credit risk of issuers, interest rate fluctuation risk and/or market price fluctuation risk. For securities denominated in foreign currencies, bonds denominated in foreign currencies are generally purchased at an amount up to the corresponding amount of deposits, and funds are procured from the market in foreign currencies to avoid foreign exchange fluctuation risk.

Financial liabilities include mainly deposits from customers and are subject to liquidity risk. There is an interest or maturity mismatch between assets such as loans and bills discounted and liabilities such as deposits that exposes these assets and liabilities to interest rate fluctuation risk.

Derivative transactions include forward foreign exchange contracts. The Group uses derivative transactions in order to fulfill the customers’ hedging requirements for foreign exchange fluctuation risk. Hedge accounting is applied to certain transactions which offset market fluctuations or fix cash flows and fulfill preliminary and subsequent requirements. Derivative transactions which do not meet the hedge accounting criteria are exposed to foreign exchange fluctuation risk.

##### **(3) Risk management for financial instruments**

##### **(i) Credit risk management**

The Group manages its credit risk by maintaining a credit exposure management system in relation to loans in accordance with its “Credit Policy,” which stipulates the basic concepts in relation to its credit exposure management and administrative rules regarding credit risk. The system includes the credit administration of loans, credit lines, credit records and internal ratings and the establishment of guarantees and/or collateral and handling of doubtful loans. These credit exposure management procedures are performed by each of the Group’s sales branches and operations support departments and are reported to the Board of Executive Directors and/or Board of Directors on a regular basis.

The credit risk of issuers of securities and the counterparty risk of derivative transactions are managed by the Bank’s Capital Markets and Treasury Division which monitors credit information and fair values on a regular basis.

##### **(ii) Market risk management**

##### **(a) Interest rate risk management**

The Group has established the ALM committee to recognize and manage interest rate fluctuation risk comprehensively and implement appropriate ALM. Risk control methods and procedures are stipulated in the ALM committee codes, and implementation is monitored and future actions are discussed at the Board of Directors’ meetings. On a daily basis, the Bank’s Risk Control Division checks interest rates and periods of financial assets and liabilities, monitors risks using gap analysis and interest rate sensitivity analysis and reports to the ALM committee and Board of

Directors on a monthly basis.

(b) Foreign exchange risk management

The Group manages foreign exchange fluctuation risk by transaction and enters into forward foreign exchange contracts to manage foreign exchange fluctuation risk on transactions with customers.

(c) Market price fluctuation risk management

The Group holds investment products, including securities based on marketable securities investment planning, determined by the Board of Executive Directors in accordance with the basic market fluctuation risk management rules of the Board. Since the Bank's Capital Markets and Treasury Division purchase investment products from outside, market price fluctuation risk is reduced through effective monitoring after preliminary reviews and the establishment of investment limits. Most of the equity securities managed by the Bank's Planning Division are for business promotion purposes, and market conditions and the financial status of customers are monitored and reported to the Board of Executive Directors on a regular basis.

(d) Derivative transactions

An internal system of checks has been established through the segregation of functions related to derivative transactions, including trading functions such as entering into derivative contracts, operations functions such as the processing of transactions and the evaluation of hedge effectiveness.

(e) Quantitative information on market risk

*i) Financial instruments for trading purposes*

The Group uses the historical simulation method based with the assumptions of a holding period of 120 business days, a 99% confidence level and an observation period of 1,200 business days for the calculation of interest related Value at Risk (VaR) for trading account securities. As of both March 31, 2020 and 2019, the market risk exposure (the expected maximum loss) of the Group's trading operation amounted to zero.

*ii) Financial instruments other than for trading purposes*

Market risk is the primary risk to the Group. The major financial instruments subject to market risk are "loans and bills discounted," debt and equity securities and investment trusts included in "securities" and "deposits." The historical simulation method with the assumption of a holding period of 120 business days, a 99% confidence level and observation period of 1,200 business days is used for the calculation of VaR of these financial assets and liabilities. As of March 31, 2020 and 2019, the market risk exposure (the expected maximum loss) of the Bank's banking operations were as follows.

	Value at Risk		
	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Securities for investment purposes (*1)	¥ 8,915	¥ 7,487	\$ 81,922
Strategically held equity securities	17,879	20,198	164,287
Loans and deposits (*2)	12,293	7,152	112,962

Notes:

(\*1) Securities for investment purposes: yen bonds, foreign bonds, equity securities for investment purposes and investment trusts

(\*2) Loans and deposits: deposits, negotiable certificates of deposit, loans and bills discounted, call loans, due from banks, bonds payable, bonds with stock acquisition rights, payables under securities lending transactions, borrowed money and call money

### iii) Supplementary explanation about quantitative information on market risk

The Group evaluates the effectiveness of its measurement model by performing back-testing procedures to compare VaR calculated by the measurement system with actual gain or loss. VaR provides information regarding market risk exposure statistically calculated with certain probability based on historical market fluctuations. Therefore, VaR may not be able to measure risks under extreme situations in which the market environment changes extraordinarily.

### (iii) Management of liquidity risk associated with financing

The Group regards the stable financing of its operations as a top priority and manages its financing needs effectively. In addition, the Group manages liquidity risk by diversifying the sources of its funds and adjusting the balance of long-term and short-term accounts with consideration for market conditions.

### (4) Supplementary explanation on fair values

The fair value of financial instruments is based on market price. If the market price is not available, alternative valuation techniques are used. Since assumptions must be made when using alternative methods to calculate fair values, different assumptions may lead to different fair values.

### (b) Fair values of financial instruments

The carrying values and fair values of financial instruments at March 31, 2020 and 2019 were as follows.

Millions of yen			
2020			
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 191,659	¥ 191,673	¥ 13
Call loans and bills purchased	2,169	2,169	—
Securities - available-for-sale securities (*1)	740,893	740,893	—
Loans and bills discounted:	2,816,720		
Reserve for possible loan losses (*2)	(11,728)		
Loans and bills discounted – subtotal	2,804,991	2,824,418	19,427
Total	¥ 3,739,713	¥ 3,759,155	¥ 19,441
Deposits	¥ 3,560,799	¥ 3,560,862	¥ 63
Call money and bills sold	8,469	8,469	—
Payables under securities lending transactions	2,745	2,745	—
Borrowed money	42,487	42,481	(6)
Bonds payable	40,000	39,245	(754)
Bonds with stock acquisition rights	—	—	—
Total	¥ 3,654,501	¥ 3,653,803	¥ (697)
Derivative transactions (*3):			
Hedge accounting not applied	¥ 98	¥ 98	¥ —
Hedge accounting applied	—	—	—
Total	¥ 98	¥ 98	¥ —
Millions of yen			
2019			
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 320,576	¥ 320,603	¥ 26
Call loans and bills purchased	4,645	4,645	—
Securities - available-for-sale securities (*1)	801,423	801,423	—
Loans and bills discounted:	2,595,962		
Reserve for possible loan losses (*2)	(11,473)		
Loans and bills discounted – subtotal	2,584,489	2,601,195	16,706
Total	¥ 3,711,135	¥ 3,727,868	¥ 16,733
Deposits	¥ 3,482,922	¥ 3,483,121	¥ 199
Call money and bills sold	7,214	7,214	—
Payables under securities lending transactions	23,391	23,391	—
Borrowed money	44,479	44,476	(3)
Bonds payable	30,000	29,892	(107)
Bonds with stock acquisition rights	11,099	10,698	(400)
Total	¥ 3,599,107	¥ 3,598,795	¥ (311)
Derivative transactions (*3):			
Hedge accounting not applied	¥ (196)	¥ (196)	¥ —
Hedge accounting applied	—	—	—
Total	¥ (196)	¥ (196)	¥ —

	Thousands of U.S. dollars		
	2020		
	Carrying value	Fair value	Difference
Cash and due from banks	\$ 1,761,089	\$ 1,761,217	\$ 128
Call loans and bills purchased	19,938	19,938	—
Securities - available-for-sale securities (*1)	6,807,806	6,807,806	—
Loans and bills discounted:	25,881,835		
Reserve for possible loan losses (*2)	(107,772)		
Loans and bills discounted – subtotal	25,774,063	25,952,578	178,515
Total	\$ 34,362,896	\$ 34,541,539	\$ 178,643
Deposits	\$ 32,718,914	\$ 32,719,495	\$ 581
Call money and bills sold	77,823	77,823	—
Payables under securities lending transactions	25,225	25,225	—
Borrowed money	390,401	390,343	(58)
Bonds payable	367,546	360,610	(6,936)
Bonds with stock acquisition rights	—	—	—
Total	\$ 33,579,909	\$ 33,573,496	\$ (6,413)
Derivative transactions (*3):			
Hedge accounting not applied	\$ 904	\$ 904	\$ —
Hedge accounting applied	—	—	—
Total	\$ 904	\$ 904	\$ —

Notes:

(\*1) The following securities were excluded from the above tables because management of the Bank concluded that the fair value was virtually impossible to estimate.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted stocks *1	¥ 2,159	¥ 2,231	\$ 19,846
Investments in partnerships *2 and *3	7	2,657	68,959
Total	¥ 9,664	¥ 4,888	\$ 88,805

\*1 The Group wrote off unlisted stocks amounting to nil and ¥1 million for the years ended March 31, 2020 and 2019, respectively.

\*2 The fair value of investments in partnerships that comprised assets whose fair value could not be reliably determined were not disclosed.

\*3 The Group wrote off investments in partnerships amounting to ¥10 million (\$92 thousand) and ¥18 million for the years ended March 31, 2020 and 2019, respectively.

(\*2) General and individual reserves for possible loan losses corresponding to loans and bills discounted were deducted.

(\*3) Derivative transactions show net amounts after offsetting related receivables and payables. Amounts in parentheses denote net payables.

The methods and assumptions used to calculate fair values of financial instruments are summarized below.

Financial assets:

Cash and due from banks

Since the carrying value of due from banks on demand or with an original maturity of up to one year approximates the fair value, the carrying value is deemed the fair value. For due from banks with an original maturity exceeding one year, the present value is calculated by discounting the amount by the remaining term to maturity at the rate applicable to a similar new transaction.

Call loans and bills purchased

The carrying value of call loans and bills purchased approximate fair value because of the short maturity (original maturities of up to one year).

Securities

The fair value of equity securities, bonds and investment trusts is based on the quoted market price at the applicable exchange, the price published by JSDA or provided by the contracted financial institution and publicly available net asset value, respectively. The fair value of privately placed bonds is determined by discounting the estimated future cash flows at the risk free rate plus the credit spread or the like. The fair value of securities issued by issuers in legal bankruptcy or de facto bankruptcy or who are at risk of bankruptcy are calculated based on the present value of estimated future cash flows or the amount expected to be collected through the disposal of collateral or from guarantees.

Loans and bills discounted

The fair value of commercial bills, loans on bills and overdrafts, all of which have short maturities (original maturities of up to one year), approximate the carrying value unless the credit status of the borrower has changed dramatically after execution because of the quick reaction of market interest rates to such changes. Therefore, the carrying value of these instruments is deemed the fair value. The fair value of loans on deeds is determined by discounting the estimated future cash flows at the risk free rate plus the credit spread or the like at the rate for a similar new loan, depending on the nature of such loans. The fair value of structured loans is determined by considering the value calculated by using the option pricing model in addition to using the method applicable to measuring the fair value of loans on deeds as described above.

For loans to borrowers in legal bankruptcy or de facto bankruptcy or who are at risk of bankruptcy, a reserve for possible loan losses is estimated based on the present value of estimated future cash flows or the amount expected to be collected through disposal of collateral or from guarantees. Thus, the fair value of such loans approximates the carrying amount of the receivables minus the corresponding reserve for possible loan losses on the consolidated balance sheets at the closing date. Therefore, such carrying amounts are deemed to be the fair value of such loans. The carrying value of loans and bills discounted without repayment terms due to characteristics such as limitations on loans to the value of the collateral assets is deemed the fair value as the carrying values approximates the fair value when considering the expected repayment period and market interest rates for such loans and bills discounted without repayment terms.

Financial liabilities:

Deposits

The fair value of demand deposits in Japanese yen is deemed the amount to be paid (carrying amount) assuming that the Group is demanded to pay on the consolidated balance sheet date. The fair value of time deposits in Japanese yen and negotiable certificates of deposit is determined by discounting future cash flows by the term to maturity at the rate used for a new deposit. For all deposits in foreign currencies, original maturities are short (within one year), and the carrying value approximates the fair value. Thus, the carrying value is deemed the fair value.

Call money and bills sold

The original maturities of call money and bills sold are short (within one year), and the carrying value approximates the fair value. Thus, the carrying value is deemed the fair value.

Payables under securities lending transactions

The original maturities of payables under securities lending transactions are short (within one year), and their carrying values approximate their fair values. Thus, the carrying value is deemed the fair value.

Borrowed money

The carrying value of borrowed money with variable interest rates is deemed the fair value since the carrying value approximates the fair value. This is due to the quick reaction of market interest rates and immaterial changes in the credit status of the Bank and its subsidiaries after execution of such borrowing. The fair value of borrowed money with a fixed interest rate is the present value determined by discounting the sum of principal and interest by the term to maturity at the rate for similar new borrowing. For borrowed money with a short maturity (original maturity of up to one year), the carrying value is deemed the fair value since the carrying value approximates the fair value.

Bonds payable

The fair value of bonds payable issued by the Bank is based on market price.

Bonds with stock acquisition rights

The fair value of bonds with stock acquisition rights issued by the Bank is based on market price.



**(c) Maturity analysis for monetary claims and securities with contractual maturities as of March 31, 2020**

Millions of yen						
2020						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 154,910	¥ 3,000	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	2,169	–	–	–	–	–
Securities:						
Available-for-sale securities with maturities (*1)						
National government bonds	21,800	12,000	–	–	3,000	1,000
Local government bonds	9,479	25,408	31,959	18,170	22,504	–
Bonds and debentures	61,580	124,650	127,678	59,023	25,836	2,690
Others (*2)	17,104	16,608	17,004	6,039	3,586	–
Securities - total	109,964	178,666	176,642	83,233	54,927	3,690
Loans and bills discounted (*3)	673,158	483,175	337,727	224,187	261,372	789,018
Total	¥ 940,203	¥ 664,841	¥ 514,369	¥ 307,420	¥ 316,299	¥ 792,708

Thousands of U.S. dollars						
Due from banks	\$ 1,423,417	\$ 27,566	\$ –	\$ –	\$ –	\$ –
Call loans and bills purchased	19,938	–	–	–	–	–
Securities:						
Available-for-sale securities with maturities (*1)						
National government bonds	200,313	110,264	–	–	27,566	9,189
Local government bonds	87,106	233,470	293,661	166,963	206,786	–
Bonds and debentures	565,838	1,145,364	1,173,196	542,343	237,398	24,720
Others (*2)	157,172	152,608	156,250	55,493	32,955	–
Securities - total	1,010,429	1,641,706	1,623,107	764,799	504,705	33,909
Loans and bills discounted (*3)	6,185,411	4,439,723	3,103,253	2,059,982	2,401,660	7,250,009
Total	\$ 8,639,195	\$ 6,108,995	\$ 4,726,360	\$ 2,824,781	\$ 2,906,365	\$ 7,283,918

**Notes:**

(\*1) Amounts of securities were stated on the basis of scheduled redemption amounts regarding the principal and do not match the amounts shown in the consolidated balance sheets.

(\*2) "Others" include Samurai bonds, Euro-Yen bonds and other foreign bonds.

(\*3) The portion of loans and bills discounted whose timing of collection is unforeseeable, including loans to "legal bankruptcy" borrowers, loans to "de facto bankruptcy" borrowers and loans to "bankruptcy risk" borrowers, amounting to ¥48,080 million (\$441,797 thousand) was not included in the above table.

**(d) Repayment schedule for bonds, borrowed money and other debts with contractual maturities as of March 31, 2020**

	Millions of yen					
	2020					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 3,397,325	¥ 95,032	¥ 64,490	¥ 511	¥ 3,439	¥ –
Call money and bills sold	8,469	–	–	–	–	–
Payables under securities lending transactions	2,745	–	–	–	–	–
Borrowed money	27,207	10,500	4,045	735	–	–
Bonds payable	–	–	–	10,000	30,000	–
Bonds with stock acquisition rights	–	–	–	–	–	–
Total	<u>¥ 3,435,747</u>	<u>¥ 105,532</u>	<u>¥ 68,535</u>	<u>¥ 11,246</u>	<u>¥ 33,439</u>	<u>¥ –</u>

	Thousands of U.S. dollars					
Deposits (*1)	\$ 31,216,810	\$ 873,222	\$ 592,580	\$ 4,701	\$ 31,601	\$ –
Call money and bills sold	77,823	–	–	–	–	–
Payables under securities lending transactions	25,225	–	–	–	–	–
Borrowed money	249,999	96,481	37,168	6,753	–	–
Bonds payable	–	–	–	91,886	275,660	–
Bonds with stock acquisition rights	–	–	–	–	–	–
Total	<u>\$ 31,569,857</u>	<u>\$ 969,703</u>	<u>\$ 629,748</u>	<u>\$ 103,340</u>	<u>\$ 307,261</u>	<u>\$ –</u>

Note:

(\*1) Demand deposits were included in “due in one year or less.”

#### 4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
National government bonds	¥ 38,124	¥ 20,620	\$ 350,315
Local government bonds	108,060	110,698	992,927
Bonds and debentures	402,968	413,211	3,702,736
Equity securities	106,023	123,601	974,216
Other securities	95,380	138,180	876,417
	<u>¥ 750,558</u>	<u>¥ 806,312</u>	<u>\$ 6,896,611</u>

Securities are classified as trading, held-to-maturity or available-for-sale securities. Such classification determines the respective accounting method to be applied as stipulated under the accounting standard for financial instruments. Securities in the accompanying consolidated balance sheets include marketable securities traded on stock exchanges.

Gross unrealized gains and losses on available-for-sale securities with fair values at March 31, 2020 and 2019 are summarized as follows.

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair values at March 31, 2020:				
Equity securities	¥ 46,039	¥ 57,988	¥ (163)	¥ 103,864
Bonds:				
National government bonds	38,164	39	(79)	38,124
Local government bonds	107,901	234	(75)	108,060
Bonds and debentures	403,116	621	(769)	402,968
Others	88,270	2,083	(2,477)	87,875
	<u>¥ 683,492</u>	<u>¥ 60,966</u>	<u>¥ (3,565)</u>	<u>¥ 740,893</u>
Available-for-sale securities with fair values at March 31, 2019:				
Equity securities	¥ 53,306	¥ 69,372	¥ (1,309)	¥ 121,370
Bonds:				
National government bonds	20,390	230	—	20,620
Local government bonds	110,106	592	(0)	110,698
Bonds and debentures	411,805	1,434	(28)	413,211
Others	134,834	1,494	(806)	135,522
	<u>¥ 730,442</u>	<u>¥ 73,124</u>	<u>¥ (2,143)</u>	<u>¥ 801,423</u>

Thousands of U.S. dollars

Available-for-sale securities with fair value at March 31, 2020:

Equity securities	\$ 423,037	\$ 532,833	\$ (1,501)	\$ 954,369
Bonds:				
National government bonds	350,683	361	(729)	350,315
Local government bonds	991,465	2,158	(695)	992,928
Bonds and debentures	3,704,098	5,709	(7,071)	3,702,736
Others	811,083	19,141	(22,766)	807,458
	<u>\$ 6,280,366</u>	<u>\$ 560,202</u>	<u>\$ (32,762)</u>	<u>\$ 6,807,806</u>

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized gains	¥ 57,401	¥ 70,981	\$ 527,440
Deferred tax liabilities	(16,883)	(20,798)	(155,137)
Noncontrolling interests portion	(0)	(1)	(8)
Net unrealized gains in net assets	<u>¥ 40,516</u>	<u>¥ 50,181</u>	<u>\$ 372,295</u>

During the years ended March 31, 2020 and 2019, the Group sold available-for-sale securities and recorded gains of ¥5,132 million (\$47,159 thousand) and ¥6,136 million, respectively, and losses of ¥1,778 million (\$16,337 thousand) and ¥2,298 million, respectively, in the accompanying consolidated statements of income.

At March 31, 2020 and 2019, the Group recorded losses on write-downs of available-for-sale securities with fair values due to other-than-temporary declines in value amounting to ¥1,282 million (\$11,787 thousand) and ¥24 million, respectively.

## 5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Bills discounted	¥ 28,452	¥ 38,281	\$ 261,444
Loans on bills	94,634	99,936	869,562
Loans on deeds	2,400,050	2,167,216	22,053,206
Overdrafts	280,117	278,036	2,573,901
Others	13,464	12,491	123,722
	<u>¥ 2,816,720</u>	<u>¥ 2,595,962</u>	<u>\$ 25,881,835</u>

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24 (February 13, 2002), entitled “Treatment of Accounting and Auditing Concerning Application of Accounting Standard for Financial Instruments in Banking Industry.” The Group has rights to sell or pledge (repledge) bankers’ acceptances, commercial bills, documentary bills and foreign bills bought without restrictions. The total face value of these bills amounted to ¥28,746 million (\$264,142 thousand) and ¥39,632 million at March 31, 2020 and 2019, respectively.

Claims against borrowers in bankruptcy and past due loans are included in “loans and bills discounted” and amounted to ¥48,080 million (\$441,797 thousand) and ¥50,050 million at March 31, 2020 and 2019, respectively. Loans are generally placed on nonaccrual status when there is substantial doubt about the ultimate collectability of either the principal or interest because the principal or interest is past due for a considerable period or for other reasons. Accrued interest is not recorded when loans are classified as claims against borrowers in bankruptcy or past due loans. Claims against borrowers in bankruptcy represent nonaccrual loans after charge-off against legally bankrupt borrowers as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Order for Enforcement of the Corporation Tax Law of Japan. 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, past due loans are recognized as nonaccrual loans.

At March 31, 2020 and 2019, accruing loans for which the payment of principal or interest was contractually past due by three months or more, excluding nonaccrual loans, amounted to ¥574 million (\$5,281 thousand) and ¥74 million, respectively.

At March 31, 2020 and 2019, restructured loans (excluding nonaccrual and accruing loans contractually past due by three months or more as mentioned above) for which the Bank had restructured the terms and conditions in favor of borrowers in financial difficulties through measures such as the reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments and debt forgiveness in order to support the financial recovery of such borrowers amounted to ¥7,963 million (\$73,171 thousand) and ¥8,433 million, respectively.

Before charge-offs, total nonperforming loans, consisting of nonaccrual loans, accruing loans contractually past due by three months or more and restructured loans, amounted to ¥56,618 million (\$520,248 thousand) and ¥58,558 million at March 31, 2020 and 2019, respectively.

In accordance with JICPA Accounting Committee Report No. 3 (November 28, 2014), “Accounting Treatment and Presentation of Loan Participation,” the participation principal is accounted for as loans to the original obligor and recorded in the consolidated balance sheets. At March 31, 2020 and 2019, this amounted to ¥1,850 million (\$17,006 thousand) and ¥1,890 million, respectively.

## 6. Tangible Fixed Assets

At March 31, 2020 and 2019, major classifications of assets were as follows.

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
Land	¥ 22,420	¥ 22,450	\$ 206,016	
Buildings and structures	8,526	8,868	78,351	
Equipment	2,837	2,812	26,075	
Construction in progress	2,334	1,652	21,456	
Tangible fixed assets	¥ 36,120	¥ 35,783	\$ 331,898	

At March 31, 2020 and 2019, accumulated depreciation for tangible fixed assets amounted to ¥33,428 million (\$307,165 thousand) and ¥33,747 million, respectively.

Pursuant to the Act on Revaluation of Land, effective March 31, 1998, the Bank elected a one-time revaluation to restate the cost of land used for the banking business at values reassessed and reflecting adjustments for geographical shape and other factors in accordance with municipal property tax bases. According to the Act, the amount equivalent to the tax effect on the excess of reassessed values over the original book values is to be recorded as “deferred tax liabilities for revaluation,” and the remainder of the excess, net of the tax effect, is to be recorded as “land revaluation excess” under accumulated other comprehensive income of net assets in the consolidated balance sheets. At March 31, 2020 and 2019, the differences in the carrying values of land used for the banking business after revaluation over market values amounted to ¥6,795 million (\$62,444 thousand) and ¥6,844 million, respectively.

As permitted by Japanese GAAP, deferred capital gains on the sale of real property are deducted from the original acquisition costs of property which is newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2020 and 2019, ¥5,884 million (\$54,071 thousand) and ¥5,884 million, respectively, were directly deducted from the acquisition costs of such land.

## 7. Pledged Assets

The carrying amounts of assets pledged as collateral and the related collateralized debt at March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
Assets pledged:				
Securities	¥ 41,657	¥ 59,233	\$ 382,774	
Other assets	20	20	188	
Related collateralized debts:				
Deposits	¥ 20,820	¥ 5,140	\$ 191,315	
Call money	3,264	—	30,000	
Payables under securities lending transactions	2,745	23,391	25,225	
Borrowed money	15,012	15,877	137,943	

## 8. Deposits

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

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
Demand deposits	¥ 2,371,392	¥ 2,251,172	\$ 21,789,877	
Time deposits	1,078,291	1,124,095	9,908,037	
Other deposits	57,864	46,171	531,696	
Subtotal	3,507,548	3,421,439	32,229,610	
Negotiable certificates of deposit	53,251	61,482	489,304	
	¥ 3,560,799	¥ 3,482,922	\$ 32,718,914	

## 9. Borrowed Money and Finance Lease Obligations

Borrowed money consisted principally of borrowings from financial institutions due through October 2026 with average interest rates of 0.60% and 0.88% per annum at March 31, 2020 and 2019, respectively. There were no financial lease obligations outstanding at March 31, 2020.

At March 31, 2020, the annual maturities of borrowed money were as follows.

<u>Year ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2021	¥ 27,207	\$ 249,999
2022	6,200	56,970
2023	4,300	39,511
2024	2,575	23,661
2025	1,470	13,507
2026 and thereafter	735	6,753
	<u>¥ 42,487</u>	<u>\$ 390,401</u>

## 10. Bonds

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

	Millions of yen		Thousands of U.S. dollars		Interest rate	Collateral	Due
	2020	2019	2020				
U.S. dollar denominated zero-coupon convertible bond-type bonds with stock acquisition rights, due in 2020	¥ —	¥ 11,099	\$ —		—	—	March 26, 2020
1 <sup>st</sup> Unsecured bonds with early redemption clauses (with special contracts for exemption at time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	\$ 91,886		0.59% March 24, 2017 to March 23, 2022  0.48% +6-month JPY LIBOR After March 24, 2022	—	March 24, 2027
2 <sup>nd</sup> Unsecured bonds with early redemption clauses (with special contracts for exemption at time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	\$ 91,886		0.48% October 18, 2017 to October 17, 2022  0.37% +6-month JPY LIBOR After October 18, 2022	—	October 18, 2027
3 <sup>rd</sup> Unsecured bonds with early redemption clauses (with special contracts for exemption at time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	\$ 91,886		0.40% October 12, 2018 to October 11, 2023  0.24% +6-month JPY LIBOR After October 12, 2023	—	October 12, 2028



4 <sup>th</sup> Unsecured bonds with early redemption clauses (with special contracts for exemption at time of de facto bankruptcy and subordination agreements) (Green bond)	¥	10,000	¥	—	\$	91,886	0.44%	December 13, 2019 to December 12, 2024	—	December
							0.45% +6-month JPY LIBOR After December 13, 2024			

## 11. Employee Retirement Benefits

The Bank maintains “funded and unfunded defined benefit plans” and “a selection of either a defined contribution plan or prepayment of retirement allowance” for employee retirement benefits. Eligible employees are entitled to receive lump-sum payments or pension payments based on the level of salary and the length of service under the defined benefit (“DB”) corporate pension plans, all of which are funded plans. The Bank has set up retirement benefit trusts for certain plans among the defined benefit corporate pension plans. Eligible employees are entitled to receive lump-sum payments based on the level of salary and the length of service under the lump-sum payment plans, most of which are funded as a result of establishing retirement benefit trusts; however, some are unfunded plans. Two of the Bank’s consolidated subsidiaries participate in a multi-employer pension program under a certain public pension plan as part of the lump-sum retirement benefit plan. The Bank’s other two consolidated subsidiaries have each adopted only the lump-sum retirement benefit plan. The consolidated subsidiaries use the simplified method in calculating employee retirement defined benefit liability and retirement benefit expenses. Under this method, the amount for severance payments required at the year-end for voluntary termination is deemed the retirement benefit obligation.

### (a) Defined benefit plans

- (1) Movement in retirement benefit obligation, excluding plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 30,985	¥ 32,115	\$ 284,718
Service cost	817	851	7,510
Interest cost	92	96	854
Actuarial differences	555	(155)	5,101
Retirement benefits paid	(1,879)	(1,921)	(17,270)
Balance at end of year	¥ 30,571	¥ 30,985	\$ 280,913

(2) Movement in plan assets, excluding plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 38,906	¥ 39,616	\$ 357,501
Expected return on pension plan assets	663	679	6,095
Actuarial differences	(543)	(417)	(4,992)
Contribution paid by employer	181	193	1,663
Retirement benefits paid	(1,169)	(1,165)	(10,748)
Balance at end of year	¥ 38,038	¥ 38,906	\$ 349,519

(3) Movement in employee retirement benefit liability for plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Employee retirement benefit liability at beginning of year	¥ 130	¥ 121	\$ 1,197
Retirement benefit expenses	40	42	372
Retirement benefits paid	(41)	(33)	(378)
Employee retirement benefit liability at end of year	¥ 129	¥ 130	\$ 1,191

(4) Reconciliation from retirement benefit obligation and plan assets to retirement benefit (asset) liability recognized in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 30,628	¥ 31,047	\$ 281,430
Plan assets	(38,038)	(38,906)	(349,519)
	(7,410)	(7,859)	(68,089)
Unfunded retirement benefit obligation	73	68	674
Net retirement benefit (asset) liability	¥ (7,336)	¥ (7,790)	\$ (67,415)
Employee retirement benefit liability	¥ 4,052	¥ 4,346	\$ 37,237
Employee retirement benefit assets	(11,389)	(12,136)	(104,652)
Net retirement benefit (asset) liability	¥ (7,336)	¥ (7,790)	\$ (67,415)

(5) Net periodic retirement benefit expense and its breakdown:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 817	¥ 851	\$ 7,510
Interest cost	92	96	854
Expected return on plan assets	(663)	(679)	(6,095)
Amortization of actuarial differences	618	314	5,687
Amortization of past service cost	(144)	(144)	(1,332)
Retirement benefit expenses for plans applying the simplified method	40	42	372
Others	6	6	61
Net periodic retirement benefit expense of defined benefit plans	¥ 768	¥ 487	\$ 7,057

(6) Retirement benefit adjustments in other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service cost	¥ (144)	¥ (144)	\$ (1,332)
Actuarial differences	(479)	52	(4,405)
Total	¥ (624)	¥ (92)	\$ (5,737)

(7) Retirement benefit adjustments in accumulated other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized past service cost	¥ 724	¥ 869	\$ 6,660
Unrecognized actuarial differences	(1,144)	(664)	(10,514)
Total	¥ (419)	¥ 204	\$ (3,854)

(8) Plan assets

(i) Plan assets comprise:

	2020	2019
Debt securities	39%	42%
Equity securities	26%	28%
Cash and deposits	10%	7%
General accounts	25%	23%
Total *	100%	100%

*Note: As of March 31, 2020 and 2019, assets in retirement benefit trusts set up for the defined benefit pension plans and lump-sum retirement benefit plans represented 41% and 40% of total plan assets, respectively.*

(ii) Determination of long-term expected rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the Group considers the current and target asset allocation as well as the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions at end of year:

	2020	2019
Discount rate	0.3%	0.3%
Long-term expected rate of return on plan assets	2.5%	2.5%

*Note: The Bank maintains a point system for defined benefit corporate pension plans and lump-sum payment plans. Points are calculated based on past salaries.*

**(b) Defined contribution plans**

The required contribution of the Bank and its consolidated subsidiaries to defined contribution plans amounted to ¥190 million (\$1,753 thousand) and ¥185 million for the years ended March 31, 2020 and 2019, respectively.

**12. Acceptances and Guarantees**

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

Guarantees are provided on certain privately placed bonds included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥40,789 million (\$374,803 thousand) and ¥33,771 million at March 31, 2020 and 2019, respectively.

**13. Net Assets**

At March 31, 2020 and 2019, there were 50 million shares of common stock without par value authorized and 18,255,487 shares and 19,755,487 shares of common stock issued respectively. At March 31, 2020 and 2019, the Group held 147 thousand and 949 thousand shares of treasury stock respectively.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Capital surplus consists principally of additional paid-in capital. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as appropriation of retained earnings shall be appropriated as legal earnings reserve until the total amount of additional paid-in capital and legal earnings reserve equals 100% of common stock. The legal earnings reserve has been included in the retained earnings in the accompanying consolidated balance sheets. Under the Act, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders’ meeting. The additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and legal earnings reserve may be

transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends.

At both March 31, 2020 and 2019, the legal earnings reserve amounted to ¥8,029 million (\$73,785 thousand).

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

## 14. Stock Options

### (a) Stock option expenses

The Bank recorded stock option expenses of ¥24 million (\$226 thousand) and ¥26 million in “General and administrative expenses” for the years ended March 31, 2020 and 2019, respectively.

### (b) Outline of stock options

#### i) Outline of stock options:

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Resolution date	July 29, 2014	July 29, 2015	July 27, 2016	July 26, 2017
Position and number of grantees	13 directors of the Bank excluding outside directors	13 directors of the Bank excluding outside directors	12 directors of the Bank excluding outside directors	12 directors of the Bank excluding outside directors
Number of options granted (*1)	10,980 common shares of the Bank	8,870 common shares of the Bank	12,280 common shares of the Bank	9,620 common shares of the Bank
Grant date	August 13, 2014	August 13, 2015	August 12, 2016	August 10, 2017
Conditions for vesting	Not defined	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined	Not defined
Exercise period (*2)	August 14, 2014 to August 13, 2064	August 14, 2015 to August 13, 2065	August 13, 2016 to August 12, 2066	August 11, 2017 to August 10, 2067
Number of stock acquisition rights (*2)	485 (*3)	399 (*3)	662 (*3)	626 (*3)
Type, content and number of shares to be issued upon exercise of stock acquisition rights (*2)	4,850 common shares of the Bank (*4)	3,990 common shares of the Bank (*4)	6,620 common shares of the Bank (*4)	6,260 common shares of the Bank (*4)
Amount to be paid upon the exercise of stock acquisition rights (*2)	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share
Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock (*2)	Issue price: ¥3,471 (\$31.89) per share (*5)	Issue price: ¥4,591 (\$42.19) per share (*5)	Issue price: ¥2,951 (\$27.12) per share (*5)	Issue price: ¥3,783 (\$34.76) per share (*5)
Conditions for exercise of stock acquisition rights (*2)	(*6)	(*6)	(*6)	(*6)
Criteria for transfer of stock acquisition rights (*2)	Approval by Board of Directors is required.	Approval by Board of Directors is required.	Approval by Board of Directors is required.	Approval by Board of Directors is required.
Matters related to issuance of stock acquisition rights in connection with organizational restructuring (*2)	(*7)	(*7)	(*7)	(*7)

	2018 stock options	2019 stock options
Resolution date	June 22, 2018	June 21, 2019
Position and number of grantees	9 directors of the Bank excluding outside directors	8 directors of the Bank excluding outside directors
Number of options granted (*1)	7,660 common shares of the Bank	8,090 common shares of the Bank
Grant date	July 9, 2018	July 8, 2019
Conditions for vesting	Not defined	Not defined
Requisite service period	Not defined	Not defined
Exercise period (*2)	July 10, 2018 to July 9, 2068	July 9, 2019 to July 8, 2069
Number of stock acquisition rights (*2)	687 (*3)	809 (*3)
Type, content and number of shares to be issued upon exercise of stock acquisition rights (*2)	6,870 common shares of the Bank (*4)	8,090 common shares of the Bank (*4)
Amount to be paid upon the exercise of stock acquisition rights (*2)	¥1 (\$0.01) per share	¥1 (\$0.01) per share
Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock (*2)	Issue price: ¥3,514 (\$32.29) per share (*5)	Issue price: ¥3,040 (\$27.93) per share (*5)
Conditions for exercise of stock acquisition rights (*2)	(*6)	(*6)
Criteria for transfer of stock acquisition rights (*2)	Approval by Board of Directors is required.	Approval by Board of Directors is required.
Matters related to issuance of stock acquisition rights in connection with organizational restructuring (*2)	(*7)	(*7)

*Notes:*

(\*1) The number of stock options is calculated in terms of the number of shares.

(\*2) This information is provided as of March 31, 2020.

(\*3) The number of shares to be issued upon exercise of each stock acquisition right (the "Number of Shares Granted") is 10 shares.

(\*4) Number of shares subject to stock acquisition rights

The Number of Shares Granted is adjusted using a certain formula if the Bank conducts a stock split of its common stock (including the allotment of its common stock without consideration, the same shall apply hereinafter for the provisions of the stock split) or a stock consolidation after the date when the stock acquisition rights were allotted (the "Allotment Date"). Any fractional shares less than one share arising from the adjustment shall be rounded down.

The applicable formula is as follows: Number of Shares Granted after adjustment = Number of Shares Granted

before adjustment x Ratio of stock split or stock consolidation. In addition, the Bank may make reasonable adjustments to the Number of Shares Granted as appropriate due to a merger, corporate split, etc., after the Allotment Date.

- (\*5) The amount to be incorporated into capital stock shall be half of the maximum amount of increase in capital stock calculated pursuant to Article 17(1) of the “Rules of Corporate Accounting,” with fractions of less than ¥1 resulting from the calculation rounded up.
- (\*6) Conditions for exercise of stock acquisition rights
  - (1) Holders of stock acquisition rights (“Rights Holder(s)”) may exercise their stock acquisition rights from the day following the day when their position as Bank director terminates.
  - (2) The above (1) is not applicable to a successor who acquires the rights by inheritance.
  - (3) Rights Holders cannot exercise stock acquisition rights when they abandon the rights.
- (\*7) Matters pertaining to issuance of stock acquisition rights resulting from organizational restructuring
 

If the Bank merges (limited to cases in which the Bank becomes a dissolving company), conducts an absorption-type company split or an incorporation-type company split (limited to cases in which the Bank becomes a splitting company) or conducts a share exchange or a share transfer (limited to cases in which the Bank becomes a wholly owned subsidiary) (collectively, the “Organizational Restructuring”), stock acquisition rights of a stock company described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (the “Restructured Company”) shall be delivered to the Rights Holders of stock acquisition rights remaining unexercised (the “Remaining Stock Acquisition Rights”) immediately prior to the effective date of the Organizational Restructuring (the effective date of an absorption-type merger; the date of establishment of the stock company incorporated in a consolidation-type merger; the effective date of an absorption-type company split; the date of establishment of a stock company incorporated in an incorporation-type company split; the effective date of the share exchange in the case of a share exchange or the date of establishment of the wholly-owning parent company upon a share transfer. However, the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Restructured Company according to the following conditions was stipulated in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

  - (1) Number of stock acquisition rights of the Restructured Company to be delivered  
The same number as the Remaining Stock Acquisition Rights held by the Rights Holders.
  - (2) Class of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights  
Common stock of the Restructured Company
  - (3) Number of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights  
Shall be determined according to (\*4) above after taking into consideration the conditions for the Organizational Restructuring and any other related matters.
  - (4) Value of the assets to be contributed upon the exercise of stock acquisition rights  
The value of the assets to be contributed upon the exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization as stipulated below by the number of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights determined in accordance with (3) above. The exercise price after reorganization is ¥1 per share of the Restructured Company to be delivered upon the exercise of the issued stock acquisition rights.
  - (5) Exercise period of stock acquisition rights  
Starting from the later of either the first date of the exercise period for the stock acquisition rights as stipulated in the “Exercise period” above or the effective date of the Organizational Restructuring and ending on the expiration date for the exercise of stock acquisition rights as stipulated in the “Exercise period” above.
  - (6) Matters concerning capital stock and capital surplus to be increased when shares are issued upon the exercise of stock acquisition rights  
Shall be determined in accordance with the above “Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock.”
  - (7) Restriction on acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Restructured Company.
  - (8) Conditions for acquisition of stock acquisition rights  
Shall be determined in accordance with the items below.  
If a proposal a, b, c, d or e below is approved by the shareholders’ meeting of the Bank (or by the Board of Directors of the Bank if the approval of the shareholders’ meeting is not required), the Bank may acquire stock acquisition rights at the date specifically determined by the Board of Directors of the Bank without any compensation therefor.
    - a. A proposal for the approval of any merger agreement under which the Bank is dissolved
    - b. A proposal for the approval of any company split agreement or plan in which the Bank will be a splitting company
    - c. A proposal for the approval of any share exchange agreement or share transfer plan in which the Bank will be a wholly owned subsidiary
    - d. A proposal for the approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares to be issued by the Bank will be subject to the Bank’s approval
    - e. A proposal for the approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares in the relevant class to be issued upon exercise of stock



*acquisition rights will be subject to the Bank's approval or the Bank may acquire all of the shares in the relevant class to be issued upon the exercise of stock acquisition rights following the resolution by the shareholders' meeting of the Bank*

*(9) Other conditions for the exercise of stock acquisition rights  
Shall be determined in accordance with (\*6) above.*

ii) Size and changes in stock options:

The following describes the size of and changes in stock options that existed during the year ended March 31, 2020. The number of stock options is calculated in terms of the number of shares.

a) Number of stock options

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Nonvested				
April 1, 2019 –	–	–	–	–
Outstanding				
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
March 31, 2020 –	–	–	–	–
Outstanding				
Vested				
April 1, 2019 –	5,500 shares	4,510 shares	7,390 shares	6,880 shares
Outstanding				
Vested	–	–	–	–
Exercised	650 shares	520 shares	770 shares	620 shares
Forfeited	–	–	–	–
March 31, 2020 –	4,850 shares	3,990 shares	6,620 shares	6,260 shares
Outstanding				
	2018 stock options	2019 stock options		
Nonvested				
April 1, 2019 –	–	–		
Outstanding				
Granted	–	8,090 shares		
Forfeited	–	–		
Vested	–	8,090 shares		
March 31, 2020 –	–	–		
Outstanding				
Vested				
April 1, 2019 –	7,660 shares	–		
Outstanding				
Vested	–	8,090 shares		
Exercised	790 shares	–		
Forfeited	–	–		
March 31, 2020 –	6,870 shares	8,090 shares		
Outstanding				

b) Price information:

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Exercise price	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share
Average exercise price	¥3,405 (\$31.29) per share	¥3,405 (\$31.29) per share	¥3,405 (\$31.29) per share	¥3,405 (\$31.29) per share

Fair value at grant date	¥3,470 (\$31.88) per share	¥4,590 (\$42.18) per share	¥2,950 (\$27.11) per share	¥3,782 (\$34.75) per share
	2018 stock options	2019 stock options		
Exercise price	¥1 (\$0.01) per share	¥1 (\$0.01) per share		
Average exercise price	¥3,405 (\$31.29) per share	–		
Fair value at grant date	¥3,513 (\$32.28) per share	¥3,039 (\$27.92) per share		

Valuation technique to estimate fair value of stock options

a) Valuation technique used: Black-Scholes model

b) Major assumptions and estimation method

	2019 stock options
Expected volatility (*1)	30.649%
Expected life (*2)	6.4 years
Expected dividends (*3)	¥70 (\$0.64) per share
Risk free interest rate (*4)	(0.249)%

Notes: (\*1) Expected volatility is calculated based on the daily closing prices on each trading day during the period from February 8, 2013 to July 8, 2019.

(\*2) Expected life is estimated based on the average term of office of directors, etc., who retired during the past 10 years.

(\*3) Expected dividends are the actual dividends for the year ended March 31, 2019.

(\*4) Risk free interest rate is a Japanese government bond yield which corresponds to the expected life.

iii) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options to be forfeited in the future.

## 15. Commitments

### (a) Loan commitments

Overdraft facilities and loan commitment lines are contracts under which the Bank is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the applicable contract. At March 31, 2020 and 2019, the unused amounts of these contracts amounted to ¥744,858 million (\$6,844,235 thousand) and ¥751,737 million, respectively. The unused contract amounts included amounts which originally expire within one year or are revocable by the Bank at any time without any conditions in the amount of ¥727,320 million (\$6,683,086 thousand) and ¥732,401 million at March 31, 2020 and 2019, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank to refuse customers' applications for loans or decrease the contract limits for appropriate reasons (e.g., changes in the financial situation and deterioration in the customer's creditworthiness). At the execution of such contracts, the Bank obtains real estate, securities, etc., as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of its customers' business results based on internal rules and may take necessary measures that include reconsidering the terms and conditions of such contracts and/or requiring additional collateral and/or guarantees.

**(b) Lease commitments**

(Lessee contracts)

The Group leases certain office space and equipment as lessee under long-term noncancellable lease contracts. The aggregate future minimum lease commitments for noncancellable operating leases at March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating leases as lessee:			
Due within one year	¥ 654	¥ 654	\$ 6,010
Due after one year	368	721	3,382
	<u>¥ 1,022</u>	<u>¥ 1,376</u>	<u>\$ 9,392</u>

(Lessor contracts)

A consolidated subsidiary engaged in leasing operations as lessor entered into long-term, noncancellable lease contracts with third parties which were categorized as finance leases. At March 31, 2020 and 2019, investments in the leased assets as lessor consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Future minimum lease payments to be received	¥ 35,468	¥ 33,547	\$ 325,905
Estimated residual value	4,773	4,092	43,863
Imputed interest	(3,194)	(3,034)	(29,356)
Investments in leased assets	<u>¥ 37,047</u>	<u>¥ 34,605</u>	<u>\$ 340,412</u>

The aggregate annual maturities of future minimum lease payments to be received related to lease receivables and investments in leased assets at March 31, 2020 were as follows.

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31,	Lease receivables	Investments in leased assets	Lease receivables	Investments in leased assets
2021	¥ 135	¥ 10,714	\$ 1,242	\$ 98,452
2022	137	8,844	1,266	81,269
2023	125	6,905	1,151	63,457
2024	115	4,800	1,065	44,108
2025	89	2,569	823	23,607
2026 and thereafter	59	1,633	543	15,012
	<u>¥ 662</u>	<u>¥ 35,468</u>	<u>\$ 6,090</u>	<u>\$ 325,905</u>

At March 31, 2020 and 2019, future lease payments to be received for noncancellable operating leases were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating leases as lessor:			
Due within one year	¥ 153	¥ 153	\$ 1,408
Due after one year	259	212	2,381
	<u>¥ 412</u>	<u>¥ 366</u>	<u>\$ 3,789</u>

## 16. Derivative Instruments

At March 31, 2020 and 2019, derivative instruments, other than those to which hedge accounting was applied, were stated at fair value with valuation gains and losses recognized as current earnings in the accompanying consolidated statements of income as follows.

Millions of yen					
		Notional principal or contract amounts			
		Total	Over one year	Fair value *	Valuation gain (loss)
March 31, 2020:					
Currency swaps	¥	39,485	¥ —	¥ 90	¥ 90
Forward foreign exchange contracts		6,402	—	8	8
March 31, 2019:					
Currency swaps	¥	53,482	¥ —	¥ (225)	¥ (225)
Forward foreign exchange contracts		4,422	—	29	29
Thousands of U.S. dollars					
March 31, 2020:					
Currency swaps	\$	362,814	\$ —	\$ 828	\$ 828
Forward foreign exchange contracts		58,833	—	76	76

Note: \*Fair values were calculated based on the discounted cash flow method, etc.

Other derivative instruments at March 31, 2020 and 2019 were as follows.

Millions of yen					
		Notional principal or contract amounts			
		Total	Over one year	Fair value *	Valuation gain (loss)
March 31, 2020:					
Earthquake derivatives:					
Selling	¥	2,480	¥ —	¥ (60)	¥ —
Buying		2,480	—	60	—
March 31, 2019:					
Earthquake derivatives:					
Selling	¥	1,200	¥ —	¥ (30)	¥ —
Buying		1,200	—	30	—
Thousands of U.S. dollars					
March 31, 2020:					
Earthquake derivatives:					
Selling	\$	22,788	\$ —	\$ (557)	\$ —
Buying		22,788	—	557	—

Note: \*Fair values were stated at acquisition costs because it was extremely difficult to determine the fair values.

There were no derivative instruments to which hedge accounting was applied at either March 31, 2020 or 2019.

## 17. Income Taxes

Income taxes for the years ended March 31, 2020 and 2019 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Income taxes:			
Current	¥ 1,562	¥ 2,114	\$ 14,360
Deferred	(52)	407	(480)
	<u>¥ 1,510</u>	<u>¥ 2,522</u>	<u>\$ 13,880</u>

At March 31, 2020 and 2019, income taxes payable, including enterprise taxes, amounting to ¥476 million (\$4,379 thousand) and ¥781 million, respectively, were included in “other liabilities” in the accompanying consolidated balance sheets.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Reserve for possible loan losses	¥ 3,561	¥ 3,504	\$ 32,722
Employee retirement benefit (asset) liability	1,171	1,032	10,763
Loss on devaluation of stocks and other securities	2,073	2,436	19,055
Reserve for contingent losses	408	614	3,752
Depreciation	1,253	969	11,514
Others	2,437	2,388	22,400
Less valuation allowance	<u>(3,596)</u>	<u>(3,870)</u>	<u>(33,050)</u>
Subtotal	7,308	7,076	67,156
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(16,883)	(20,798)	(155,137)
Gain on transfer of securities to trusts for retirement benefit plan	(2,224)	(2,224)	(20,439)
Others	<u>(72)</u>	<u>(72)</u>	<u>(666)</u>
Subtotal	<u>(19,180)</u>	<u>(23,095)</u>	<u>(176,242)</u>
Net deferred tax assets (liabilities)	<u>¥ (11,871)</u>	<u>¥ (16,018)</u>	<u>\$ (109,086)</u>

At March 31, 2020 and 2019, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets	¥ 612	¥ 638	\$ 5,624
Deferred tax liabilities	(12,483)	(16,656)	(114,710)

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At both March 31, 2020 and 2019, a valuation allowance was provided to reduce deferred tax assets to amounts that management believed would be realizable.

The Group is subject to Japanese national and local income taxes, which in the aggregate resulted in a statutory tax rate of approximately 30.6% and 30.5% for the years ended March 31, 2020 and 2019, respectively. Reconciliations between the Japanese statutory tax rate and the effective tax rate on pretax profit reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019 were as follows.

	Percentage of pretax profit	
	2020	2019
Japanese statutory tax rate	30.6 %	30.5 %
Increase (decrease) due to:		
Permanently nondeductible expenses	0.9	0.7
Tax exempt income	(3.6)	(2.5)
Local minimum taxes - per capita basis	1.0	0.7
Changes in valuation allowance	(4.4)	(0.8)
Others	0.0	0.2
Effective tax rate	24.5 %	28.8 %

## 18. General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salaries and allowances (including bonuses)	¥ 14,529	¥ 14,762	\$ 133,503
Retirement benefit expenses	958	673	8,803

## 19. Comprehensive Income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component 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
Net change in unrealized losses on available-for-sale securities:			
Decrease during the year	¥ (11,256)	¥ (4,740)	\$ (103,433)
Reclassification adjustments	(2,323)	(3,278)	(21,346)
Pretax amount	(13,579)	(8,019)	(124,779)
Tax effect amount	3,914	2,324	35,970
Net change in unrealized losses on available-for-sale securities, net of tax	(9,665)	(5,694)	(88,809)
Net change in deferred gains on hedging instruments:			
Decrease during the year	(16)	(65)	(154)
Reclassification adjustments	16	65	154
Pretax amount	—	—	—
Tax effect amount	—	—	—
Net change in deferred gains on hedging instruments, net of tax	—	—	—
Retirement benefit adjustments:			
Decrease during the year	(1,098)	(262)	(10,092)
Reclassification adjustments	473	169	4,355
Pretax amount	(624)	(92)	(5,737)
Tax effect amount	191	28	1,756
Retirement benefit adjustments, net of tax	(433)	(64)	(3,981)
Total other comprehensive income	¥ (10,098)	¥ (5,758)	\$ (92,790)



## 20. Related Party Transactions

During the years ended March 31, 2020 and 2019, the Bank had significant transactions with the Bank's directors and audit and supervisory board members and their immediate family members and/or the companies in which they held directly or indirectly a majority voting interest.

A summary of the significant related party transactions as of and for the years ended March 31, 2020 and 2019 is as follows.

	Millions of yen		Thousands of U.S. dollars	
	2020	2019	2020	
For the year:				
Number of related parties	7	7		
Amount of loan transactions (average balance)	¥ 153	¥ 162	\$ 1,414	
At year-end:				
Loans and bills discounted	¥ 153	¥ 162	\$ 1,410	

## 21. Subsequent Events

### Appropriation of retained earnings

Shareholders of the Bank approved the following appropriation of retained earnings at the annual general meeting held on June 26, 2020.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥35.0 per share (\$0.32 per share)	¥ 633	\$ 5,824

## 22. Segment Information

### (a) General information about reportable segments

The Group defines a reportable segment as a component of the Group for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about the allocation of resources and to assess performance.

The Group engages in financial services, primarily in banking but also in comprehensive finance leasing services and credit card services. The reportable segments of the Group are determined based on the types of financial services as follows.

“Banking” — head office and branches

- Deposits and loans
- Domestic and foreign exchange transactions
- Securities investments
- Trading of trading account securities
- Underwriting and registration of corporate bonds

“Leasing” — Nagoya Lease Co., Ltd., a domestic subsidiary of the Bank

- Comprehensive finance leasing business

“Credit Card” — Nagoya Card Co., Ltd. and Nagoya MC Card Co., Ltd., domestic subsidiaries of the Bank

- Credit card business

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

The basis of measurement for reportable segment information follows the accounting principles used in the consolidated financial statements as described in Note 2, “Summary of Significant Accounting Policies.” Segment profit is based on “ordinary income,” which is defined as total income less certain special gains and special losses included in the accompanying consolidated statements of income. Intersegment income is accounted for based on prices of ordinary transactions with independent third parties.

**(c) Information about reportable segment profit, segment assets, segment liabilities and other material items by reportable segment**

Segment information as of and for the years ended March 31, 2020 and 2019 was as follows.

Millions of yen						
2020						
	Reportable segments				Other (*2)	Total
	Banking	Leasing	Credit Card	Total		
Ordinary income (*1):						
External customers	¥ 46,404	¥ 18,325	¥ 2,313	¥ 67,043	¥ 0	¥ 67,043
Intersegment	1,110	343	230	1,684	98	1,783
Total ordinary income	47,514	18,668	2,544	68,728	98	68,826
Segment profit	6,070	475	729	7,274	18	7,292
Segment assets	3,893,672	56,126	17,333	3,967,131	387	3,967,519
Segment liabilities	3,675,922	50,094	10,642	3,736,659	13	3,736,673
Other material items:						
Depreciation and amortization (*3)	1,640	401	9	2,051	—	2,051
Interest income	30,438	150	67	30,656	—	30,656
Interest expense	2,535	138	2	2,676	—	2,676
Provision for possible loan losses	939	77	148	1,164	—	1,164
Increase in tangible and intangible fixed assets	2,402	244	14	2,661	—	2,661
Millions of yen						
2019						
	Reportable segments				Other (*2)	Total
	Banking	Leasing	Credit Card	Total		
Ordinary income (*1):						
External customers	¥ 47,549	¥ 16,872	¥ 2,203	¥ 66,625	¥ 0	¥ 66,625
Intersegment	1,241	490	202	1,934	106	2,040
Total ordinary income	48,790	17,362	2,406	68,559	106	68,665
Segment profit	8,648	697	704	10,051	11	10,063
Segment assets	3,852,620	51,567	17,985	3,922,173	385	3,922,559
Segment liabilities	3,626,427	45,334	11,298	3,683,061	15	3,683,077
Other material items:						
Depreciation and amortization (*3)	1,786	368	6	2,161	—	2,161
Interest income	31,858	289	73	32,221	—	32,221
Interest expense	3,548	132	2	3,683	—	3,683
Provision for possible loan losses	231	—	122	354	—	354
Increase in tangible and intangible fixed assets	1,164	283	12	1,459	—	1,459

Thousands of U.S. dollars						
2020						
	Reportable segments				Other (*2)	Total
	Banking	Leasing	Credit Card	Total		
Ordinary income (*1):						
External customers	\$ 426,390	\$ 168,388	\$ 21,259	\$ 616,037	\$ 1	\$ 616,038
Intersegment	10,206	3,154	2,121	15,481	905	16,386
Total ordinary income	436,596	171,542	23,380	631,518	906	632,424
Segment profit	55,778	4,368	6,699	66,845	167	67,012
Segment assets	35,777,562	515,727	159,267	36,452,556	3,561	36,456,117
Segment liabilities	33,776,739	460,299	97,790	34,334,828	127	34,334,955
Other material items:						
Depreciation and amortization (*3)	15,069	3,694	88	18,851	—	18,851
Interest income	279,686	1,384	620	281,690	—	281,690
Interest expense	23,301	1,270	20	24,591	—	24,591
Provision for possible loan losses	8,629	711	1,364	10,704	—	10,704
Increase in tangible and intangible fixed assets	22,073	2,243	137	24,453	—	24,453

Notes: \*1. "Ordinary income" represents total income less certain special gains included in the accompanying consolidated statements of income.

\*2. The "other" business segment includes principally the clerical outsourcing business.

\*3. Depreciation and amortization include amounts related to information technology investments.

**(d) Reconciliation of the totals of each segment item to the corresponding Group amounts**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Ordinary income:			
Total reportable segments	¥ 68,728	¥ 68,559	\$ 631,518
Other	98	106	906
Intersegment elimination	(1,783)	(2,040)	(16,386)
Reversal of provision for possible loan losses	—	(25)	—
	67,043	66,600	616,038
Other gains	4	42	38
Total income on consolidated statements of income	¥ 67,047	¥ 66,643	\$ 616,076

*Note: “Other gains” includes gain on disposal of fixed assets.*

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Segment profit:			
Total reportable segments	¥ 7,274	¥ 10,051	\$ 66,845
Other	18	11	167
Intersegment elimination	(989)	(1,327)	(9,095)
	6,303	8,735	57,917
Other gains (losses), net	(124)	2	(1,142)
Profit before income taxes on consolidated statements of income	¥ 6,178	¥ 8,738	\$ 56,775

*Note: “Other gains (losses), net” includes gain and loss on disposal of fixed assets and impairment loss on fixed assets.*

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Segment assets:			
Total reportable segments	¥ 3,967,131	¥ 3,922,173	\$ 36,452,556
Other	387	385	3,561
Intersegment elimination	(32,116)	(25,693)	(295,109)
Adjustment of retirement benefit assets	(440)	342	(4,044)
Total assets on consolidated balance sheets	¥ 3,934,962	¥ 3,897,208	\$ 36,156,964

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Segment liabilities:			
Total reportable segments	¥ 3,736,659	¥ 3,683,061	\$ 34,334,828
Other	13	15	127
Intersegment elimination	(28,228)	(21,803)	(259,380)
Adjustment of retirement benefit liability	(149)	200	(1,370)
Total liabilities on consolidated balance sheets	¥ 3,708,295	¥ 3,661,474	\$ 34,074,205

	Millions of yen			
	2020			
	Total reportable segments	Other	Reconciliation	Consolidated
Other material items:				
Depreciation and amortization	¥ 2,051	¥ –	¥ –	¥ 2,051
Interest income	30,656	–	(1,037)	29,618
Interest expense	2,676	–	(69)	2,606
Provision for possible loan losses	1,164	–	–	1,164
Increase in tangible and intangible fixed assets	2,661	–	–	2,661

	Millions of yen			
	2019			
	Total reportable segments	Other	Reconciliation	Consolidated
Other material items:				
Depreciation and amortization	¥ 2,161	¥ –	¥ –	¥ 2,161
Interest income	32,221	–	(1,359)	30,861
Interest expense	3,683	–	(55)	3,628
Provision for possible loan losses	354	–	(25)	328
Increase in tangible and intangible fixed assets	1,459	–	–	1,459

Thousands of U.S. dollars				
2020				
	Total reportable segments	Other	Reconciliation	Consolidated
Other material items:				
Depreciation and amortization	\$ 18,851	\$ —	\$ —	\$ 18,851
Interest income	281,690	—	(9,532)	272,158
Interest expense	24,591	—	(642)	23,949
Provision for possible loan losses	10,704	—	—	10,704
Increase in tangible and intangible fixed assets	24,453	—	—	24,453

**(e) Related information for enterprise-wide disclosure**

**(1) Information by service**

Millions of yen					
Service					
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2020	¥ 23,078	¥ 11,951	¥ 18,325	¥ 13,687	¥ 67,043
For the year ended March 31, 2019	22,522	14,166	16,872	13,064	66,625
Thousands of U.S. dollars					
Ordinary income from external customers:					
For the year ended March 31, 2020	\$ 212,063	\$ 109,815	\$ 168,388	\$ 125,772	\$ 616,038

- (2) Information by geographical area for the years ended March 31, 2020 and 2019 was omitted since income from operations in Japan accounted for more than 90% of total consolidated income, and tangible fixed assets in Japan were more than 90% of tangible fixed assets on the consolidated balance sheets.
- (3) Information by major customer for the years ended March 31, 2020 and 2019 was omitted since there were no external customers accounting for 10% or more of consolidated income.

**(f) Information about impairment loss on fixed assets by reportable segment**

Millions of yen											
Reportable segments											
Credit											
Banking		Leasing		Card		Total		Other		Total	
Impairment loss on fixed assets:											
For the year ended											
March 31, 2020											
¥	71	¥	—	¥	—	¥	71	¥	—	¥	71
For the year ended											
March 31, 2019											
	33		—		—		33		—		33
Thousands of U.S. dollars											
Impairment loss on fixed assets:											
For the year ended											
March 31, 2020											
\$	658	\$	—	\$	—	\$	658	\$	—	\$	658

**(g) Information with regard to goodwill by reportable segment**

None