

Financial Section

Consolidated Five-Year Summary

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31

	Millions of Yen				
	2020	2019	2018	2017	2016
For the fiscal year					
Net interest income	¥ 67,886	¥ 65,217	¥ 69,644	¥ 67,678	¥ 70,908
Net fees and commissions	11,458	11,345	10,963	10,973	11,519
Net other operating (loss) income	(2,186)	(3,104)	(7,869)	(5,213)	(2,988)
Net income attributable to owners of the parent	18,261	17,670	18,314	16,114	15,857
At the fiscal year-end					
Total assets	¥8,770,037	¥8,627,510	¥8,718,097	¥8,649,396	¥8,598,583
Deposits	7,865,991	7,872,834	7,946,100	7,805,860	7,963,738
Loans and bills discounted	4,886,221	4,718,942	4,621,062	4,443,883	4,350,795
Trading account securities and investment securities	2,922,506	2,978,130	3,146,865	3,262,638	3,519,568
Equity	447,436	489,077	490,737	468,195	452,310
Common stock	24,658	24,658	24,658	24,658	24,658

	Yen				
	2020	2019	2018	2017	2016
Per share of common stock					
Basic net income	¥ 246.97	¥ 237.90	¥ 246.87	¥ 215.73	¥ 42.37
Diluted net income			246.45	214.74	42.18
Equity	6,057.30	6,582.31	6,613.28	6,306.73	1,165.83
Cash dividends	50.00	47.50	45.00	45.00	9.00
Capital adequacy ratio (%)					
Domestic standard	10.31	10.38	10.43	10.73	11.21

Notes: 1. The national consumption tax and the local consumption tax are excluded from transaction amounts.

2. The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.

3. On October 1, 2017, the Bank conducted consolidation of shares at a ratio of five shares to one share. Per share information is computed as if the share consolidation was conducted on April 1, 2016.

Consolidated Balance Sheet

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and due from banks (Notes 3 and 26)	¥ 747,105	¥ 711,025	\$ 6,864,881
Call loans and bills bought	429	511	3,941
Debt purchased	4,000	4,071	36,754
Trading account securities (Note 4)	18,873	19,848	173,417
Money held in trust (Notes 5 and 26)	82,344	115,613	756,629
Investment securities (Notes 4, 10, 11, 26 and 27)	2,903,632	2,958,281	26,680,437
Loans and bills discounted (Notes 6, 12, 26, 27 and 28)	4,886,221	4,718,942	44,897,739
Foreign exchange assets (Note 7)	9,528	4,734	87,549
Lease receivables and investments in leases (Notes 25 and 28)	19,261	17,622	176,982
Tangible fixed assets (Notes 8, 9 and 16):			
Buildings	8,208	8,319	75,420
Land	19,315	19,321	177,478
Lease assets	56	70	514
Construction in progress	282	138	2,591
Other tangible fixed assets	4,388	4,592	40,319
Intangible fixed assets:			
Software	120	50	1,102
Other intangible fixed assets	264	267	2,425
Deferred tax assets (Note 23)	4,173	1,136	38,344
Customers' liabilities for acceptances and guarantees (Notes 10 and 28)	45,258	24,622	415,859
Other assets (Notes 11, 27 and 28)	79,792	79,208	733,180
Reserve for possible loan losses	(63,220)	(60,868)	(580,906)
TOTAL	¥8,770,037	¥8,627,510	\$80,584,737
LIABILITIES:			
Deposits (Notes 11, 13 and 26)	¥7,865,991	¥7,872,834	\$72,277,781
Call money and bills sold	8,706	16,104	79,996
Payables under securities lending transactions (Note 11)	11,986	17,414	110,135
Borrowed money (Notes 11, 14 and 26)	285,901	116,643	2,627,042
Foreign exchange liabilities (Note 7)	116	339	1,065
Liability for employees' retirement benefits (Note 15)	25,539	23,902	234,668
Reserve for stock-based benefits (Note 17)	735	750	6,753
Reserve for reimbursement of deposits	337	464	3,096
Reserve for contingent losses	860	781	7,902
Deferred tax liabilities (Note 23)		20,462	
Acceptances and guarantees (Notes 10 and 28)	45,258	24,622	415,859
Other liabilities (Notes 16 and 27)	77,167	44,111	709,060
Total liabilities	8,322,600	8,138,432	76,473,398
EQUITY (Notes 17,18 and 31):			
Common stock—authorized, 268,800,000 shares; issued, 76,655,746 shares in 2020 and 2019	24,658	24,658	226,573
Capital surplus	20,517	20,517	188,523
Retained earnings	361,462	346,926	3,321,345
Less: treasury stock—at cost, 2,788,464 shares and 2,353,956 shares in 2020 and 2019, respectively	(7,040)	(6,391)	(64,688)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 4)	56,207	111,108	516,466
Deferred losses on derivatives under hedge accounting (Note 27)	(826)	(1,451)	(7,589)
Defined retirement benefit plans (Note 15)	(7,541)	(6,290)	(69,291)
Total equity	447,436	489,077	4,111,329
TOTAL	¥8,770,037	¥8,627,510	\$80,584,737

See notes to consolidated financial statements.

Consolidated Statement of Income

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 41,956	¥ 42,131	\$ 385,518
Interest and dividends on trading account and investment securities	28,031	26,381	257,566
Other	242	266	2,223
Fees and commissions (Note 28)	17,801	17,705	163,567
Other operating income (Note 19)	12,025	10,832	110,493
Gains on sales of stocks and other securities	4,967	5,989	45,639
Gains on sales of money held in trust	10,392	3,908	95,488
Other income (Note 20)	1,510	2,268	13,874
Total income	116,926	109,483	1,074,391
EXPENSES:			
Interest expense:			
Interest on deposits	762	1,490	7,001
Interest on borrowings and rediscounts	399	610	3,666
Other	1,182	1,460	10,860
Fees and commissions	6,343	6,360	58,283
Other operating expenses (Note 21)	14,211	13,937	130,579
General and administrative expenses	58,141	58,735	534,236
Provision for reserve for possible loan losses	6,644	1,521	61,049
Other expenses (Notes 9 and 22)	3,066	2,777	28,172
Total expenses	90,751	86,893	833,878
INCOME BEFORE INCOME TAXES	26,175	22,590	240,512
INCOME TAXES (Note 23):			
Current	8,047	5,809	73,941
Deferred	(133)	(889)	(1,222)
Total income taxes	7,913	4,919	72,709
NET INCOME	18,261	17,670	167,793
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 18,261	¥ 17,670	\$ 167,793

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 30):		
Basic net income	¥246.97	¥237.90
Cash dividends applicable to the year	50.00	47.50
		0.45

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	¥ 18,261	¥ 17,670	\$ 167,793
OTHER COMPREHENSIVE LOSS (Note 24):			
Unrealized losses on available-for-sale securities	(54,901)	(16,174)	(504,465)
Deferred gains on derivatives under hedge accounting	624	22	5,733
Defined retirement benefit plans	(1,251)	(80)	(11,494)
Total other comprehensive loss	(55,528)	(16,233)	(510,226)
COMPREHENSIVE (LOSS) INCOME	¥ (37,267)	¥ 1,437	\$ (342,433)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO—			
Owners of the parent	¥ (37,267)	¥ 1,437	\$ (342,433)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2020

	Thousands	Millions of Yen							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			
						Unrealized Gains on Available-for- Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2018	74,205	¥24,658	¥20,517	¥332,619	¥(6,658)	¥127,283	¥(1,473)	¥(6,209)	¥490,737
Net income attributable to owners of the parent				17,670					17,670
Cash dividends, ¥45.00 per share				(3,364)					(3,364)
Purchase of treasury stock	(1)				(4)				(4)
Sales of treasury stock	98				271				271
Net change in the year						(16,174)	22	(80)	(16,233)
BALANCE, MARCH 31, 2019	74,302	24,658	20,517	346,926	(6,391)	111,108	(1,451)	(6,290)	489,077
Net income attributable to owners of the parent				18,261					18,261
Cash dividends, ¥50.00 per share				(3,725)					(3,725)
Purchase of treasury stock	(490)				(802)				(802)
Sales of treasury stock	56				153				153
Net change in the year						(54,901)	624	(1,251)	(55,528)
BALANCE, MARCH 31, 2020	73,867	¥24,658	¥20,517	¥361,462	¥(7,040)	¥ 56,207	¥ (826)	¥(7,541)	¥447,436

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total Equity
					Unrealized Gains on Available-for- Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans		
BALANCE, MARCH 31, 2019	\$226,573	\$188,523	\$3,187,779	\$(58,724)	\$1,020,931	\$(13,332)	\$(57,796)		\$4,493,953
Net income attributable to owners of the parent			167,793						167,793
Cash dividends, \$0.45 per share			(34,227)						(34,227)
Purchase of treasury stock				(7,369)					(7,369)
Sales of treasury stock				1,405					1,405
Net change in the year					(504,465)	5,733	(11,494)		(510,226)
BALANCE, MARCH 31, 2020	\$226,573	\$188,523	\$3,321,345	\$(64,688)	\$ 516,466	\$ (7,589)	\$(69,291)		\$4,111,329

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 26,175	¥ 22,590	\$ 240,512
Adjustments for:			
Income taxes—paid	(7,075)	(3,823)	(65,009)
Depreciation and amortization	3,227	4,378	29,651
Losses on impairment of fixed assets	126	761	1,157
Net change in reserve for possible loan losses	2,351	(1,668)	21,602
Net change in reserve for reimbursement of deposits	(127)	9	(1,166)
Net change in reserve for contingent losses	79	85	725
Net change in reserve for stock-based benefits	(15)	(125)	(137)
Net change in liability for employees' retirement benefits	(161)	(9,963)	(1,479)
Interest income	(70,229)	(68,779)	(645,309)
Interest expense	2,343	3,561	21,528
Gains on investment securities—net	(2,191)	(3,012)	(20,132)
Gains on money held in trust—net	(8,967)	(3,110)	(82,394)
Foreign exchange losses (gains) —net	3,022	(7,187)	27,768
Losses (gains) on sales and disposals of fixed assets—net	49	(91)	450
Net change in loans and bills discounted	(167,278)	(97,879)	(1,537,057)
Net change in deposits	(6,843)	(73,265)	(62,877)
Net change in borrowed money (except for subordinated loans)	169,257	4,939	1,555,242
Net change in due from banks (except for the Bank of Japan)	(3,656)	(2,414)	(33,593)
Net change in call loans and bills bought	152	843	1,396
Net change in call money and bills sold	(7,398)	1,762	(67,977)
Net change in payables under securities lending transactions	(5,428)	4,528	(49,875)
Net change in trading account securities	974	5,127	8,949
Net change in foreign exchange assets	(4,793)	1,221	(44,041)
Net change in foreign exchange liabilities	(222)	226	(2,039)
Net change in lease receivables and investments in leases	(1,638)	(1,497)	(15,050)
Interest received	75,035	73,299	689,469
Interest paid	(2,425)	(3,669)	(22,282)
Other—net	22,326	(41,209)	205,145
Total adjustments	(9,507)	(216,954)	(87,356)
Net cash provided by (used in) operating activities—(Forward)	¥ 16,667	¥(194,364)	\$ 153,147
INVESTING ACTIVITIES:			
Purchases of investment securities	(645,953)	(344,105)	(5,935,431)
Proceeds from sales of investment securities	37,056	32,581	340,494
Proceeds from maturity of investment securities	601,904	461,174	5,530,680
Proceeds from dispositions of money held in trust	30,508	53,510	280,327
Purchases of tangible fixed assets	(3,144)	(2,520)	(28,889)
Proceeds from sales of tangible fixed assets	32	169	294
Purchases of intangible fixed assets	(96)	(8)	(882)
Payment for execution of asset retirement obligations	(19)	(28)	(174)
Net cash provided by investing activities	20,289	200,773	186,428
FINANCING ACTIVITIES:			
Purchases of treasury stock	(802)	(4)	(7,369)
Dividends paid	(3,718)	(3,362)	(34,163)
Net cash used in financing activities	(4,521)	(3,366)	(41,541)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(12)	5	(110)
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,423	3,047	297,923
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	704,983	701,935	6,477,836
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 737,406	¥ 704,983	\$ 6,775,760

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2020

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the “Banking Law”), and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2019 consolidated financial statements to conform to the classifications used in 2020.

In accordance with the Japanese Financial Instruments and Exchange Act and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the “Bank”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to U.S.\$1, the approximate rate of exchange as of March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its significant subsidiaries (collectively, the “Companies”). There were five consolidated subsidiaries as of March 31, 2020 and 2019.

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated in consolidation.

(1) Scope of consolidation

Consolidated Subsidiaries

There was no change in the scope of consolidation during the fiscal year ended March 31, 2020.

Unconsolidated Subsidiaries

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
Unconsolidated subsidiaries are excluded from the scope of consolidation because they are not material to the consolidated financial statements in terms of total assets, income, net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

(2) Equity method

Unconsolidated Subsidiaries Not Accounted for by the Equity Method

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
These companies are excluded from the scope of equity method accounting because they are not material to the consolidated financial statements in terms of net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

b. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies’ intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

In addition, investments in unconsolidated subsidiaries not accounted for by the equity method are reported at cost determined by the moving-average method.

Available-for-sale securities for which fair value is extremely difficult to determine are reported at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for using the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/ expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

e. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed using the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated using the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts (see Note 2.o).

f. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated using the straight-line method. Capitalized costs of computer software developed/obtained for internal use are amortized using the straight-line method over the estimated useful lives of five years.

g. Long-Lived Assets—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows (“DCF”) from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen at the current exchange rates in effect at each consolidated balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

i. Reserve for Possible Loan Losses—The Bank determines the amount of the reserve for possible loan losses by means of management’s judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

As part of the Bank’s self-assessment system, the quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank’s asset review and inspection division in accordance with the Bank’s policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its debtors are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into one of the following five categories for self-assessment purposes: “normal,” “caution,” “possible bankruptcy,” “virtual bankruptcy,” and “legal bankruptcy.”

For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Bank fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors who are likely to become bankrupt and debtors with restructured loans, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the “DCF method”).

The reserve for other possible loan losses is recorded principally at the amount of estimated losses over the next two or three years. Estimated losses are determined by calculating a loss rate based on the average of actual loss ratio over the past certain period, which is calculated with credit loss experience over two or three years. Adjustments are to be made as necessary in light of future outlook and other factors.

All the loans are assessed by sales related department in accordance with the self-assessment standard and the results are audited by asset audit department independent from the sales related department.

The Bank’s subsidiaries determine the reserve for possible loan losses by a similar self-assessment system as that of the Bank.

(Additional Information)

The Bank records the reserve for possible loan losses for the risk of future economic recession but specifically increased the reserve for certain loans considering the worsening business conditions due to the impact of the novel coronavirus infectious disease. This accounting estimate is based on the assumption that the domestic economy is prospected to continue to be weak for the time being because of the impact of the novel coronavirus infectious disease, and therefore, is judged to be reasonable.

The economy is in the situation that further economic downside risk is concerned due to the impact of the disruption of supply chains on production activities and continued sluggish personal consumption with consumers refraining from going out, and accordingly, the reserve for possible loan losses may possibly fluctuate in future.

In addition, the Bank is making the accounting estimates based on the information available at the time of preparing consolidated financial statements, including worsening business conditions caused from the impact of the novel coronavirus infectious disease.

j. Reserve for Stock-Based Benefits—Reserve for stock-based benefits is provided for the grants of the Bank’s shares to directors, etc. in accordance with the stock grant program based on the estimated stock-based benefits liabilities as of the fiscal year end.

k. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for reimbursement claims on dormant deposit accounts based on the historical reimbursement experience.

l. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.

m. Employees’ Retirement and Pension Plans—In calculation of projected benefit obligations, expected benefits are attributed to periods on a benefit formula basis. Treatment of prior service cost and actuarial gains and losses is as follows:

Prior service cost is charged to expenses when incurred.

Unrecognized actuarial gains and losses are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees’ average remaining service period when incurred.

Consolidated subsidiaries apply a shortcut method whereby the amount of the retirement benefits required to be paid if all the employees voluntarily retired at the end of the fiscal year is regarded as projected benefit obligations in determining the liability for employees’ retirement benefits and net periodic retirement benefit costs.

n. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Leases

As a lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

As a lessor

All finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

p. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Derivatives and Hedging Activities—It is the Bank’s policy to use derivative financial instruments (“derivatives”) primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities and to meet the needs of its clients. The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

r. Per Share Information—Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits or share consolidation.

Cash dividends per share presented in the consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements—On March 31, 2020, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 31, “Accounting Standard for Disclosure of Accounting Estimates.”

The standard aims to disclose useful information for the readers of the financial statements about the contents of accounting estimates of the items which may be exposed to a risk that may have a significant impact to the financial statements for the following fiscal year, in cases where the amount recorded in the financial statements for the current fiscal year is based on accounting estimate.

The Companies will apply this accounting standard from the end of the fiscal year beginning on April 1, 2020.

3. CASH AND CASH EQUIVALENTS

The reconciliation of cash and cash equivalents at the end of the year and cash and due from banks in the consolidated balance sheet as of March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and due from banks	¥747,105	¥711,025	\$6,864,881
Due from banks, excluding due from the Bank of Japan	(9,698)	(6,042)	(89,111)
Cash and cash equivalents at the end of year	¥737,406	¥704,983	\$6,775,760

4. TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

Trading account securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
National government bonds	¥ 649	¥ 590	\$ 5,963
Local government bonds	12,222	8,257	112,303
Other securities	6,000	11,000	55,131
Total	¥18,873	¥19,848	\$173,417

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
National government bonds	¥ 453,343	¥ 712,606	\$ 4,165,606
Local government bonds	744,437	516,074	6,840,365
Corporate bonds	959,084	944,892	8,812,680
Equity securities	105,845	127,056	972,571
Other securities	640,922	657,651	5,889,203
Total	¥2,903,632	¥2,958,281	\$26,680,437

Securities loaned under securities lending agreements are included in the above national government bonds in the amount of nil and ¥61,439 million as of March 31, 2020 and 2019, respectively.

Investment in an unconsolidated subsidiary in the amount of ¥25 million (\$229 thousand) and ¥25 million and investment in interest in partnership in the amount of ¥2,771 million (\$25,461 thousand) and ¥1,871 million are included in the above equity securities and other securities as of March 31, 2020 and 2019, respectively.

The carrying amounts and aggregate fair values of securities as of March 31, 2020 and 2019, were as follows:

Securities below include trading account securities and investment securities:

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 18,873
Available-for-sale:				
Equity securities* ¥	52,054	¥54,647	¥ 2,724	103,977
Debt securities	2,146,298	13,036	3,471	2,155,864
Other securities*	617,863	42,635	25,176	635,321
Held to maturity	1,000			1,000

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 19,848
Available-for-sale:				
Equity securities* ¥	51,936	¥73,735	¥ 611	125,061
Debt securities	2,146,590	22,937	54	2,169,473
Other securities*	603,455	57,393	8,184	652,664
Held to maturity	4,099	3		4,103

	Thousands of U.S. Dollars			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value

Securities classified as:				
Trading				\$ 173,417
Available-for-sale:				
Equity securities* \$	478,305	\$502,131	\$ 25,029	955,407
Debt securities	19,721,565	119,783	31,893	19,809,464
Other securities*	5,677,322	391,757	231,333	5,837,737
Held to maturity	9,188			9,188

* Unlisted equity securities for which the fair value is extremely difficult to determine are not included.

Securities, other than trading account securities, with readily determinable fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

Impairment losses were recognized for available-for-sale securities in the amount of ¥201 million (\$1,846 thousand), consisting of ¥201 million (\$1,846 thousand) of equity securities, and ¥44 million, consisting of ¥44 million of equity securities for the years ended March 31, 2020 and 2019, respectively.

The criteria for determining whether the fair value has “significantly declined” are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

- Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).
- Caution issuers: Fair value declined by 30% or more of the acquisition cost.
- Legally bankrupt, virtually bankrupt, and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2020 and 2019, were ¥37,056 million (\$340,494 thousand) and ¥32,581 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥5,077 million (\$46,650 thousand) and ¥136 million (\$1,249 thousand), respectively, for the year ended March 31, 2020, and ¥6,051 million and ¥932 million, respectively, for the year ended March 31, 2019.

Unrealized gains on available-for-sale securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Valuation differences:			
Available-for-sale securities	¥ 78,690	¥144,958	\$ 723,054
Available-for-sale money held in trust	919	12,644	8,444
Deferred tax liabilities	(23,401)	(46,494)	(215,023)
Unrealized gains on available-for-sale securities	¥ 56,207	¥111,108	\$ 516,466

5. MONEY HELD IN TRUST

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2020 and 2019, were as follows:

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥59,843
Available-for-sale	¥21,581	¥919		22,500
Total	¥21,581	¥919		¥82,344

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥ 81,387
Available-for-sale	¥21,581	¥12,644		34,225
Total	¥21,581	¥12,644		¥115,613

	Thousands of U.S. Dollars			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				\$549,875
Available-for-sale	\$198,300	\$8,444		206,744
Total	\$198,300	\$8,444		\$756,629

Available-for-sale securities held in trust, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value.

No impairment loss was recognized for money held in trust for the years ended March 31, 2020 and 2019.

6. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Bills discounted	¥ 8,417	¥ 11,530	\$ 77,340
Loans on bills	134,989	133,908	1,240,365
Loans on deeds	4,126,107	4,033,494	37,913,323
Overdrafts	616,705	540,008	5,666,681
Total	¥4,886,221	¥4,718,942	\$44,897,739

Bills discounted are accounted for as financial transactions in accordance with “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (the Japanese Institute of Certified Public Accountants (the “JICPA”) Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥8,417 million (\$77,340 thousand) and ¥11,530 million as of March 31, 2020 and 2019, respectively.

Loans and bills discounted as of March 31, 2020 and 2019, included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loans to borrowers in bankruptcy	¥ 9,976	¥ 4,974	\$ 91,665
Past due loans	65,808	64,970	604,686
Past due loans (three months or more)	867	1,842	7,966
Restructured loans	28,536	24,917	262,207
Total	¥105,188	¥96,704	\$966,534

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as “possible bankruptcy” and “virtual bankruptcy.”

Nonaccrual loans are defined as loans for which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as “possible bankruptcy” or “virtual bankruptcy” under the Bank’s self-assessment guidelines.

In addition to past due loans, certain other loans classified as “caution” under the Bank’s self-assessment guidelines include past due loans (three months or more) which consist of loans for which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower’s reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
<u>Assets</u>			
Foreign exchange bills receivable		¥ 71	
Due from foreign correspondent accounts	¥9,528	4,663	\$87,549
Total	¥9,528	¥4,734	\$87,549
<u>Liabilities</u>			
Foreign exchange bills sold	¥ 38	¥ 66	\$ 349
Foreign exchange bills payable	78	273	716
Total	¥116	¥339	\$1,065

8. TANGIBLE FIXED ASSETS

The accumulated depreciation of tangible fixed assets as of March 31, 2020 and 2019, amounted to ¥85,053 million (\$781,521 thousand) and ¥82,684 million, respectively.

As of March 31, 2020 and 2019, deferred gains for tax purposes of ¥7,695 million (\$70,706 thousand) and ¥7,695 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

9. LONG-LIVED ASSETS

The Bank recognized impairment losses of ¥126 million (\$1,157 thousand) and ¥761 million on certain operating branches, business premises, branches to be closed, and unused facilities for the years ended March 31, 2020 and 2019, respectively.

The impairment losses were composed of ¥67 million (\$615 thousand) on buildings and ¥59 million (\$542 thousand) on other fixed assets for the year ended March 31, 2020, and ¥165 million on buildings, ¥525 million on land and ¥70 million on other fixed assets for the year ended March 31, 2019.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not in operation are individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the DCFs from the continued use and eventual disposition of the asset or the net selling price at disposition. The DCFs were calculated using discount rates of 5.7% and 8.0% for the years ended March 31, 2020 and 2019, respectively, and the net selling price was determined by quotation from a third-party vendor.

10. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” “Customers’ liabilities for acceptances and guarantees” are shown as assets, representing the Bank’s right to receive indemnity from the applicants.

The amount of guarantee obligations for privately placed corporate bonds included in securities as of March 31, 2020 and 2019, was ¥25,859 million (\$237,609 thousand) and ¥14,993 million, respectively.

11. ASSETS PLEDGED

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

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Assets pledged as collateral:			
Investment securities	¥628,124	¥245,060	\$5,771,607
Other assets	144	144	1,323
Relevant liabilities to above assets:			
Deposits	50,630	53,818	465,220
Payables under securities lending transactions	11,986	17,414	110,135
Borrowed money	279,189	110,129	2,565,368

In addition to the above, the following assets were offered as collateral for exchange settlement transactions, or as substitutes for future transaction initial margin and others:

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Investment securities	¥ 100	¥ 100	\$ 918
Other assets	50,000	50,000	459,432
Of which:			
Cash collateral paid for financial instruments	4,033	3,700	37,057
Guarantee deposits for leased tangible fixed assets	93	92	854

12. LOAN COMMITMENTS

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers’ applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2020, the unused amount of such contracts totaled ¥1,617,531 million (\$14,862,914 thousand), of which amounts with original agreement terms of less than one year were ¥1,512,502 million (\$13,897,840 thousand). As of March 31, 2019, the unused amount of such contracts totaled ¥1,647,277 million, of which amounts with original agreement terms of less than one year were ¥1,564,783 million.

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Companies to refuse customers’ applications for a loan or decrease the contract limits based on proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of the contracts, the Companies obtain collateral real estate, securities, etc., if considered to be necessary. Subsequently, the Companies perform a periodic review of the customers’ business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

13. DEPOSITS

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

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Current deposits	¥ 203,474	¥ 212,207	\$ 1,869,649
Ordinary deposits	5,041,623	4,756,017	46,325,673
Deposits at notice	14,922	15,377	137,112
Time deposits	2,097,525	2,197,737	19,273,408
Negotiable certificates of deposit	289,000	440,220	2,655,517
Other deposits	219,445	251,274	2,016,401
Total	¥7,865,991	¥7,872,834	\$72,277,781

14. BORROWED MONEY

As of March 31, 2020 and 2019, the weighted-average annual interest rates applicable to borrowed money were 0.056% and 0.094%, respectively.

Borrowed money consisted of borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2020, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥128,991	\$1,185,252
2022	1,343	12,340
2023	1,021	9,381
2024	153,425	1,409,767
2025	325	2,986
2026 and thereafter	794	7,295
Total	¥285,901	\$2,627,042

15. LIABILITY FOR EMPLOYEES’ RETIREMENT BENEFITS

The Bank has severance payment plans as defined benefit plans consisting of corporate pension fund plans and lump-sum retirement payment plans for employees. In addition, the Bank has established corporate defined contribution pension plans as defined contribution plans. The Bank has also established a retirement benefit trust under the lump-sum retirement payment plan.

The consolidated subsidiaries have lump-sum retirement payment plans and calculate liability for retirement benefit and retirement benefit costs using a shortcut method.

(1) The changes in projected benefit obligations for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Balance at beginning of year	¥69,781	¥70,527	\$641,192
Service cost	1,677	1,782	15,409
Interest cost	443	447	4,070
Actuarial losses	455	523	4,180
Benefits paid	(3,289)	(3,680)	(30,221)
Prior service cost			
Others	180	181	1,653
Balance at end of year	¥69,248	¥69,781	\$636,295

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

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Balance at beginning of year	¥45,879	¥36,778	\$421,565
Expected return on plan assets	1,455	1,287	13,369
Actuarial losses	(2,539)	(1,128)	(23,329)
Contributions from the employer	761	763	6,992
Establishment of retirement benefit trust		10,000	
Benefits paid	(2,028)	(2,002)	(18,634)
Others	180	181	1,653
Balance at end of year	¥43,708	¥45,879	\$401,617

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligations and plan assets as of March 31, 2020 and 2019, was as follows:

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Funded projected benefit obligations	¥ 69,110	¥ 69,643	\$ 635,027
Plan assets	(43,708)	(45,879)	(401,617)
Total	25,401	23,764	233,400
Unfunded projected benefit obligations	137	137	1,258
Net liability arising from projected benefit obligations	¥ 25,539	¥ 23,902	\$ 234,668

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Liability for employees’ retirement benefits	¥25,539	¥23,902	\$234,668
Asset for employees’ retirement benefits			
Net liability arising from projected benefit obligations	¥25,539	¥23,902	\$234,668

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Service cost	¥ 1,677	¥ 1,784	\$ 15,409
Interest cost	443	447	4,070
Expected return on plan assets	(1,455)	(1,287)	(13,369)
Recognized actuarial losses	1,196	1,535	10,989
Net periodic retirement benefit costs	¥ 1,861	¥ 2,480	\$ 17,100

Note:Employees’ contribution to corporate pension funds is deducted.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Actuarial losses	¥(1,798)	¥(115)	\$(16,521)
Total	¥(1,798)	¥(115)	\$(16,521)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	Thousands of U.S. Dollars	
	Millions of Yen	
	2020	2019
Unrecognized actuarial losses	¥10,836	¥9,037
Total	¥10,836	¥9,037

(7) Plan assets as of March 31, 2020 and 2019

a. Components of plan assets

Plan assets consisted of the following:

	2020	2019
Debt investments	23%	41%
Equity investments	23	24
Cash and cash equivalents	11	5
Life insurance company accounts (general accounts)	24	23
Call loans, etc.	19	7
Others		
Total	100%	100%

Note: Total plan assets as of March 31, 2020 and 2019, include retirement benefit trust established under lump-sum payment plans by 22%.

b. Method of determining the long-term expected rate of return on plan assets

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

(8) Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate	0.6%	0.6%
Long-term expected rate of return on plan assets	3.2	3.5
Expected rate of salary increase	4.5	4.5

(9) Defined contribution

The amount required to be contributed to the defined contribution plan of the Bank was ¥268 million (\$2,462 thousand) and ¥275 million for the fiscal years ended March 31, 2020 and 2019, respectively.

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations which were recognized on the consolidated balance sheet as of March 31, 2020 and 2019, were as follows:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using discount rates from 0.139% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2020 and 2019, were as follows:

	Thousands of U.S. Dollars	
	Millions of Yen	
	2020	2019
Balance at beginning of year	¥662	¥678
Increase due to acquisition of tangible assets	17	4
Reconciliation associated with passage of time	5	6
Decrease due to execution of asset retirement obligations	(15)	(22)
Other	(9)	(4)
Balance at end of year	¥661	¥662

17. PERFORMANCE-LINKED STOCK COMPENSATION SYSTEM

The Bank has introduced a performance-linked stock compensation system (the “System”) based on the Board Incentive Plan (“BIP”) trust from the perspective of enhancing motivation to make contributions to improving the medium- to long-term performance and corporate value by further clarifying the linkage between compensation to directors, etc. and stock value of the Bank.

Under the System, the Bank’s shares are acquired using the funds contributed by the Bank as compensation to directors, etc. through the trust and such shares are granted to directors, etc. through the trust according to their ranks and achievement of management plans. Said transactions are related to the System.

The Bank’s shares remaining in the trust are recorded as treasury stock under “Equity” and the carrying amount of such treasury stock was ¥1,089 million (\$10,006 thousand) and ¥1,243 million and the number of shares was 396 thousand shares and 452 thousand shares as of March 31, 2020 and 2019, respectively.

18. EQUITY

Japanese banks are subject to the Banking Law and to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of stockholders. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of stated capital.

Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

19. OTHER OPERATING INCOME

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

	Thousands of U.S. Dollars	
	Millions of Yen	
	2020	2019
Gain on sales and redemption of bonds and other securities	¥ 110	¥ 113
Lease receipts	7,341	7,028
Other	4,573	3,690
Total	¥12,025	¥10,832

20. OTHER INCOME

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

	Thousands of U.S. Dollars	
	Millions of Yen	
	2020	2019
Gains on sales of tangible fixed assets	¥ 12	¥ 107
Other	1,497	2,160
Total	¥1,510	¥2,268

21. OTHER OPERATING EXPENSES

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

	Thousands of U.S. Dollars	
	Millions of Yen	
	2020	2019
Losses on sales, redemption and devaluation of bonds and other securities	¥ 2,595	¥ 2,858
Lease costs	6,746	6,457
Other	4,869	4,620
Total	¥14,211	¥13,937

22. OTHER EXPENSES

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

	Thousands of U.S. Dollars	
	Millions of Yen	
	2020	2019
Bad debt losses	¥ 60	¥ 29
Losses on dispositions of money held in trust	1,546	798
Losses on sales of loans	452	434
Losses on impairments and disposals of fixed assets	188	777
Provision for reserve for reimbursement of deposits	118	245
Other	701	491
Total	¥3,066	¥2,777

23. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of 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	¥ 14,388	¥ 14,113	\$ 132,206
Liability for employees' retirement benefits	10,746	10,318	98,741
Fixed assets (depreciation)	5,850	6,002	53,753
Losses on devaluation of stocks and other securities	3,264	3,272	29,991
Other	6,406	6,554	58,862
Less valuation allowance (see Note below)	(12,754)	(12,758)	(117,191)
Total	27,903	27,501	256,390
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	23,401	46,494	215,023
Fixed assets (deferred gain on sales and replacements)	309	319	2,839
Other	17	14	156
Total	23,729	46,828	218,037
Net deferred tax assets (liabilities)	¥ 4,173	¥(19,326)	\$ 38,344

Note: Valuation allowance for the fiscal year ended March 31, 2019, decreased by ¥1,177 million. This decrease was mainly due to a decrease of ¥1,328 million in valuation allowance for reserve for possible loan losses at the Bank and consolidated subsidiaries.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2019, was as follows, whereas a reconciliation for the year ended March 31, 2020, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

	2019
Normal effective statutory tax rate	30.5%
Expenses not deductible for income tax purposes	0.4
Nontaxable dividend income	(2.0)
Inhabitants taxes	0.3
Valuation allowance	(5.2)
Consolidation adjustment on gain on sales of shares of consolidated subsidiaries	(2.7)
Other—net	0.5
Actual effective tax rate	21.8%

24. OTHER COMPREHENSIVE LOSS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized losses on available-for-sale securities:			
Loss arising during the year	¥(65,730)	¥(16,741)	\$(603,969)
Reclassification adjustment to profit or loss	(12,263)	(6,431)	(112,680)
Amount before income tax effect	(77,994)	(23,173)	(716,659)
Income tax effect	23,092	6,998	212,184
Total	¥(54,901)	¥(16,174)	\$(504,465)

Deferred gains on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥ 25	¥ (795)	\$ 229
Reclassification adjustment to profit or loss	871	827	8,003
Amount before income tax effect	897	31	8,242
Income tax effect	(272)	(9)	(2,499)
Total	¥ 624	¥ 22	\$ 5,733

Defined retirement benefit plans:			
Loss arising during the year	¥ (2,994)	¥ (1,651)	\$ (27,510)
Reclassification adjustment to profit or loss	1,196	1,535	10,989
Amount before income tax effect	(1,798)	(115)	(16,521)
Income tax effect	546	35	5,016
Total	¥ (1,251)	¥ (80)	\$ (11,494)
Total other comprehensive loss	¥(55,528)	¥(16,233)	\$(510,226)

25. LEASES

Finance Leases

Lessor

A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases as of March 31, 2020 and 2019, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gross lease receivables	¥19,744	¥18,147	\$181,420
Estimated residual values	1,310	1,194	12,037
Unearned interest income	(1,901)	(1,847)	(17,467)
Investments in leases	¥19,153	¥17,494	\$175,990

Maturities of lease receivables for finance leases as of March 31, 2020, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 60	\$ 551
2022	15	137
2023	9	82
2024	6	55
2025	6	55
2026 and thereafter	14	128
Total	¥113	\$1,038

Maturities of investment in leases for finance leases as of March 31, 2020, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 5,967	\$ 54,828
2022	4,875	44,794
2023	3,758	34,530
2024	2,620	24,074
2025	1,358	12,478
2026 and thereafter	1,163	10,686
Total	¥19,744	\$181,420

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Companies provide financial services such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities, and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management (“ALM”) to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM.

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Companies mainly consist of loans to domestic corporations, local government agencies, and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities, and investment trusts are held to maturity and for other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as market turmoil.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience a situation where unexpected cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and, accordingly, necessary funding may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates.

Derivatives mainly include interest rate swaps and bond futures, which are used to manage exposure to market risks from changes in interest rates of loans and investment securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency-denominated assets and liabilities. Hedge accounting is applied to certain hedging activities related to loans and investment securities as hedged items.

(3) Risk Management for Financial Instruments

Credit risk management

The Bank has established the “Credit Risk Control Policy” as a basic policy for credit risk management and various rules concerning credit risk management. Based on these policies and rules, the Companies clarify fundamental approaches to secure the soundness of assets and control procedures for

identifying, monitoring, and controlling credit risk. Additionally, the Bank utilizes the “Credit Rating System” applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have been established to secure the effectiveness of credit risk management.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

The Credit Supervision Division, as a review control function, is engaged in reviewing lending operations based on strict examination standards, system development for strengthening the daily control of loan receivables, and appropriate maintenance of operational procedures.

Market risk management

a. Market Risk Management System

The Bank has established the “Market Risk Control Policy” as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (middle office) has been established and furthermore, the operating function (front office) and the administration function (back office) have been separated. Additionally, market risk control function staffs are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk (“VaR”) approach models and other models and regularly monitors the status of compliance with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of analyzing flexible investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices, and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.

b. Quantitative Information about Market Risk

The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others; confidence interval: 99.0%; observation period: 250 business days) in computing the VaR with respect to money held in trust, securities, Japanese yen deposits and loans, and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2020, amounts to ¥146,420 million (\$1,345,401 thousand) (¥76,667 million in 2019) as a whole. However, the risk under certain abnormal market fluctuations may not be captured since, under the VaR method, the volume of market risk under a definite probability of statistically computed incidence is measured based on historical market fluctuations.

The Bank implements back testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.

Liquidity risk management

The Bank has established the “Liquidity Risk Control Policy” as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding of operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the “Contingency Plan for Liquidity” to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, a liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to a certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.

Risk management system of subsidiaries

The subsidiaries have a risk management system similar to that of the Bank.

(4) Supplementary Explanation about Fair Values of Financial Instruments

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

(5) Fair Values of Financial Instruments

The carrying amount, the fair value, and the differences thereof as of March 31, 2020 and 2019, are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 747,105	¥ 747,105	
(2) Investment securities	2,896,163	2,896,164	
Held-to-maturity securities	1,000	1,000	
Available-for-sale securities	2,895,163	2,895,163	
(3) Loans and bills discounted	4,886,221		
Reserve for possible loan losses*	(61,450)		
	4,824,770	4,860,491	¥35,720
Total assets	¥8,468,039	¥8,503,760	¥35,721
(1) Deposits	¥7,865,991	¥7,866,162	¥ 171
(2) Borrowed money	285,901	285,903	1
Total liabilities	¥8,151,893	¥8,152,066	¥ 173

March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 711,025	¥ 711,025	
(2) Money held in trust	115,613	115,613	
(3) Investment securities	2,951,299	2,951,303	¥ 3
Held-to-maturity securities	4,099	4,103	3
Available-for-sale securities	2,947,199	2,947,199	
(4) Loans and bills discounted	4,718,942		
Reserve for possible loan losses*	(59,183)		
	4,659,758	4,680,944	21,185
Total assets	¥8,437,697	¥8,458,886	¥21,189
(1) Deposits	¥7,872,834	¥7,873,063	¥ 228
(2) Borrowed money	116,643	116,617	(26)
Total liabilities	¥7,989,478	¥7,989,681	¥ 202

March 31, 2020	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	\$ 6,864,881	\$ 6,864,881	
(2) Investment securities	26,611,807	26,611,816	
Held-to-maturity securities	9,188	9,188	
Available-for-sale securities	26,602,618	26,602,618	
(3) Loans and bills discounted	44,897,739		
Reserve for possible loan losses*	(564,642)		
	44,333,088	44,661,315	\$328,218
Total assets	\$77,809,785	\$78,138,013	\$328,227
(1) Deposits	\$72,277,781	\$72,279,353	\$ 1,571
(2) Borrowed money	2,627,042	2,627,060	9
Total liabilities	\$74,904,833	\$74,906,422	\$ 1,589

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

Notes:

1. Calculation method for the fair value of financial instruments

Assets

- (1) Cash and due from banks
For due from banks, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
- (2) Investment securities
The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors. With respect to privately placed guaranteed bonds, the fair value is determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers’ credit risk.

- (3) Loans and bills discounted
With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as they reflect the market interest rates over a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loan based on the type of loan, internal ratings, and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new loan was made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating.

The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.

For receivables from “legally bankrupt,” “virtually bankrupt,” and “possibly bankrupt” borrowers, possible loan losses are estimated based on the DCF method or factors such as the expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the fair value is assumed to approximate the carrying amount considering the expected repayment schedule and terms of the interest rates.

Liabilities

- (1) Deposits
Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length, and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose fair value approximates the carrying amount, the carrying amount is presented as the fair value.

- (2) Borrowed money
For each type of borrowed money financed, the fair value is determined based on the present value of the aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new financing was made. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.
2. The financial instruments whose fair value is extremely difficult to determine are as follows. These items are not included in (2) “Available-for-sale securities” under “Assets” in the above table of fair value information of financial instruments.

Category	Carrying Amount		
	Millions of Yen	Thousands of U.S. Dollars	
	2020	2019	2020
Unlisted equity securities* ^{1,2}	¥1,868	¥1,995	\$17,164
Capital subscription in investment business partnerships ³	5,600	4,986	51,456
Total	¥7,469	¥6,982	\$68,629

^{*1} Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to determine the fair value.

^{*2} Impairment losses in the amount of ¥57 million (\$523 thousand) were recognized for unlisted equity securities for the year ended March 31, 2020. No impairment losses were recognized in the year ended March 31, 2019.

^{*3} Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to determine, is not treated as instruments whose fair value is required to be disclosed.

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2020

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 694,383					
Investment securities	437,986	¥ 656,068	¥ 584,930	¥417,842	¥ 519,350	
Held-to-maturity securities	1,000					
National government bonds						
Local government bonds	1,000					
Available-for-sale securities with contractual maturities	436,986	656,068	584,930	417,842	519,350	
National government bonds	227,350	180,700	26,000	5,000	9,000	
Local government bonds	6,500	51,400	124,500	218,900	333,800	
Corporate bonds	135,869	297,958	289,674	119,900	107,600	
Other	67,267	126,010	144,756	74,041	68,950	
Loans and bills discounted*	1,164,160	773,173	704,400	438,295	481,803	¥1,204,439
Total	¥2,296,531	¥1,429,241	¥1,289,331	¥856,137	¥1,001,154	¥1,204,439

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	\$ 6,380,437					
Investment securities	4,024,496	\$ 6,028,374	\$ 5,374,712	\$3,839,400	\$4,772,121	
Held-to-maturity securities	9,188					
National government bonds						
Local government bonds	9,188					
Available-for-sale securities with contractual maturities	4,015,308	6,028,374	5,374,712	3,839,400	4,772,121	
National government bonds	2,089,037	1,660,387	238,904	45,943	82,697	
Local government bonds	59,726	472,296	1,143,986	2,011,393	3,067,168	
Corporate bonds	1,248,451	2,737,829	2,661,710	1,101,718	988,697	
Other	618,092	1,157,860	1,330,111	680,336	633,556	
Loans and bills discounted*	10,697,050	7,104,410	6,472,480	4,027,336	4,427,115	\$11,067,159
Total	\$21,102,003	\$13,132,785	\$11,847,202	\$7,866,737	\$9,199,246	\$11,067,159

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers, and loans to “possibly bankrupt” borrowers, amounting to ¥75,784 million (\$696,352 thousand) are not included in the above table. Loans that do not have a contractual maturity, amounting to ¥44,162 million (\$405,788 thousand), are not included either.

4. Repayment schedule of bonds, borrowed money, and other interest-bearing liabilities subsequent to March 31, 2020

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥7,475,191	¥340,076	¥ 50,723			
Borrowed money	128,991	2,365	153,750	¥145	¥190	¥458
Total	¥7,604,183	¥342,441	¥204,474	¥145	¥190	¥458

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	\$68,686,860	\$3,124,836	\$ 466,075			
Borrowed money	1,185,252	21,731	1,412,753	\$1,332	\$1,745	\$4,208
Total	\$69,872,121	\$3,146,568	\$1,878,838	\$1,332	\$1,745	\$4,208

* Demand deposits included in deposits are presented under “Due in 1 year or less.”

27. DERIVATIVES

It is the Bank’s policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities while entering into interest rate swaps and interest rate swaptions to meet the needs of its clients.

The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty’s failure to perform its obligations under a contract.

The Bank sets limits on credit risk for those derivatives by limiting the counterparties to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risk. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank’s market risks. In this manner, an internal control system is effectively secured.

The Bank’s positions, gain and loss, risk amount, and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding as of March 31, 2020 and 2019:

Derivative Transactions to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value, and unrealized gains/losses, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank’s exposure to credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2020				2019				2020			
	Contract or Notional Amount				Contract or Notional Amount				Contract or Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gains/Losses	Total	Due after One Year	Fair Value	Unrealized Gains/Losses	Total	Due after One Year	Fair Value	Unrealized Gains/Losses
Interest rate-related over-the-counter (“OTC”) transactions:												
Interest rate swaps:												
Fixed rate receipt/floating rate payment	¥ 10,431	¥10,431	¥ 375	¥ 375	¥ 11,167	¥10,867	¥ 287	¥ 287	\$ 95,846	\$ 95,846	\$ 3,445	\$ 3,445
Floating rate receipt/fixed rate payment	10,638	10,636	(284)	(284)	11,220	10,920	(183)	(183)	97,748	97,730	(2,609)	(2,609)
Currency-related OTC transactions:												
Currency swaps	46,908	10,295	104	104	41,365	21,654	(498)	(498)	431,020	94,597	955	955
Foreign exchange forward contracts:												
Selling	101,751		14	14	138,940	198	(541)	(541)	934,953		128	128
Buying	2,170		(16)	(16)	4,742	198	2	2	19,939		(147)	(147)
Currency option:												
Selling	19,738	15,147	(271)	365	6,379	4,146	(149)	160	181,365	139,180	(2,490)	3,353
Buying	19,738	15,147	271	(148)	6,379	4,146	149	(81)	181,365	139,180	2,490	(1,359)

Notes:

- The above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2020 and 2019, are recognized in the consolidated statement of income.
- The fair value of interest rate-related OTC transactions is determined using the discounted present value or option-pricing models, and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied

With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank’s exposure to market risk.

			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps—Floating rate receipt/fixed rate payment	Loans and investment securities	¥224,744	¥94,777	¥(1,341)
Special matching criteria	Interest rate swaps—Floating rate receipt/fixed rate payment	Loans	54,965	48,135	(636)
	Other—Buying	Loans	416	416	(1)
Total					¥(1,979)

At March 31, 2019

At March 31, 2019			Millions of Yen		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Contract or Notional Amount		Fair Value
			Total	Due after One Year	
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	¥227,920	¥226,608	¥(2,255)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	69,832	58,080	(893)
	Other— Buying	Loans	583	583	(3)
Total					¥(3,151)

At March 31, 2020

At March 31, 2020			Thousands of U.S. Dollars		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Contract or Notional Amount		
			Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	\$2,065,092	\$870,872	\$(12,321)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	505,053	442,295	(5,843)
	Other— Buying	Loans	3,822	3,822	(9)
Total					\$(18,184)

Notes:

1. These are principally accounted for under the deferral hedge method in accordance with the JICPA Industry Audit Committee Report No. 24, “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry.”

2. Fair value is determined using the discounted present value, option-pricing models, etc.

28. RELATED-PARTY TRANSACTIONS

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

a. Transactions between the Bank and Its Related Parties

Related Party	Account Classification*3	Transactions for the Year*4			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
		2020	2019	2020	2020	2019	2020
Department Store Fujisaki Co., Ltd.*1	Loans and bills discounted	¥4,731	¥4,636	\$43,471	¥4,827	¥4,699	\$44,353
	Customers' liabilities for acceptances and guarantees	437	356	4,015	437	351	4,015
Fuji Styling Co., Ltd.*1	Loans and bills discounted	151	274	1,387	143	158	1,313
Fujisaki Agency Co., Ltd.*1	Customers' liabilities for acceptances and guarantees	1,000	1,000	9,188	1,000	1,000	9,188
Mr. Minokichi Akaizawa*2	Loans and bills discounted	538	518	4,943	538	538	4,943

Notes: *1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)

*2 Mr. Minokichi Akaizawa, a close relative of a director, passed away on November 14, 2018. Since the director, who is his related party, retired from the position of the Bank's director due to expiration of his term of office effective June 27, 2019, and the inheritance procedures were underway, the transaction in the above table is shown in the name of the deceased, and the transaction amount is recorded at the relevant amount until that date and the balance at end of year is recorded at the balance on that date.

*3 Terms are substantially the same as for similar transactions with third parties.

*4 Amounts of transactions were reported at the average balance for the period.

b. Transactions between Consolidated Subsidiaries and Their Related Parties

Related Party	Account Classification*2	Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
		2020	2019	2020	2020	2019	2020
Department Store Fujisaki Co., Ltd.*1	Fees and commissions	¥30	¥28	\$275			
	Lease receivables and investments in leases	2		18	¥15		\$137
Fuji Styling Co., Ltd.*1	Other assets		46				

Notes: *1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)

*2 Terms are substantially the same as for similar transactions with third parties.

29. SEGMENT INFORMATION

Description of Reportable Segments

The Companies are principally engaged in the banking business and also leasing business and other financial services. The reportable segments of the Bank are the segments for which separate financial information is available, and are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance.

Since the reportable segments of the Companies consist only of the “Banking” segment and since the “Other” segment is immaterial, segment information is omitted.

Related Information for the Years Ended March 31, 2020 and 2019
Information by Service Line

	Millions of Yen				
	2020				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥41,944	¥43,501	¥8,706	¥22,773	¥116,926

	Millions of Yen				
	2019				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥42,119	¥36,342	¥8,127	¥22,894	¥109,483

	Thousands of U.S. Dollars				
	2020				
	Loan	Securities Investment	Lease	Other	Total
External customers	\$385,408	\$399,715	\$79,996	\$209,252	\$1,074,391

Information about Geographical Area

Information about geographical areas is omitted because the Companies conduct banking and other related activities only in Japan and do not have foreign subsidiaries or foreign branches.

Information about Major Customers

Information about major customers is not presented because there are no customers who account for over 10% of ordinary income.

Information about Asset Impairment Losses

Information about asset impairment losses for the years ended March 31, 2020 and 2019, is omitted because the only reportable segment is “Banking” and “Other” is immaterial.

30. NET INCOME PER SHARE

Basic net income per share (“EPS”) for the years ended March 31, 2020 and 2019, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2020				
Basic EPS—Net income attributable to common stockholders	<u>¥18,261</u>	<u>73,941</u>	<u>¥246.97</u>	<u>\$2.26</u>
Year Ended March 31, 2019				
Basic EPS—Net income attributable to common stockholders	<u>¥17,670</u>	<u>74,275</u>	<u>¥237.90</u>	

The Bank’s shares held by the directors’ compensation BIP trust that are recorded as treasury stock under “Equity” are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share.

The average number of shares of the treasury stock deducted in computing basic EPS was 412 thousand shares and 479 thousand shares, for the years ended March 31, 2020 and 2019, respectively.
Diluted EPS for the years ended March 31, 2020 and 2019, is not shown because there were no potential shares.

31. SUBSEQUENT EVENT

Cash Dividends

At the Bank’s general meeting of stockholders held on June 26, 2020, the Bank’s stockholders approved the following appropriations of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 (\$0.229) per share	<u>¥1,856</u>	<u>\$17,054</u>

Note: Above total amount of cash dividends includes dividends for the Bank’s shares held by BIP trust in an amount of ¥9 million (\$82 thousand).

Independent Auditors’ Report



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of The 77 Bank, Ltd. and its consolidated subsidiaries (the "Companies"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 Companies in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Companies' 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 Companies or to cease operations, or has no realistic alternative but to do so.

Member of
Deloitte Touche Tohmatsu Limited

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Companies' 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 an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' 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 Companies' 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 Companies to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 Companies to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu LLC

June 26, 2020

Capital Adequacy Ratios

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.31	10.38	
Capital: (A)	422,268	408,494	3,880,069
Risk-adjusted assets: (B)	4,095,358	3,934,181	37,630,781

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Non-Consolidated (Domestic standard)			
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	10.14	10.20	
Capital: (A)	412,272	398,082	3,788,220
Risk-adjusted assets: (B)	4,062,387	3,902,624	37,327,823

Non-Consolidated Balance Sheet (Parent Company)

THE 77 BANK, LTD.
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets:			
Cash and due from banks	¥ 747,051	¥ 710,996	\$ 6,864,384
Call loans and bills bought	429	511	3,941
Debt purchased	4,000	4,071	36,754
Trading account securities	18,873	19,848	173,417
Money held in trust	82,344	115,613	756,629
Investment securities	2,913,386	2,964,936	26,770,063
Loans and bills discounted	4,894,634	4,724,954	44,975,043
Foreign exchange assets	9,528	4,734	87,549
Tangible fixed assets:			
Buildings	8,187	8,294	75,227
Land	19,315	19,321	177,478
Lease assets	73	81	670
Construction in progress	282	138	2,591
Other tangible fixed assets	4,053	4,194	37,241
Intangible fixed assets	259	263	2,379
Customers' liabilities for acceptances and guarantees	45,258	24,622	415,859
Other assets	62,405	63,198	573,417
Reserve for possible loan losses	(58,226)	(55,511)	(535,017)
Total	¥8,751,857	¥8,610,271	\$80,417,688
Liabilities:			
Deposits	¥7,888,480	¥7,891,848	\$72,484,425
Call money	8,706	16,104	79,996
Payables under securities lending transaction	11,986	17,414	110,135
Borrowed money	280,257	111,228	2,575,181
Foreign exchange liabilities	116	339	1,065
Liability for retirement benefits	14,565	14,726	133,832
Reserve for stock compensation	735	750	6,753
Reserve for reimbursement of deposits	337	464	3,096
Reserve for contingent losses	860	781	7,902
Acceptances and guarantees	45,258	24,622	415,859
Deferred tax liabilities	229	23,238	2,104
Other liabilities	60,434	27,527	555,306
Total liabilities	8,311,967	8,129,047	76,375,696
Equity:			
Common stock	24,658	24,658	226,573
Capital surplus	8,937	8,937	82,118
Retained earnings	357,402	343,810	3,284,039
Treasury stock	(6,200)	(5,551)	(56,969)
Total stockholders' equity	384,798	371,855	3,535,771
Unrealized gains on available-for-sale securities	55,917	110,820	513,801
Deferred losses on derivatives under hedge accounting	(826)	(1,451)	(7,589)
Total valuation adjustments	55,091	109,368	506,211
Stock acquisition rights			
Total equity	439,889	481,223	4,041,982
Total	¥8,751,857	¥8,610,271	\$80,417,688

Non-Consolidated Statement of Income (Parent Company)

THE 77 BANK, LTD.
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Income:			
Interest income:			
Interest on loans and discounts	¥ 41,881	¥42,044	\$384,829
Interest on dividends on trading account and investment securities	28,732	27,139	264,008
Other	242	266	2,223
Fees and commissions	16,968	16,742	155,912
Other operating income	113	115	1,038
Other income	16,935	13,544	155,609
Total income	104,873	99,853	963,640
Expenses:			
Interest expense:			
Interest on deposits	764	1,491	7,020
Interest on call money	277	584	2,545
Other	1,284	1,472	11,798
Fees and commissions	7,279	7,171	66,884
Other operating expenses	6,181	6,411	56,795
General and administrative expenses	55,016	55,734	505,522
Other expenses	9,532	4,289	87,586
Total expenses	80,335	77,154	738,169
Income before income taxes	24,538	22,699	225,470
Income taxes:			
Current	7,408	4,984	68,069
Deferred	(188)	(253)	(1,727)
Total income taxes	7,220	4,730	66,342
Net income	¥ 17,317	¥17,968	\$159,119

Loan Portfolio

Loan Portfolio by Industry

	Billions of Yen	Millions of U.S. Dollars
	2020	2020
Domestic offices (Excluding Japan offshore banking accounts)	¥4,894	\$44,975
Manufacturing	445	4,097
Agriculture and forestry	6	60
Fisheries	5	46
Mining and quarrying of stone and gravel	3	30
Construction	146	1,343
Electricity, gas, heat supply and water	203	1,868
Information and communications	21	195
Transport and postal activities	121	1,115
Wholesale and retail trade	398	3,661
Finance and insurance	360	3,309
Real estate and goods rental and leasing	1,041	9,574
Services, N.E.C.	340	3,132
Government, except elsewhere classified	623	5,725
Other	1,176	10,812
Japan's offshore banking accounts		
Financial institutions	—	—
Total	¥4,894	\$44,975

Loan Portfolio by Industry

	Billions of Yen
	2019
Domestic offices (Excluding Japan offshore banking accounts)	¥4,724
Manufacturing	420
Agriculture and forestry	6
Fisheries	5
Mining and quarrying of stone and gravel	3
Construction	153
Electricity, gas, heat supply and water	192
Information and communications	29
Transport and postal activities	127
Wholesale and retail trade	384
Finance and insurance	305
Real estate and goods rental and leasing	979
Services, N.E.C.	341
Government, except elsewhere classified	640
Other	1,134
Japan's offshore banking accounts	
Financial institutions	—
Total	¥4,724

Loans by Collateral

	Billions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Securities	¥ 5	¥ 5	\$ 46
Commercial claims	19	20	182
Real estate	826	794	7,594
Subtotal	851	820	7,823
Guaranteed	1,283	1,259	11,793
Unsecured	2,759	2,645	25,357
Total	¥4,894	¥4,724	\$44,975

Reserve for Loan Losses

	Billions of Yen		Millions of U.S. Dollars
	2020	2019	2020
General reserve for loan losses	¥28	¥27	\$263
Specific reserve for estimated loan losses on certain doubtful loans	29	28	271
Total	¥58	¥55	\$535