



THE IYO BANK, LTD.

Annual Report 2019

Year ended March 31, 2019



The Region's Best Partner for Creating a Prosperous, Dynamic and Bright Future

Founded in 1878, The Iyo Bank, Ltd. is a regional financial services institution boasting a solid operating base centered on the four prefectures of Shikoku and the seven prefectures surrounding the Seto Inland Sea. With branches in Tokyo and Nagoya as well, we are Japan's No.1 regional bank in terms of broad regional coverage. In recent years, we have also enhanced our network of overseas bases primarily in the ASEAN region to support the international business expansion of our clients. We at Iyo Bank are working to be the region's best partner for creating a prosperous, dynamic and bright future by offering friendly and trustworthy financial services to customers.

Corporate Credo

1 Creating a bright and prosperous future for the region

2 Offering the best service and being worthy of people's trust

3 Rendering our best service with gratitude in our hearts

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Forward-Looking Statements:

Statements contained in this report concerning plans, predictions, and strategies to improve future performance ("Forward-Looking Statements") are based information currently available to the Bank's management, and inevitably involve a certain element of risk and uncertainty.



Cover Photos (from the top):
Niihama Taiko Festival
Scenic view of Shimonada station in Ehime
Shipbuilding company and Kurushima-Kaikyo Bridge in Imabari



THE IYO BANK, LTD.

Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514

Tel: (089) 941-1141

URL: <http://www.iyobank.co.jp/>



Year of Foundation

1878

Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)

3,147

Number of Branches

(As of March 31, 2019)

150 (Domestic 149, Foreign 1)

Global Network

Our global network comprehensively supports our clients' overseas business endeavors.

We support our customers' efforts to globalize their businesses through trade operations, the establishment of local corporations and fund procurement by leveraging our network of three overseas sites consisting of the Singapore branch and two representative offices in Shanghai and Hong Kong.

Our overseas network also involves business alliances and cooperations with banks, etc., in China, India, Indonesia, Mexico, Singapore, Philippines, Taiwan, Thailand, U.S.A. and Vietnam (as of March 31, 2019).

Bangkok, Thailand

Dalian, China

Hanoi, Vietnam

Jakarta, Indonesia

Mexico

Makati City, Philippines

Mumbai, India

Shanghai, China

Singapore

Taipei, Taiwan

Honolulu, Hawaii, U.S.A.

Business alliance with Kasikorn Bank

Business alliance with Bank of Dalian

Business cooperation with BIDV

Business alliance with BNI

Business cooperation with Jalisco, Aguascalientes, Guanajuato, Nuevo León and Banamex (Mexico City)

Business alliance with Metropolitan Bank

Business cooperation with State Bank of India

Business alliance with Bank of Communications

Business alliance with UOB

Business alliance with CTBC Financial Holding

Business alliance with Central Pacific Bank

● **Shanghai, China**
Representative Office

● **Hong Kong**
Representative Office

● **Singapore**
Branch

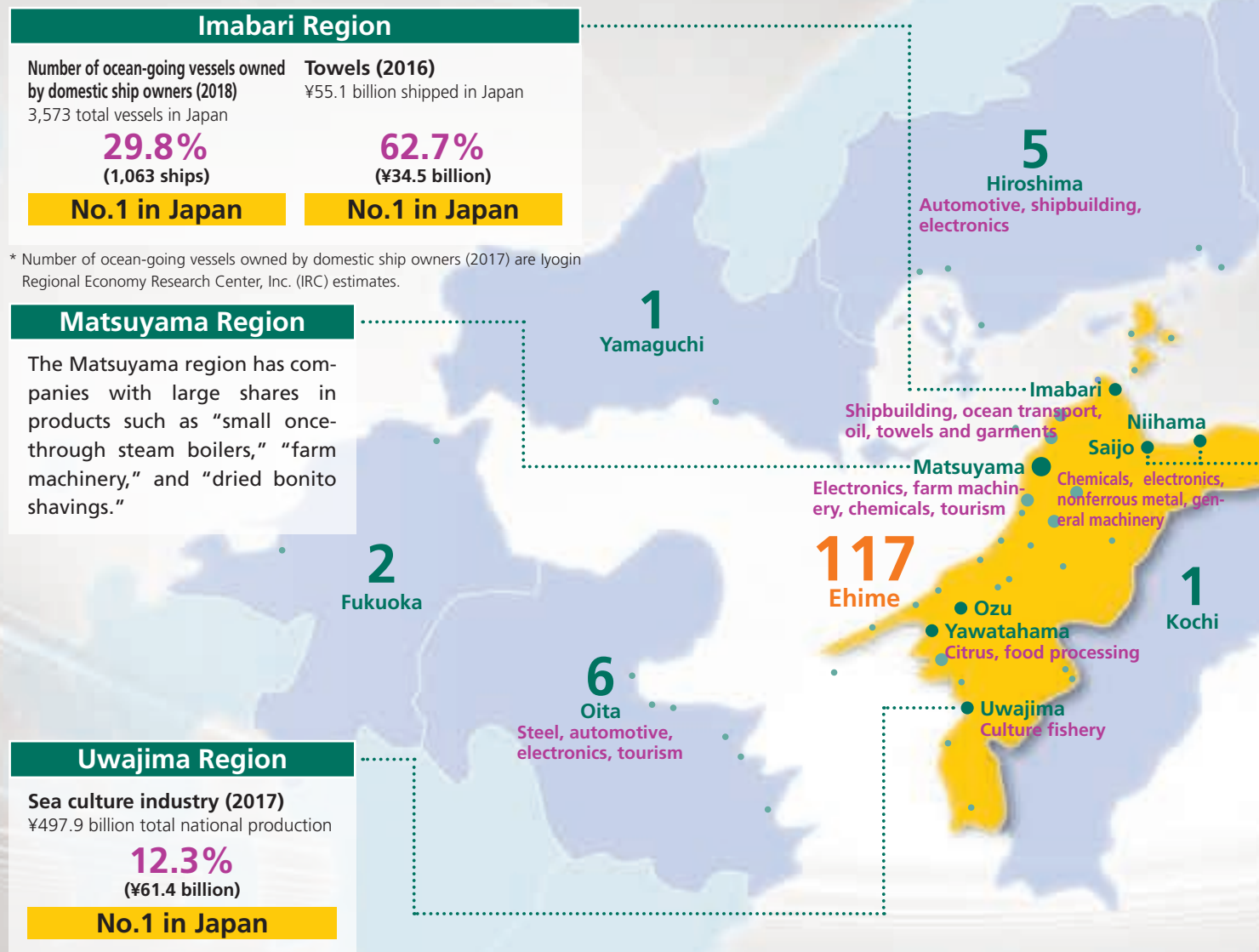
Our Overseas Business Support

- Provision of various types of information about entering overseas markets
- Advice about entering overseas markets
- Advice about trade operations and fund settlements
- Support for funds procurement in the local area overseas
- Implementation of overseas business matching
- Holding of seminars about entering overseas markets

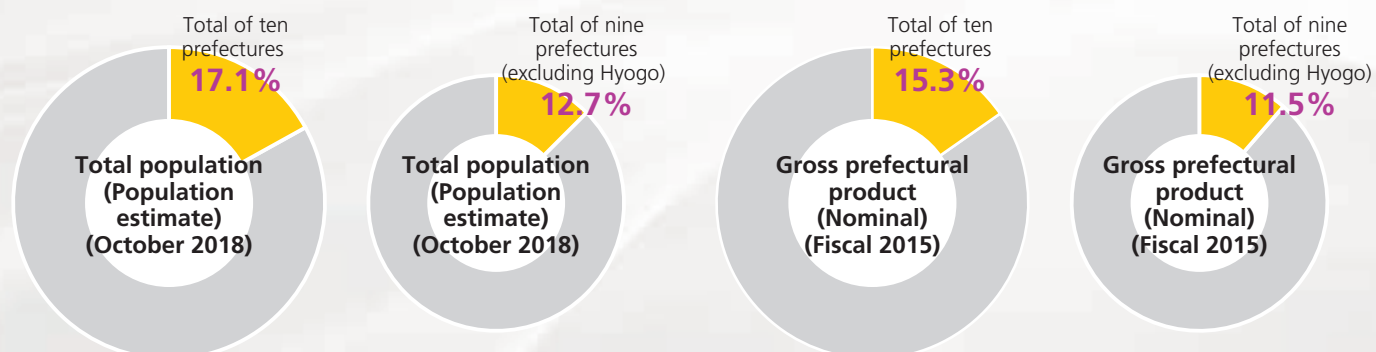
Our Operating Area

Domestic Branch Network

The No. 1 regional bank in terms of broad regional coverage, Iyo Bank's network consists of 149 branches located in 13 prefectures (as of March 31, 2019).



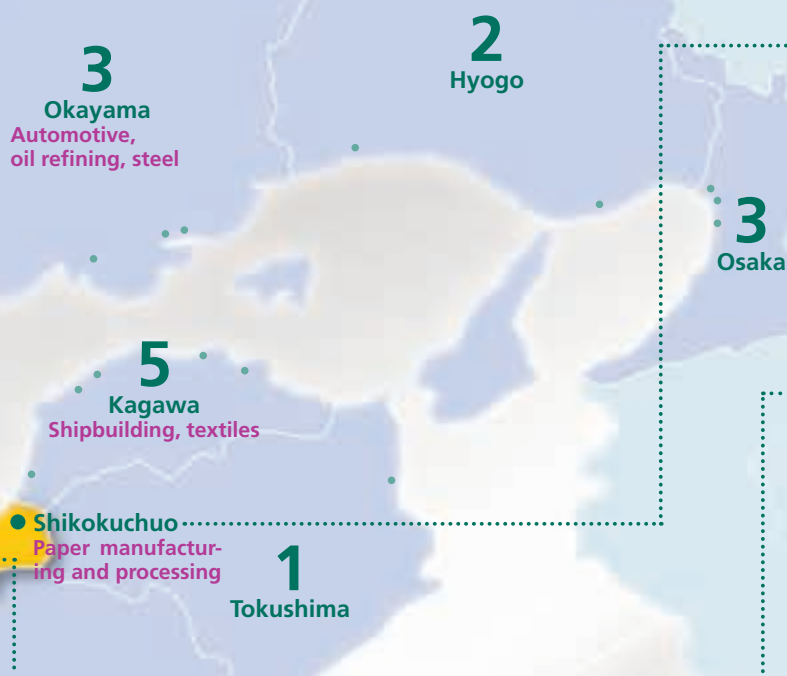
Economic Indicators of the Setouchi Region



(Prepared based on various statistical data)

Main Industries in Ehime Prefecture

- Industries with top national share concentrated in each region
- Manufactured product shipments from Ehime Prefecture totaled ¥3.8 trillion (45% of Shikoku) in 2016



Industrial Structure of the Setouchi Region

- The Setonaikai coastal region has established various industrial structures

Shikokuchuo Region

Pulp and paper industry (2016)

¥7,273.1 billion shipped in Japan

7.9%

(¥574.6 billion)

No.2 in Japan

Niihama and Saijo Region

Manufactured product shipments (2016)

¥1,422.1 billion

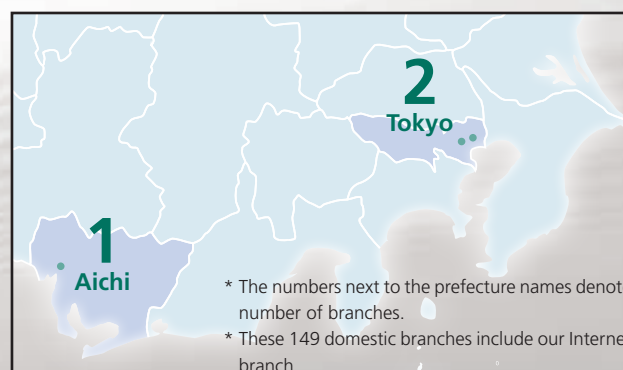
Approx. 37% of shipments of manufactured products in Ehime

As a corporate town under the Sumitomo Group, nonferrous metal, chemicals, steel, machinery and equipment are concentrated in the Niihama region.

No. 1 Market Share in Ehime

About Ehime Prefecture

• Area	5,676.24 km ² (As of October 1, 2018)
• Population	1,342,011 (As of June 1, 2019)
• Number of households	597,726 (As of June 1, 2019)



Strengthen Measures Toward Regional Vitalization through the "Shikoku Alliance"

- Formed the "**Shikoku Alliance**," a comprehensive alliance between four regional banks aiming for revitalizing the Shikoku region in November 2016
- Announced key measures and the logo in April 2017

The region, customers and the four banks will sustainably grow and develop

Iyo Bank

Build
Support industrial development

Foster
Support the formation of financial assets

Shikoku Bank



SHIKOKU ALLIANCE

Cooperate

Hyakujushi Bank

Utilize
Shikoku resources branding

Connect
Support network expansion

Awa Bank



Iwao Otsuka, President

Introduction

March 15, 2019, marked our 141st anniversary of establishment. I would like to wholeheartedly thank our customers and members of the local community, whose generous support has enabled us to serve the community until today throughout the Meiji, Taisho, Showa, and Heisei eras.

The Bank was founded on 1878 in the current Kawanishi, Honai-cho, Yawatahama City, as The 29th National Bank—the first bank in Ehime Prefecture. Since its founding, the Bank has grown in the belief that no development is possible for us without the development of the local community.

Today, we are facing a new era where the acceleration of digital innovation allows us to instantly obtain information and services and customers' needs are increasingly sophisticated and diversified.

Amid these changes, my goal is to fully leverage the convenience of digital technologies and at the same time provide services only made possible by “human” employees to become a “Digital-Human-Digital Bank” as a means to support customers' bountiful lives and business development.

Under the corporate credo of “creating a bright and prosperous future for the region,” I will make an all-out effort together with our officers and employees so that Iyo Bank will become a bank that is still needed 10 years in the future for everyone. I hope for your continued patronage.

Financial and Economic Environment

In fiscal 2018, ended March 31, 2019, a moderate recovery continued overall in the Japanese economy owing to steady consumer spending due to a solid employment environment,

despite sluggish growth in exports against the backdrop of a slowdown in the global economy.

Although uncertainty remains due to rising downside risk to domestic and overseas economies, including the development of trade issues, concerns over a slowdown in China's economy, and a consumption tax hike, a recovery trend is likely to continue, supported by solid domestic demand in anticipation of the Olympic and Paralympic Games Tokyo 2020 and EXPO 2025 OSAKA, KANSAI, JAPAN.

The economy of Ehime Prefecture is expected to continue on a moderate recovery due to solid consumer spending and capital investment as public works are increasing for recovery and reconstruction from the heavy rainfall disaster in western Japan.

Business Performance

Under these circumstances, in keeping with our spirit of gratitude toward customers we worked to ensure our ability to provide products and services tailored to customer needs. We endeavored to expand our fields of operation and strengthen profitability in the aim of being a bank that is still needed 10 years in the future.

Regional Vitalization Initiatives

In line with its aim of growing sustainably along with its region, Iyo Bank has been involved in a variety of regional vitalization measures and provided support for realizing customers' bountiful lives and business development.

As an initiative for supporting customers with their start-ups and growth, we launched the “Foundation and Regional Revitalization Businesses Utilizing Crowdfunding” in September 2018 and encouraged new regional projects by, for example, subsidizing part of contract fees to be paid to business partners for parties that reached target amounts. Under the Shikoku Alliance of four regional banks on the island, the 2nd Shikoku Alliance Business Plan Contest was organized in February 2019 to raise awareness of entrepreneurship in the Shikoku region and provide businesses incubation services for parties with creative business plans.

As an initiative for community development and tourism promotion, in April 2018, we concluded the “Cooperation Agreement on Tourism Town Creation through Utilization of Town Houses, Traditional Houses and Other Historic Resources in Ozu City, Ehime Prefecture,” under which we are promoting town creation through preservation and utilization of historic buildings in the castle town in Ozu City. In addition, in November 2018, we invested in SORAYAMA ISHIZUCHI Co. Ltd., a regional tourism service organizer, to revitalize regional economies and create employment by developing programs that let tourists enjoy hands-on experience of the local sites to promote tourism in the Ishizuchi Mountain Range and the surrounding area. Iyo Bank's other efforts to promote regional tourism include “*HAIKU & WALK*,” a website launched in February 2019 to showcase *tanka* or *haiku* poems inscribed on monuments in Matsuyama City in Japanese and English to communicate the *haiku* culture of Ehime prefecture inside and outside Japan.

In October 2018, we established the 2018 Japan Floods Restoration Support Fund to support the reconstruction from the heavy rainfall disaster in western Japan in terms of funding, human resources and eliminating excess debt. In addition, we have provided Group subsidy bridge loans to support advance expenses paid for facility reconstruction until it is covered by subsidies, as part of our efforts to support recovery and reconstruction from disaster as well as business reconstruction.

Head Office Organization

The Bank reformed the head office structure in August 2018 in order to increase the effectiveness of strategies under the “Fiscal 2018 Medium-Term Management Plan — Second Stage for 150” launched in April 2018. Specifically, we transformed the Business Strategy Department in the General Planning Division into the Digital Planning Department to manage ICT strategies that leverage digital technologies. Also, we established the Consulting Business Division for strengthening value propositions to customers and the Online Business Division mainly to improve functions and services via non-face-to-face channels. Furthermore, the Primary Sector Commercialization Primary Industry Support Department was established in the Regional Vitalization Division as a step to strengthen support systems for the development and revitalization of the primary sector, the key industry in the region.

Bank Branches and ATMs

Iyo Bank has a broad-ranging branch network that covers 13 prefectures in Japan, the largest number of prefectures covered by a regional bank. We have been upgrading our branches and strengthening customer service systems so that customers can use our services more effectively.

While making a shift to next-generation branches that offer new functions and services, we placed the “Satto (quick) counter” in 41 branches (as of March 31, 2019) which provides semi-self-served cash transactions and tax payments among others. In this way, we have reduced inconvenience to customers and worked to make our branches easily accessible.

In addition, we introduced the AGENT System in February 2019 which allows customers to open new accounts and change their addresses with tablet devices. Customers can make paperless applications to open new accounts, instead of the traditional paper-based applications, simply by selecting options via chat and uploading photos of their driving licenses. In this way, customers will benefit from the convenience of digitization and a strengthened service structure with less waiting time through simple and speedy procedures. In the future, we will work to maximize customer contact points and improve advisory and consulting services, while aiming to reduce waiting time at the counter and realize hassle-free transactions without forms or seals through the digitization of administrative work.

Products and Services

As for financing products, we began handling Natural Disaster Responsive Financing in May 2018 that forgives debt obligation for a prescribed ratio of principal balance of loans if an earthquake in a certain scale occurs at a prescribed location. It also provides funding within credit limit even after exemption. Thus, we have supported the smooth business continuity of our customers.

Our consulting service initiatives included the promotion of ICT consulting that supports the introduction and use of ICT by our customers to increase productivity and improve operational efficiency. In addition, in October 2018, we launched lease intermediary operations to provide compound proposals of bank lending and lease products to realize diversified fund procurement for customers, reduce administrative workload, and facilitate the use of tax reduction and subsidy schemes for capital investment.

As an initiative utilizing Fintech, the TSUBASA Alliance, which is an alliance among eight regional banks (as of March 31, 2019) including the Bank, is proceeding with the joint development of an API platform linking the Bank's system

with Fintech companies. We launched a series of services supporting the formation and management of customer assets, starting with linkage with the automated saving application Finbee and the automated household accounting/asset management service Money Forward in July 2018, as well as with the online household accounting service Zaim in December 2018.

In addition, in December 2018, we introduced the Insurance Robot Advisor that can create personalized insurance by having customers answer simple questions including their age, gender, and family structure using their PC or smartphone.

Furthermore, in March 2019, we commenced linkage with the settlement service J-Coin Pay that enables QR code payment and free instant money transfers among users using smartphones, and other services easily available whenever, wherever, free of charge. We will continue to work on measures to provide financial services that improve customer convenience and facilitate cashless transactions in the region.

ESG Initiatives

In addition to its financial activities, to realize its mission to “create a bright and prosperous future for the region,” Iyo Bank has promoted efforts for the environment, society and governance (ESG).

As environmental protection activities, in addition to offering grants through the Iyo Bank Environment Foundation “Evergreen” (public trust), we carried out Iyo Bank Evergreen Forest activities in four locations in Ehime Prefecture together with Ehime Prefecture, Ozu City, and FOREST FUND OF EHIME. In addition, we carried out tree planting as part of the activities of the Society to Promote the Creation of Forests in Towns, for which the Bank serves as the secretariat, together with 68 member companies and organizations (as of March 31, 2019). We have aggressively promoted environmental preservation activities to realize a local community co-existing with nature.

As part of our social welfare activities, we established Iyogin Challenge & Smile Co., Ltd. to promote the sustained employment of persons with disabilities and obtained its certification as a special subsidiary company in June 2018. In this way, we have arranged an environment where persons with disabilities can work with peace of mind, while supporting their engagement in society and self-reliance.

We continue to provide scholarships and donate welfare devices through the “Iyo Bank Social Welfare Fund.” In the scholarship program, we increased scholarship recipients and amounts as part of our 140th anniversary commemorative project. In addition, we kept providing aid under the “Regional Cultural Activity Assistance Program.” We also held “Iyogin Junior Mirai Juku” and other financial education classes to promote financial literacy among children who will build society in the future, as efforts to create a community with vitality.

As for governance, the Bank has transitioned to a company with an Audit and Supervisory Committee and the number of outside directors exceeds one third of the total number of directors. Thus, we make efforts to strengthen audit and supervisory functions and revitalize the Board of Directors. As other measures, we have established the Management Deliberation Committee to deliberate director nominations and compensation and the Advisory Board to obtain evaluation and advice about the Bank's management strategies and governance from external experts and created a structure where management transparency and objectivity are ensured.

In addition, for contributing to countermeasures against money laundering and terrorism funding for which strict standards are internationally required, we established the Basic Policies for Anti-Money Laundering and Combating the Financing of Terrorism in June 2018 and clarified the Bank's policy. Furthermore, since July 2018, we have worked to strengthen internal control structures by identifying, assessing, and verifying risks by having the Compliance Division control money laundering countermeasures, etc. in an integrated manner.

IR Activities and Ratings

Iyo Bank is proactively working to improve disclosure. To increase management transparency, we held annual results briefings for analysts and institutional investors in Tokyo in June and December 2018, and held results briefings accompanied by a special lecture presentation in four locations around Ehime Prefecture (Matsuyama, Imabari, Niihama and Shikokuchuo) in July 2018.

To foster a deeper understanding of its management activities by stockholders, suppliers and investors, the Bank is rated highly, with an "AA" rating by Japan Credit Rating Agency (JCR), an influential Japanese credit rating agency, an "A" rating by Standard & Poor's (S&P), a global credit rating agency, and an "A+" rating by Rating and Investment (R&I). Furthermore, the Bank and its group company Shikoku Alliance Securities Co., Ltd. were rated "A+" and "A," respectively, under R&I's Customer-Oriented Investment Trust Sales Company Evaluation in December 2018.

Risk Management and Compliance

We have taken measures to establish a risk appetite framework for business management. Through regular discussions and monitoring, we aim to ensure balanced, sustainable growth and soundness. Also, we regularly review our business continuity structure corresponding to the quality of damages anticipated, including from disasters such as the Nankai Trough earthquake and heavy rainfall.

With respect to compliance, we comply with laws and regulations in accordance with the Basic Policy on Dealing with Antisocial Forces, by enhancing the precision of our measures to block antisocial forces before entering into any relationships by stepping up screening measures.

Business Performance

In fiscal 2018, ended March 31, 2019, performance was as follows: The term-end balance of deposits, including NCDs, increased ¥166.6 billion over the previous fiscal year-end, to ¥5,712.6 billion (US\$51,469million). The loan balance at the end of the fiscal year rose ¥258.1 billion from the previous fiscal year-end, to ¥4,550.8 billion (US\$41,001million). The balance of securities at the end of the fiscal year decreased ¥236.7 billion from the previous fiscal year-end, to ¥1,573.3 billion (US\$14,175million). The balance of total assets at the end of the fiscal year rose ¥81.0 billion from the previous fiscal year-end, to ¥7,140.7 billion (US\$64,336million).

Ordinary income increased ¥5,013 million on a consolidated basis year on year, to ¥107,222 million (US\$966million), due to higher investment income, stemming from an increase in interest on loans and discounts as well as an increase in other operating income owing to higher gains on sale of bonds, etc. Meanwhile, ordinary expenses on a consolidated basis rose ¥11,587 million to ¥80,873 million (US\$728million), with an increase in interest expense as well as other ordinary expenses rising due to higher provision of reserve for loan losses. As a result, net ordinary income decreased ¥6,574

million to ¥26,349 million (US\$237million), while profit attributable to owners of parent decreased ¥4,400 million to ¥18,262 million (US\$164million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.38%.

Issues

Although the Japanese economy as a whole is expected to remain in a moderate recovery phase, the Bank's operating environment is undergoing significant changes. Such factors include changes in economic and social structures due to the falling birthrate, increasingly aging population, and population decline, as well as the acceleration of digital innovation.

Under these circumstances, the Bank launched its "Fiscal 2018 Medium-Term Management Plan" in April 2018 and striving to realize the vision in the plan, the transformation of the Bank into a "Digital-Human-Digital Bank." Capitalizing on the wave of digital business as a great opportunity, we will develop services with high added value that only the Bank can offer by further leveraging digital technologies to bring about improvements in customer convenience and productivity, while perfecting attentive and professional consulting capabilities that only humans can do.

In 2019, Japan transitioned from Heisei to Reiwa. In this new era, we will take on challenges by embracing change. We would like to move ahead and grow hand in hand with members of the local community to realize our 10-year vision of becoming the leading financial services group in the Setouchi region in terms of customer satisfaction.

While working to ensure sound management and further strengthening the Bank's business operations, we, as the full-service financial institution in your hometown, will put our full effort into realizing a sustainable and vital regional community. In these endeavors, we ask for the ongoing support of our stockholders.



Iwao Otsuka, President

Fiscal 2018 Medium-Term Management Plan

Period: Three years, from April 2018 through March 2021

Fiscal 2018 Medium-Term Management Plan

Digital-Human-Digital Bank

— Whenever, wherever, closer to you —

Digital touch point

Customer contact points
- easy to use -

Human consulting

Group employees
- customer-oriented -

Digital operation

Administrative procedures
- simple -



"Iyogin Declaration on SDGs"

Based on our corporate credo, the Bank aims to realize a bright and prosperous local community by contributing to the achievement of the Sustainable Development Goals (SDGs) advocated by the United Nations and working to overcome social and environmental issues in the region including population decline and an aging population.

1. Local economy and community

We will expand our efforts for promoting growth in local economies and regional development, and contribute to enriching the lifestyles and developing the businesses of our customers.

2. Financial and information services

We will provide advanced, high-quality, and comprehensive financial and information services, and continue to maintain the trust and meet the expectations of our customers.

3. Strong management foundation

We will work to further strengthen and enhance our management foundation, and fulfill our social responsibilities as a regional bank.

4. Diversity and work style reforms

We will promote diversity and work style reforms, and endeavor to create an organization in which various types of human resources can actively perform their roles.

5. Environmental protection

We will actively and continuously work to reduce the environmental burden and participate in activities for environmental conservation, and endeavor to preserve and protect the natural local environment.



Environment



- Hand over a rich, beautiful nature to the next-generation through active environmental preservation activities

Iyo Bank Environment Foundation
"Evergreen" (Public Trust)
(established in 2008)

- Supporting activities for restoration and development of the environment while preserving the natural environment
- Cumulative total of approx. ¥51 million granted to 139 recipients



"Iyo Bank Evergreen Forest" Activities
(started in 2008)

- Conducted forest cultivating activities under a partnership entered with Ehime Prefecture, Ozu City, and Forest Fund of Ehime.
- Contributed to maintaining the local environment by working together with the Shikoku Alliance banks



Social



- Realize a lively local community via locally-based measures rooted in the region

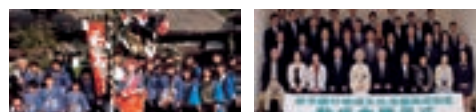
Iyo Bank Social Welfare Fund (Public Interest Incorporated Foundation)
(established in 1976)

- Increased scholarships and scholarship recipients as part of 140th anniversary commemorative activity
- Cumulative total of ¥632 million granted as scholarship and welfare equipment



Iyo Bank Regional Cultural Activity Assistance Program (established in 1992)

- Part of funds for carrying out "grass-roots" cultural activities in Ehime granted to the related parties
- Cumulative total of ¥222 million granted to 1,168 groups



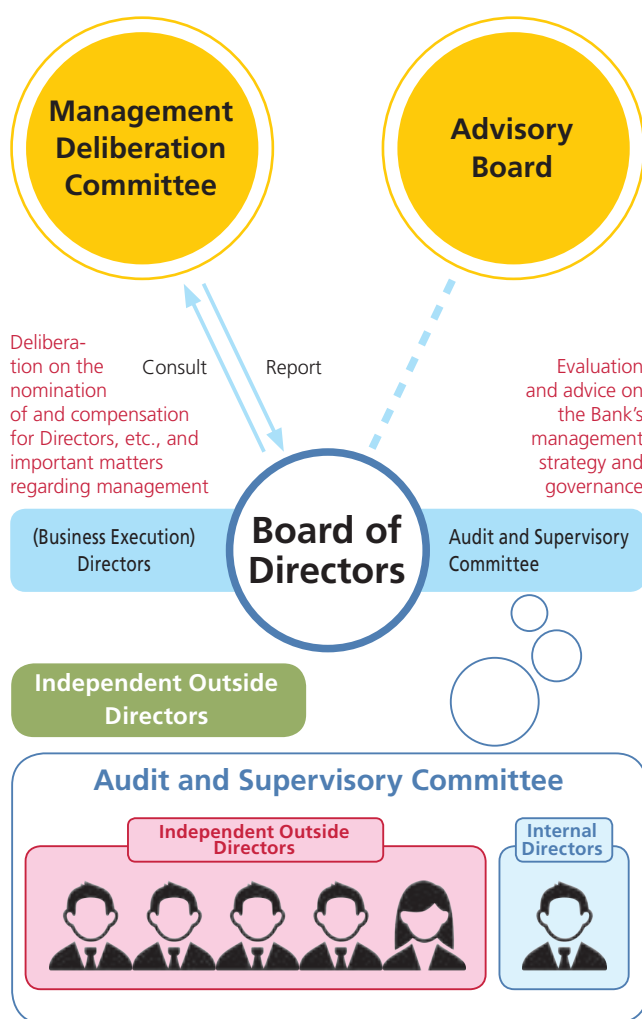
Build structures that secure transparency and objectivity by strengthening corporate governance
Conduct thorough examination and verification as well as strict risk management for contributing to countermeasures against money laundering and terrorism funding



Governance



Corporate governance structure



- ◆ 1/3 or more of Directors are Independent Outside Directors
- ◆ Appointment of female Directors
- ◆ Strengthening of audit and supervision functions and revitalization of the Board of Directors

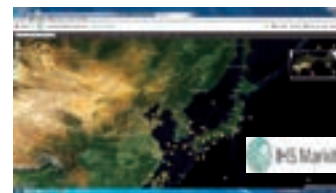
Countermeasures against money laundering and terrorism funding

Thorough examination and verification

- Screening of transaction parties based on approx. 3.8 million pieces of the latest profile information
- Examination utilizing a database covering 70,000 listed companies and 300 million unlisted companies in 212 countries and regions
- ◆ Examination of negative information reported overseas in the past
- ◆ Comprehensive examination of officers, shareholders and substantial controllers of overseas business associates

Strict risk management

- Conduct **ship monitoring** by utilizing more than 2,200 shore antennas and more than 50 satellites under ship finance, the Bank's strength
- ◆ Entrance into each sanction area monitored in real time
- ◆ Strict risk management for ship financing



Corporate Governance

Basic Philosophy

Based on our corporate philosophy, to ensure the unshakeable trust of our stockholders, customers, employees and other stakeholders we believe it is vital to raise enterprise value and ensure a more sound and transparent management system, while remaining mindful of our social responsibilities as a regional bank. To meet these responsibilities, we will reinforce and enhance our efforts at corporate governance, which we consider one of our most important management priorities.

Through corporate governance appropriate to the Bank, we seek to achieve sustainable growth and enhance enterprise value over the medium to long term. To this end, we have formulated and publicized our Corporate Governance Guide Line, which outlines our fundamental perspectives and frameworks on corporate governance.

Internal Control Systems

- The Board of Directors' granting of voting rights to directors on auditing and the Audit and Supervisory Committee members that include multiple outside directors is expected to enhance the auditing and supervisory functions, as well as corporate governance. At the same time, we believe this delegation of authority will contribute to swifter decision-making and heightened management efficiency. To achieve these aims, we have adopted the system of a "company with an Audit and Supervisory Committee."
- The Bank has also separated the management decisionmaking and supervisory functions from business execution, thereby strengthening the Board of Directors' decisionmaking function. To further enhance corporate governance, we have introduced an executive officer system.
- In principle, the Board of Directors meets once a month to decide on important matters stipulated in law and the Articles

of Incorporation, as well as to make important decisions related to management policy and management strategy.

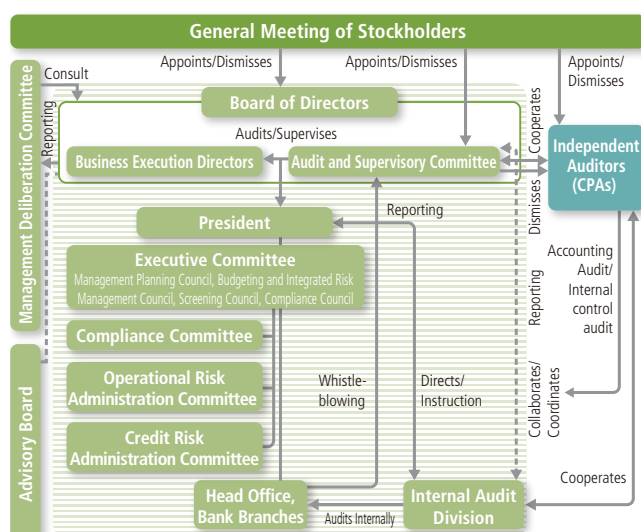
- In principle, the Audit and Supervisory Committee meets at least once each month. In accordance with the law, Articles of Incorporation and Audit and Supervisory Committee Regulations, this committee and the Board of Directors provide a supervisory function, as well as auditing the execution of business by directors.
- In principle, the Executive Committee, consisting of managing directors and higher-ranked directors, meets once a week to discuss important issues affecting all areas of operations, based on the fundamental policies decided upon by the Board of Directors. The Executive Committee comprises four councils, according to the content of matters to be discussed: the Management Planning Council, the Budgeting and Integrated Risk Management Council, the Screening Council and the Compliance Council. Standing members of Audit and Supervisory Committee attend the Executive Committee, where they provide appropriate statements and advice.

The Bank established the Management Deliberation Committee, comprising the Bank's representative directors and the Audit and Supervisory Committee members, to deliberate director nominations and compensation and other important matters.

The Management Deliberation Committee, which is positioned as an advisory body to the Board of Directors, is composed of a majority of members who are independent outside directors.

- In an effort to develop and enhance a structure for legal observance and risk management, we have established the Compliance Committee (secretariat: the Compliance Division; held monthly) chaired by the director in charge of the Compliance Division, as well as the Operational Risk Administration Committee (secretariat: the Risk Management Division; held at least quarterly) and the Credit Risk Management Committee (secretariat: the Risk Management Division; held bi-monthly), both of which are chaired by the director in charge of the Risk Management Division.
- The Bank holds a semi-annual meeting of the Advisory Board (secretariat: the General Planning Division) chaired by the president. To ensure the management transparency and objectivity of the Group, further strengthen the management base and contribute to the local community, we are introducing external perspectives regarding the Group's management strategies and governance.

Business Executive Functions, Oversight and Internal Controls



Compliance

As an institution with a public profile and social responsibilities, the Bank regards a good compliance record as indispensable for deepening the trust and support of our customers, shareholders and the communities we serve. We ensure not only that all our employees observe all laws, ordinances and regulations in their duties, but also meet the highest ethical standards.

Compliance Organizations

We established a Compliance Council chaired by the President. This committee deliberates matters relating to compliance, and seeks to foster a corporate culture in which compliance-related information is shared by all employees from the branch level to top management.

At all head office and branch business departments, we have appointed compliance officers, who assess progress in compliance-related matters and organize training and awareness-raising activities such as study groups.

The Compliance Division, working closely with the Compliance Committee and compliance officers, integrates collection and management of compliance-related information.

Risk Management

Basic Philosophy

In its daily business operations, a bank is exposed to credit risks, market risks and other risks. These risks are growing in diversity and complexity as deregulation progresses and the business of banking grows ever more complex. Therefore, finding ways of appropriately managing risk has become a vital challenge for a bank.

On the other hand, for a bank, risk-taking is essential for generation of revenue. Only by assuming a reasonable level of risk, it is possible to ensure acceptable earnings growth. Accordingly, the bank sets reasonable profit targets after factoring in all conceivable risks, and takes every precaution to manage risk. Iyo Bank's management treats risk management as a priority issue.

Each fiscal year, the Board of Directors compiles risk management policies, and, based on these policies, takes steps to strengthen risk management and improve the quality of risk management.

Risk Management Framework

The Bank's risk management framework has four main pillars:

1. Legal observance under the Compliance Committee
2. Managing revenue-generating risk assets under the ALM Committee
3. The Credit Risk Administration Committee undertakes risk management that focuses on curbing credit risk
4. Management of operational risk to minimize administrative and system risk, under the Operational Risk Administration Committee

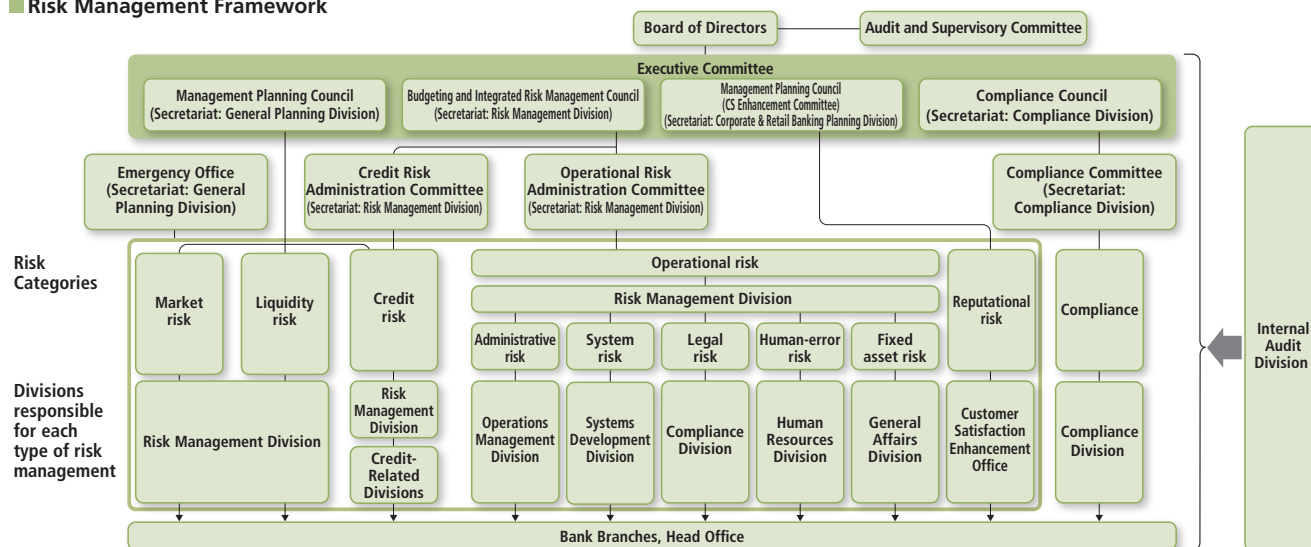
The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

Additionally, the Credit Risk Administration Committee works to manage credit risk, design and evaluate frameworks for the Internal Rating System, and resolve issues concerning Basel Regulations.

At the same time, the Operational Risk Administration Committee is taking measures to refine operational risk management through organization-wide discussion and monitoring regarding important topics arising from reviews of actual operational risk. With regard to administrative risk, system risk, legal risk, human-error risk, and fixed asset risk, which together constitute operational risk, organization-wide responses include establishment of offices for each category of risk, and rigorous risk management. At the same time, the Risk Management Division is responsible for coordination of risk management carried out by the departments in charge of each category of risk.

Moreover the Risk Management Division, which coordinates overall risk management, manages verification of risk management at each department.

■ Risk Management Framework



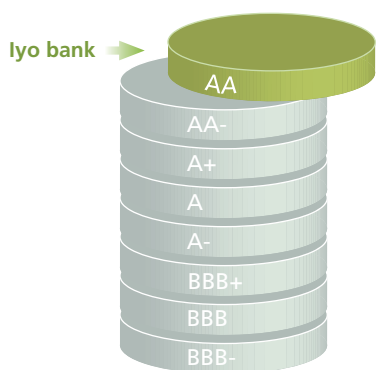
Financial Highlights

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

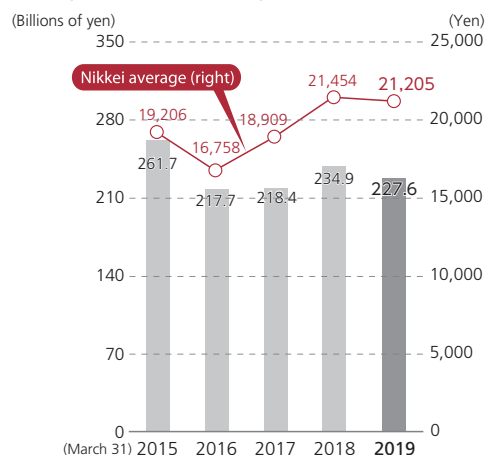
	Millions of yen				
Years ended March 31:	2019	2018	2017	2016	2015
At Year-End:					
Assets					
Securities	¥1,574,849	¥1,815,554	¥1,735,981	¥1,739,757	¥1,831,611
Loans and bills discounted	4,527,810	4,269,697	4,021,442	3,890,085	3,851,235
Total assets	7,165,655	7,096,633	6,849,283	6,510,076	6,575,422
Liabilities					
Deposits	5,688,021	5,525,398	5,437,276	5,324,433	5,264,862
Total liabilities	6,517,327	6,450,329	6,240,221	5,920,369	5,977,820
For the Year:					
Total income	¥ 126,291	¥ 121,002	¥ 117,356	¥ 119,819	¥ 124,003
Total expenses	98,163	85,209	84,228	79,531	77,881
Income before income taxes	28,129	35,791	33,127	40,287	46,122
Profit attributable to owners of parent	18,527	23,639	21,797	24,451	26,999
Net cash provided by operating activities	(150,925)	3,870	226,523	(64,206)	348,931
Net cash provided by investing activities	237,490	(57,093)	6,797	38,624	18,680
Net cash provided by financing activities	(4,346)	(4,106)	(7,401)	(19,106)	(25,065)
Cash and cash equivalents	808,389	726,157	783,504	557,587	602,299
Per Share Data:					
Basic net income	¥ 58.54	¥ 74.73	¥ 68.93	¥ 77.34	¥ 85.41
Stockholders' equity	1,975.54	1,969.99	1,864.28	1,790.53	1,825.62
Capital ratio (BIS standards) (%)	14.38	14.31	14.58	15.42	15.81
Return on equity (ROE) (%)	2.99	3.83	3.77	4.27	5.06
Price earnings ratio (PER) (Times)	10.01	10.71	10.86	9.52	16.70
Number of employee	3,147	3,122	3,082	3,024	2,977

Note: Japanese yen amounts, except net income per share, are presented in millions of yen and are rounded down to the nearest million.

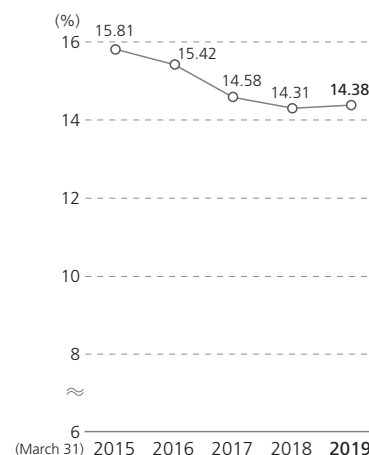
Ratings [JCR]



Evaluation gain on securities (Non-consolidated)



Capital ratio(BIS standards)



Management Discussion and Analysis of Operations

■ Business Environment

In fiscal 2018, ended March 31, 2019, a moderate recovery continued overall in the Japanese economy owing to steady consumer spending due to a solid employment environment, despite sluggish growth in exports against the backdrop of a slowdown in the global economy.

Although uncertainty remains due to rising downside risk to domestic and overseas economies, including the development of trade issues, concerns over a slowdown in China's economy, and a consumption tax hike, a recovery trend is likely to continue, supported by solid domestic demand in anticipation of the Olympic and Paralympic Games Tokyo 2020 and EXPO 2025 OSAKA, KANSAI, JAPAN.

The economy of Ehime Prefecture is expected to continue on a moderate recovery due to solid consumer spending and capital investment as public works are increasing for recovery and reconstruction from the heavy rainfall disaster in western Japan.

Overview of Business Results, etc.

Consolidated ordinary income increased ¥5,301 million year on year to ¥126,286 million (US\$1,137million). This was mainly due to an increase in investment income, stemming from increases in interest on loans and an increase in other operating income, stemming from increases in gain on sale of government bonds, etc.

On the other hand, consolidated ordinary expenses increased ¥12,743 million to ¥97,628 million (US\$879million). This was mainly due to an increase in fund procurement costs and other ordinary expenses due to an increase in provision for reserve for loan losses. As a result, consolidated ordinary income declined ¥7,441 million year on year to ¥28,658 million (US\$258million). Profit attributable to owners of parent decreased ¥5,112 million to ¥18,527 million (US\$166million).

On a non-consolidated basis, gross profit from core

business decreased ¥1,386 million year on year, to ¥76,176 million (US\$686million), mainly due to a decrease in interest and dividends on securities. Operating income decreased 2,632 million to 25,818 million (US\$232million) due to an increase in system investment, etc. Ordinary income decreased ¥6,574 million to ¥26,349 million (US\$237million), mainly due to an increase in credit costs and a decrease in gains on securities and other factors. As a result, net income declined ¥4,400 million year on year to ¥18,262 million (US\$164million).

■ Segment Information

The Iyo Bank Group consists of the Iyo Bank and 15 consolidated subsidiaries. The Group's operations center on commercial banking services, and also cover leasing and other financial services.

Banking Operations

Ordinary income came to ¥108,416 million (US\$976 million). This was due to ordinary income from customers of ¥107,879 million and ordinary income from intersegment transactions of ¥537 million. Segment profit decreased ¥6,395 million, to ¥28,362 million (US\$255 million).

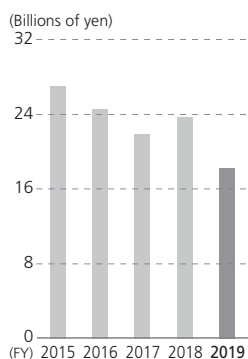
Leasing Operations

Ordinary income came to ¥16,784 million (US\$151 million). This was attributable to ordinary income from customers of ¥16,301 million and ordinary income from intersegment transactions of ¥483 million. Segment profit decreased ¥389 million, to ¥192 million (US\$1.7 million).

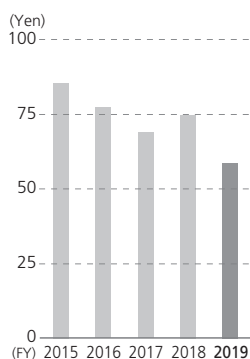
Other Businesses

Ordinary income came to ¥4,266 million (US\$38 million). This was a result of ordinary income from customers of ¥2,106 million, and ordinary income from intersegment transactions of ¥2,160 million. Segment profit decreased ¥708 million, to ¥71 million (US\$0.6 million).

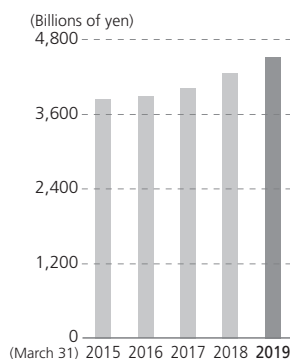
Profit Attributable to Owners of Parent



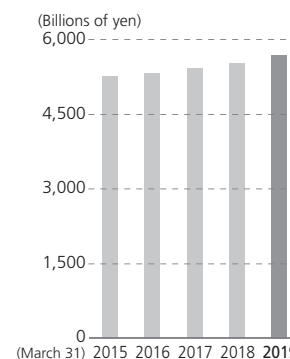
Net Income per Share



Loans and Bills Discounted



Deposits



The term-end balance of deposits, including NCDs, increased ¥162.6 billion over the previous fiscal year-end, to ¥5,688 billion (US\$51,247 million).

The loan balance at the end of the fiscal year rose ¥258.1 billion from the previous fiscal year-end, to ¥4,527.8 billion (US\$40,794 million).

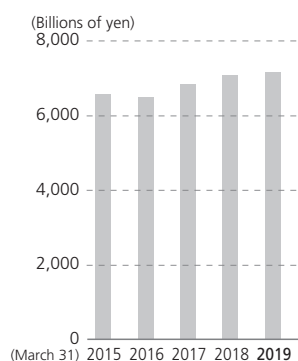
The balance of securities at the end of the fiscal year reduced ¥240.7 billion from the previous fiscal year-end, to ¥1,574.8 billion (US\$14,188 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.38%.

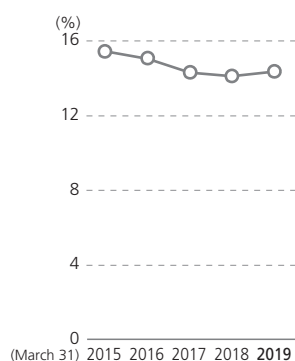
Loans by Industry

Years ended March 31:	Millions of yen			
	2019		2018	
	Loans and bills discounted outstanding	Share (%)	Loans and bills discounted outstanding	Share (%)
Domestic total (excluding loans booked offshore)	¥4,425,405	100.00	¥4,204,571	100.00
Manufacturing	643,028	14.53	611,729	14.55
Agricultural and forestry	3,146	0.07	2,918	0.07
Fishing	11,389	0.26	12,141	0.29
Mining, quarrying and gravel extraction	8,614	0.19	8,653	0.21
Construction	116,306	2.63	112,939	2.69
Electricity, gas and water utilities, sewage	134,015	3.03	108,078	2.57
Communications	22,020	0.50	21,779	0.52
Transportation and postal service	717,925	16.22	679,716	16.17
Wholesale and retail	511,642	11.56	469,356	11.16
Finance and insurance	174,959	3.95	180,478	4.29
Real estate and rental	481,403	10.88	454,337	10.80
Service	438,574	9.91	435,073	10.35
Local authorities	234,824	5.31	232,702	5.53
Others	927,554	20.96	874,666	20.80
Overseas total (including loans booked offshore)	102,405	100.00	65,125	100.00
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	102,405	100.00	65,125	100.00
Total	¥4,527,810	—	¥4,269,697	—

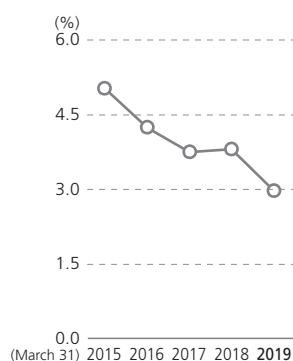
Total Assets



Capital Ratio (BIS standards)



Return on Equity



■ Financial Position and Business Results

Consolidated gross profit

Consolidated gross profit decreased ¥2,106 million to ¥82,161 million (US\$740 million), mainly due to a decrease in net interest income stemming from a decrease in interest and dividends on securities.

Operating costs

Operating expenses increased ¥165 million from the previous fiscal year to ¥52,360 million (US\$471 million) due to an increase in nonpersonnel expenses mainly amid an increase in strategic investments.

Credit costs

Credit costs increased ¥2,545 million to ¥6,531 million (US\$58 million) due to an increase in bankruptcies and downgrades.

Gain (loss) related to stock, etc.

Net gains on stocks decreased ¥1,887 million from the previous fiscal year to 3,949 million (US\$35 million) due to a decrease in gains on sales of securities and losses on devaluations of securities.

Extraordinary income (losses)

Extraordinary income(losses) decreased by ¥222 million from the previous fiscal year to (¥529 million)(US\$4 million) due to loss on disposal of company housing.

Deposits

With deposits held by individuals and corporations both increasing steadily, the balance of deposits, including NCDs, increased ¥162.6 billion over the previous consolidated fiscal year-end, to ¥5,688 billion (US\$51,247 million).

Loans and bills discounted

With corporate and housing loans mainly to individuals both increasing steadily, loans and bills discounted grew ¥258.1 billion over the previous consolidated fiscal year-end, to ¥4,527.8 billion (US\$40,794 million).

Risk management loans

Risk management loans increased ¥6.8 billion over the previous consolidated fiscal year-end, to ¥73.4 billion (US\$661 million).

Risk management loans remained at the low level of 1.62% as a proportion of the outstanding balance of loans and bills discounted.

Securities

The balance of securities decreased by ¥240.7 billion from the previous fiscal year to 1,574.8 billion (US\$14,188 million) due to a decrease in Japanese government bonds and other securities as a result of sales and redemption, etc.

■ Cash Flow Analysis

Consolidated Cash Flows

Cash flow used in operating activities was ¥150,925 million (US\$1,359 million), due to such factors as an increase in loans and bills discounted.

Net cash provided by investing activities was ¥237,490 million (US\$2,139 million). This was mainly attributable to purchases of securities and redemption.

Net cash used in financing activities was ¥4,346 million (US\$39 million) due to the cash dividends paid.

As a result, cash and cash equivalents at the end of the term rose ¥82,231 million, to ¥808,389 million (US\$7,283 million).

The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

Capital expenditure for acquisition of tangible and intangible fixed assets and other outlays was covered from Bank capital.

Consolidated Balance Sheet

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
ASSETS			
Cash and due from banks (Notes 17 and 19)	¥ 809,668	¥ 728,327	\$ 7,294,963
Call loans and bills purchased (Note 19)	—	23,479	—
Monetary claims purchased (Notes 19, 20 and 22)	10,921	10,247	98,396
Trading account securities (Notes 19 and 20)	349	465	3,144
Money held in trust (Notes 19, 21 and 22)	6,494	6,337	58,509
Securities (Notes 3, 4, 7, 12, 19, 20 and 22)	1,574,849	1,815,554	14,189,107
Loans and bills discounted (Notes 5, 6, 7, 8 and 19)	4,527,810	4,269,697	40,794,756
Reserve for loan losses (Note 19)	(27,902)	(24,256)	(251,392)
Foreign exchange (Note 6)	7,164	7,092	64,546
Lease receivables and investment assets	31,443	30,594	283,295
Other assets (Note 7 and 23)	90,438	93,761	814,830
Tangible fixed assets (Notes 9, 10 and 18)	73,757	72,850	664,537
Intangible fixed assets	7,024	5,375	63,284
Net defined benefit asset (Note 24)	17,500	23,164	157,671
Deferred tax assets (Note 26)	197	179	1,774
Customers' liabilities for acceptances and guarantees	35,937	33,761	323,785
Total assets	¥7,165,655	¥7,096,633	\$64,561,266
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits (Notes 7 and 19)	¥5,688,021	¥5,525,398	\$51,248,049
Call money and bills sold (Note 19)	178,313	25,497	1,606,568
Payables under repurchase agreements (Notes 7 and 19)	49,820	77,434	448,869
Payables under securities lending transactions (Notes 7 and 19)	76,968	226,150	693,467
Borrowed money (Notes 7, 11 and 19)	365,856	419,341	3,296,296
Foreign exchange	249	65	2,243
Borrowed money from trust account	31	39	279
Other liabilities (Notes 11 and 23)	39,677	54,888	357,482
Accrued employees' bonuses	1,659	1,650	14,947
Net defined benefit liability (Note 24)	12,281	12,502	110,649
Reserve for losses on repayment of dormant bank accounts	3,301	2,928	29,741
Reserve for contingent losses	516	426	4,649
Reverse for share-based payments	86	—	774
Reserve under the special laws	1	1	9
Deferred tax liabilities (Note 26)	54,835	60,416	494,053
Deferred taxes on revaluation excess (Note 9)	9,769	9,824	88,016
Acceptances and guarantees	35,937	33,761	323,785
Total liabilities	6,517,327	6,450,329	58,719,947
Net assets (Note 29)			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	188,737
Capital surplus	11,604	11,570	104,549
Retained earnings	418,320	404,181	3,768,988
Treasury stock	(5,189)	(5,255)	(46,751)
Total stockholders' equity	445,684	431,445	4,015,532
Net unrealized holding gains (losses) on securities (Note 22)	160,696	166,703	1,447,842
Net deferred gains (losses) on derivatives under hedge accounting	(1,545)	(1,240)	(13,920)
Land revaluation excess (Note 9)	19,590	19,634	176,502
Remeasurements of defined benefit plans (Note 24)	779	6,669	7,018
Total accumulated other comprehensive income	179,519	191,766	1,617,434
Stock acquisition rights (Note 25)	397	467	3,576
Noncontrolling interests	22,725	22,624	204,748
Total net assets	648,327	646,304	5,841,310
Total liabilities and net assets	¥7,165,655	¥7,096,633	\$64,561,266

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥ 52,758	¥ 49,463	\$ 475,340
Interest and dividends on securities	23,966	26,772	215,929
Interest on receivables under resale agreements	—	(0)	—
Interest on receivables under securities lending transactions	62	—	558
Other interest income	1,332	1,078	12,001
Fees and commissions	15,121	14,435	136,237
Other operating income	24,220	19,023	218,217
Other income	8,831	10,229	79,565
Total income	126,292	121,002	1,137,868
EXPENSES			
Interest expense:			
Interest on deposits	3,548	2,479	31,966
Interest on borrowings and rediscounts	1,823	1,247	16,424
Interest on payables under repurchase agreements	625	401	5,631
Interest on payables under securities lending transactions	1,308	387	11,784
Other interest expense	4,269	3,001	38,462
Fees and commissions	4,829	4,649	43,508
Other operating expenses	18,893	14,338	170,222
General and administrative expenses (Notes 14 and 25)	52,360	52,195	471,754
Other expenses (Note 15)	10,503	6,509	94,630
Total expenses	98,163	85,210	884,431
Income before income taxes	28,129	35,791	253,437
Income taxes (Note 26):			
Current	7,953	11,431	71,655
Deferred	420	(410)	3,784
Total taxes	8,374	11,020	75,448
Profit	19,755	24,771	177,989
Profit attributable to noncontrolling interests	1,227	1,131	11,055
Profit attributable to owners of parent	¥ 18,527	¥ 23,639	\$ 166,924

Per share of common stock (yen and U.S. dollars):

	Yen		U.S. dollars (Note 1)
Basic net income	¥58.54	¥74.73	\$0.52
Diluted net income	58.45	74.59	0.52
Dividends	14.00	14.00	0.12

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥ 19,755	¥24,771	\$ 177,989
Other comprehensive income (Note 16)	(13,415)	16,458	(120,866)
Net unrealized holding gains (losses) on securities (Note 22)	(7,220)	15,576	(65,050)
Net deferred gains (losses) on derivatives under hedge accounting	(305)	(444)	(2,747)
Remeasurements of defined benefit plans (Note 24)	(5,890)	1,327	(53,067)
Comprehensive income	¥ 6,339	¥41,229	\$ 57,113
Comprehensive income attributable to:			
Owners of parent	¥ 6,324	¥37,726	\$ 56,978
Noncontrolling interests	14	3,503	126

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2019					
Balance at the beginning of the accounting period	¥20,948	¥11,570	¥404,181	¥(5,255)	¥431,445
Changes during the accounting period					
Dividends			(4,431)		(4,431)
Profit attributable to owners of parent			18,527		18,527
Purchase of treasury stock				(232)	(232)
Disposal of treasury stock		34		298	332
Reversal of land revaluation excess			43		43
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	34	14,138	65	14,238
Balance at the end of the accounting period	¥20,948	¥11,604	¥418,320	¥(5,189)	¥445,684

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2019					
Balance at the beginning of the accounting period	\$188,737	\$104,243	\$3,641,598	\$(47,346)	\$3,887,242
Changes during the accounting period					
Dividends			(39,922)		(39,922)
Profit attributable to owners of parent			166,924		166,924
Purchase of treasury stock				(2,090)	(2,090)
Disposal of treasury stock		306		2,684	2,991
Reversal of land revaluation excess			387		387
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	306	127,380	585	128,281
Balance at the end of the accounting period	\$188,737	\$104,549	\$3,768,988	\$(46,751)	\$4,015,532

	Millions of yen							
	Total other comprehensive income							
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Noncontrolling interests	Total net assets
For the year ended March 31, 2019								
Balance at the beginning of the accounting period	¥166,703	¥(1,240)	¥19,634	¥ 6,669	¥191,766	¥467	¥22,624	¥646,304
Changes during the accounting period								
Dividends								(4,431)
Profit attributable to owners of parent								18,527
Purchase of treasury stock								(232)
Disposal of treasury stock								332
Reversal of land revaluation excess								43
Changes in items other than stockholders' equity, net	(6,006)	(305)	(43)	(5,890)	(12,246)	(70)	100	(12,215)
Total changes during the accounting period	(6,006)	(305)	(43)	(5,890)	(12,246)	(70)	100	2,023
Balance at the end of the accounting period	¥160,696	¥(1,545)	¥19,590	¥ 779	¥179,519	¥397	¥22,725	¥648,327

Thousands of U.S. dollars (Note 1)

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasur-ements of defined benefit plans	Total accumu-lated other comprehen-sive income			
For the year ended March 31, 2019								
Balance at the beginning of the accounting period	\$1,501,964	\$(11,172)	\$176,898	\$ 60,086	\$1,727,777	\$4,207	\$203,838	\$5,823,083
Changes during the accounting period								
Dividends								(39,922)
Profit attributable to owners of parent								166,924
Purchase of treasury stock								(2,090)
Disposal of treasury stock								2,991
Reversal of land revaluation excess								387
Changes in items other than stockholders' equity, net	(54,112)	(2,747)	(387)	(53,067)	(110,334)	(630)	900	(110,054)
Total changes during the accounting period	(54,112)	(2,747)	(387)	(53,067)	(110,334)	(630)	900	18,226
Balance at the end of the accounting period	\$1,447,842	\$(13,920)	\$176,502	\$ 7,018	\$1,617,434	\$3,576	\$204,748	\$5,841,310

Millions of yen
Stockholders' equity

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2018					
Balance at the beginning of the accounting period	¥20,948	¥11,555	¥384,386	¥(5,370)	¥411,520
Changes during the accounting period					
Dividends			(4,111)		(4,111)
Profit attributable to owners of parent			23,639		23,639
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		14		116	131
Reversal of land revaluation excess			267		267
Changes in items other than stockholders' equity, net					
Total changes during the accounting period	—	14	19,795	115	19,924
Balance at the end of the accounting period	¥20,948	¥11,570	¥404,181	¥(5,255)	¥431,445

Millions of yen

	Total other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation excess	Remeasur-ements of defined benefit plans	Total accumu-lated other comprehen-sive income			
For the year ended March 31, 2018								
Balance at the beginning of the accounting period	¥153,498	¥(795)	¥19,901	¥5,342	¥177,946	¥479	¥19,114	¥609,061
Changes during the accounting period								
Dividends								(4,111)
Profit attributable to owners of parent								23,639
Purchase of treasury stock								(1)
Disposal of treasury stock								131
Reversal of land revaluation excess								267
Changes in items other than stockholders' equity, net	13,204	(444)	(267)	1,327	13,819	(11)	3,509	17,317
Total changes during the accounting period	13,204	(444)	(267)	1,327	13,819	(11)	3,509	37,242
Balance at the end of the accounting period	¥166,703	¥(1,240)	¥19,634	¥6,669	¥191,766	¥467	¥22,624	¥646,304

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities			
Income before income taxes	¥ 28,129	¥ 35,791	\$ 253,437
Depreciation	4,430	4,249	39,913
Impairment losses	231	203	2,081
Increase (decrease) in reserve for loan losses	3,645	715	32,840
Increase (decrease) in accrued employees' bonuses	8	2	72
Decrease (increase) in net defined benefit asset	5,664	(3,674)	51,031
Increase (decrease) in net defined benefit liability	(221)	(69)	(1,991)
Increase (decrease) in reserve for losses on repayment of dormant bank accounts	373	(50)	3,360
Increase (decrease) in reserve for contingent losses	89	(1)	801
Increase (decrease) in reserve for share-based payments	86	—	774
Increase (decrease) in reserve under the special laws	0	0	0
Interest and dividend income	(78,119)	(77,314)	(703,838)
Interest expense	11,575	7,517	104,288
Securities losses (gains), net	(4,155)	(6,118)	(37,435)
Money in trust losses (gains), net	(408)	(717)	(3,676)
Foreign exchange losses (gains), net	(6,003)	3,063	(54,085)
Losses (gains) on disposal of tangible fixed assets, net	297	103	2,675
Net changes in loans and bills discounted	(258,113)	(248,254)	(2,325,551)
Net changes in deposits	162,622	88,121	1,465,195
Net changes in borrowed money (excluding subordinated borrowings)	(53,484)	198,454	(481,881)
Net changes in due from banks	890	9,534	8,018
Net changes in call loans	22,811	68,218	205,523
Net changes in call money	125,201	(9,539)	1,128,038
Net changes in payables under securities lending transactions	(149,181)	(98,564)	(1,344,094)
Net changes in foreign exchange assets	(72)	1,109	(648)
Net changes in foreign exchange liabilities	183	(79)	1,648
Net changes in lease receivables and investment assets	(848)	(1,370)	(7,640)
Interest income received	77,560	73,044	698,801
Interest expense paid	(11,378)	(7,541)	(102,513)
Net increase (decrease) in borrowed money from trust account	(8)	10	(72)
Other	(21,070)	(24,694)	(189,836)
Subtotal	(139,262)	12,147	(1,254,725)
Income taxes paid	(11,663)	(8,277)	(105,081)
Net cash provided by (used in) operating activities	(150,925)	3,870	(1,359,807)
Cash flows from investing activities			
Purchases of securities	(416,769)	(340,998)	(3,755,013)
Proceeds from sales of securities	516,391	153,862	4,652,590
Proceeds from maturities of securities	144,532	134,458	1,302,207
Increase in money held in trust	(388)	(1,105)	(3,495)
Decrease in money held in trust	616	850	5,550
Purchases of tangible fixed assets	(3,627)	(2,543)	(32,678)
Proceeds from sales of tangible fixed assets	155	456	1,396
Purchases of intangible fixed assets	(3,420)	(2,074)	(30,813)
Net cash provided by (used in) investing activities	237,490	(57,093)	2,139,742
Cash flows from financing activities			
Proceeds from share issuance to noncontrolling stockholders	92	12	828
Cash dividends paid	(4,431)	(4,111)	(39,922)
Cash dividends paid to noncontrolling stockholders	(5)	(5)	(45)
Purchases of treasury stock	(232)	(1)	(2,090)
Proceeds from sales of treasury stock	231	0	2,081
Net cash provided by (used in) financing activities	(4,346)	(4,106)	(39,156)
Foreign currency translation adjustments	13	(16)	117
Net increase (decrease) in cash and cash equivalents	82,231	(57,346)	740,886
Cash and cash equivalents at the beginning of year	726,157	783,504	6,542,544
Cash and cash equivalents at the end of year (Note 17)	¥ 808,389	¥ 726,157	\$ 7,283,439

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2019

1. Basis Of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of The Iyo Bank, Ltd. (the "Bank") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and the following 15 consolidated subsidiaries.

- The Iyogin Credit Guaranty Company Limited
- The Iyogin Business Service Company Limited
- Iyogin Capital Company Limited
- Iyogin Venture Fund Corporation Limited IV
- Iyogin Venture Fund Corporation Limited V
- Iyogin Venture Fund Corporation Limited VI
- Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership
- Iyogin Regional Economy Research Center, Inc.
- Iyogin DC Card Co., Ltd.
- Iyogin Challenge & Smile Co., Ltd.
- Iyogin Leasing Company Limited
- Iyogin Computer Service Company Limited
- Shikoku Alliance Securities Co., Ltd.

The consolidated financial statements exclude the following subsidiary.

- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income are immaterial to the consolidated financial statements.

No unconsolidated subsidiary is accounted for by the equity method.

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of the equity method because its net income and retained earnings are immaterial to

the consolidated financial statements.

The consolidated financial statements exclude the following affiliated companies.

- Iyogin REVIC Investments Company Limited
- Shikoku Alliance Capital Co., Ltd

No affiliated companies are accounted for by the equity method.

Iyogin REVIC Investments Company Limited and Shikoku Alliance Capital Co., Ltd are excluded from the scope of the equity method because their net income and retained earnings are immaterial to the consolidated financial statements.

The consolidated financial statements include the accounts of six consolidated subsidiaries with fiscal years that end December 31. Appropriate adjustments are made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities are eliminated.

(2) Net assets

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

Under the Act and the Banking Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 20% of the dividend or the excess, if any, of 100% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the stockholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act and the Banking Law, however, by resolution of the stockholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

At the meeting of the Board of Directors held on May 10, 2019, cash dividends in the amount of ¥2,217 million (\$19,974 thousand) were approved by the Board of Directors. The appropriation was not accrued in the consolidated financial statements as of March 31, 2019. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

(3) Cash flow statements

In preparing the consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(4) Foreign currency translations

Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are translated into yen at the rates prevailing at the consolidated balance sheet date.

Consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the rate prevailing at their respective balance sheet dates.

(5) Trading account securities

Trading account securities of the Bank and its consolidated subsidiaries are stated at fair market value. Gains and losses realized on the disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such trading account securities are computed using moving average cost.

(6) Securities

Held-to-maturity debt securities are stated at amortized cost by the straight-line method. Available-for-sale securities with available fair market values are stated at fair market value. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with fair values that are extremely difficult to determine are carried at cost using moving average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Securities included in the money held in the trust account are treated in the same manner as the securities mentioned above.

(7) Reserve for possible loan losses

The Bank and its consolidated subsidiaries write off loans and make provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding amounts written off and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not in the above circumstances but for who there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications are made by each business and credit supervision department and are audited by the Credit Administration Department, an independent department. The reserve for possible loan losses is provided based on such procedures.

The estimated unrecoverable portions of loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition are written off. The estimated unrecoverable amounts are determined after excluding amounts considered recoverable due to the existence of security interests or guarantees. As of March 31, 2019 and 2018, the estimated unrecoverable amounts were ¥20,253 million (\$182,475 thousand) and ¥20,833 million, respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on the actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are separately estimated and a reserve for possible loan losses is provided based on those estimations.

(8) Tangible and intangible fixed assets and lease assets

Tangible and intangible fixed assets are generally stated at cost, less the accumulated depreciation.

Depreciation of tangible fixed assets (except for lease assets) of the Bank and its consolidated subsidiaries is recorded using the declining balance method. However, buildings acquired after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The estimated useful lives of these assets are 15 – 40 years for buildings and 5 – 10 years for equipment.

Depreciation for intangible fixed assets (except for lease assets) of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of mainly five years.

Both tangible and intangible lease assets under finance leases that are not deemed to transfer the ownership of the lease property to the lessee are depreciated using the straight-line method over the lease term with zero residual value. In cases in which there is a residual value guarantee in the contract, the residual value is the guaranteed value. In other cases, it is deemed to be zero.

(9) Accrued employees' bonuses

Accrued employees' bonuses are provided for the future payment of employees' bonuses based on the estimated amounts of the future payments that are attributed to the current fiscal year.

(10) Reserve for losses on repayment of dormant bank accounts

Reserve for losses on repayment of dormant bank accounts is provided in connection with inactive bank accounts the balances of which have been derecognized as liabilities. The reserve is provided for the possible future demands on claims of withdrawal from these accounts in an amount based on historical reimbursement experience.

(11) Reserve for contingent losses

Reserve for contingent losses is maintained to provide against possible losses from contingencies which are not covered by other specific reserves. The amount of reserve is based on an estimate of the amount possible future losses.

(12) Reserve for share-based payments

Reserve for share-based payments is provided for the estimated amount of the share benefit obligations at the end of the current fiscal year in order to prepare for the delivery of the bank's shares to the bank's directors (excluding the audit committee members) and executive officers under the internal share delivery regulations.

(13) Reserve under the special laws

Reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other financial related transactions.

(14) Accounting method for retirement benefits

In calculating benefit obligation, the portion of the projected benefit obligation attributed to the current fiscal year is determined using the benefit formula method.

Prior service cost is amortized using the straight-line method over 10 years. Actuarial differences are recognized as expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

Some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit cost. This simplified method assumes the Company's retirement benefit obligations to be equivalent to the benefits that would be payable upon the voluntary retirement of all employees at the fiscal year-end to calculate net defined benefit liability and retirement benefit cost.

(15) Derivatives and hedge accounting

Derivative transactions are valued at fair value with changes in fair value included in current income.

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in JICPA Industry Audit Committee Report No. 24, February 13, 2002, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry." The effectiveness of hedging is assessed for (i) each identified group of hedged items, such as deposits, loans and similar instruments, and (ii) the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

For certain assets and liabilities, the Bank and its consolidated subsidiaries apply the exceptional treatment permitted for interest rate swaps.

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risk associated with various foreign currency denominated monetary assets and liabilities as stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risk of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency positions of the hedged monetary assets and liabilities and the hedging instruments.

The Bank also applies fair value hedge accounting to portfolio hedges of the foreign exchange risk associated with foreign currency denominated available-for-sale securities (other than bonds) identified as hedged items in advance as long as the amount of spot and forward foreign exchange contracts payable exceeds the acquisition costs of the hedged securities in foreign currency.

(16) Finance leases

In connection with finance leases as the lessor, sales and cost of sales are recognized at the time of receiving lease payment.

(17) Operating leases

As lessor under operating leases, lease related income is recognized on a straight-line basis over the full term of the lease based on the contractual amount of lease fees per month.

(18) Consumption taxes

National and local consumption taxes are accounted for mainly on a tax exclusion basis.

(19) Application of consolidated tax reporting

The Bank and its wholly owned consolidated subsidiaries have adopted a consolidated tax return system.

(20) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes the full exercise of outstanding warrants at the time of issuance.

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

(21) Accounting standards not yet adopted

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(a) Overview

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

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(b) Effective date

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

(c) Effects of the application of the standards

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

(22) Additional information

In the current fiscal year, the Bank introduces the share-based payments system using the trust for its directors (excluding the audit committee members) and executive officers with the aim of raising awareness of contribution to the medium to long-term performance and corporate value.

(a) Overview of transactions

The Trust acquires shares of the Bank using funds to be contributed by the Bank.

In accordance with the internal share delivery regulations set forth by the Board of Directors of the Bank, the Bank grants points to its directors (excluding the audit committee members) and executive officers. At the time of retirement, shares of the Bank and money will be delivered in accordance with the points through the Trust.

(b) Shares of the Bank held by the Trust

Shares of the Bank held by the Trust are recorded as treasury stock in Net assets at the book value in the Bank.

The book value of the trust is ¥231 million.

The number of shares of the Bank held by the Trust at the end of the current fiscal year was 300 thousand shares.

3. Stocks and Investments in Unconsolidated Subsidiaries and Affiliates

Stocks in unconsolidated subsidiaries and affiliates amounted to ¥75 million (\$675 thousand) at March 31, 2019.

Investments in unconsolidated subsidiaries and affiliates amounted to ¥94 million (\$846 thousand) and ¥96 million at March 31, 2019 and 2018, respectively.

4. Securities Lending Transactions

Japanese government bonds were included nil and ¥10,344 million at March 31, 2019 and 2018 respectively, of secured loan securities for which the borrowers had the right to sell or pledge.

5. Loans and Bills Discounted

Loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Loans to bankrupt customers	¥ 2,142	¥ 1,158	\$ 19,299
Non-accrual loans	52,652	47,402	474,385
Loans overdue three months or more	2,811	2,342	25,326
Restructured loans	15,883	15,749	143,102
Total	¥73,490	¥66,651	\$662,131

Loans to bankrupt customers are loans to customers who are undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest will be uncollectible.

Non-accrual loans are nonperforming loans that are not generating interest income because of nonpayment and for which accrued interest income is not recognized, excluding loans to bankrupt customers and loans on which interest payments are deferred in order to support the borrower's recovery from financial difficulties.

Loans overdue three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or deferral or waiver of interest and/or principal payments to support customers experiencing financial difficulties.

Amounts described above are before the deduction of reserve for possible loan losses.

6. Commercial Bills

Bills discounted are accounted for as financing transactions in accordance with JICPA's Industry Audit Committee Report No. 24, February 13, 2002, although the Bank has the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥26,475 million (\$238,535 thousand) and ¥26,842 million at March 31, 2019 and 2018, respectively.

7. Assets Pledged

Assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Securities	¥336,215	¥776,449	\$3,029,236
Loans	400,033	—	3,604,225
Total	¥736,248	¥776,449	\$6,633,462

The above pledged assets secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Deposits	¥10,283	¥ 6,071	\$ 92,647
Payables under repurchase agreements	49,820	77,434	448,869
Payables under securities lending transactions	76,968	226,150	693,467
Borrowed money	355,523	408,807	3,203,198

In addition to the above, assets pledged as collateral for transactions such as exchange settlement transactions and others were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Securities	¥ 441	¥28,122	\$ 3,973
Other assets	50,000	36,666	450,491

Other assets included cash collateral paid for financial instruments of ¥3,567 million (\$32,138 thousand), guarantees of ¥83 million (\$747 thousand) and security deposits of ¥285 million (\$2,567 thousand) at March 31, 2019. Other assets included cash collateral paid for financial instruments of ¥1,836 million, guarantees of ¥79 million and security deposits of ¥290 million at March 31, 2018.

8. Commitment Lines

Commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries will lend the funds upon the request of an obligor to draw down the funds under the loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances related to these loan agreements at March 31, 2019 and 2018 amounted to ¥1,186,205 million (\$10,687,494 thousand) and ¥1,118,661 million, respectively. Of these amounts, ¥1,050,558 million (\$9,465,339 thousand) and ¥1,016,612 million as of March 31, 2019 and 2018, respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the loan agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitments do not necessarily affect future cash flows.

Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit when there is cause to do so, such as when there is a change in the financial condition of the obligor or when it is necessary to protect the Bank's or a consolidated subsidiary's credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank and its consolidated subsidiaries' established internal procedures for confirming an obligor's financial condition, etc., at regular intervals.

9. Land Revaluation Excess

In accordance with the Revaluation Act of Land Properties, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The revaluation excess, net of deferred taxes, is shown as a separate component of net assets. The current market value of the revalued land was lower than the revalued amount by ¥15,801 million (\$142,364 thousand) and ¥17,497 million at March 31, 2019 and 2018, respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2019 and 2018 amounted to ¥54,375 million (\$489,909 thousand) and ¥54,779 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2019 and 2018 were ¥8,399 million (\$75,673 thousand) and ¥8,482 million, respectively.

11. Borrowed Money and Lease Liabilities

Borrowed money consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Borrowings from banks	¥365,856	¥419,341	\$3,296,296
Lease liabilities (due within one year)	288	356	2,594
Lease liabilities (due after one year)	627	446	5,649

The weighted average interest rates on the outstanding balances at March 31, 2019 and 2018 were as follows:

	2019	2018
Borrowings from banks	0.39%	0.18%
Lease liabilities (due within one year)	—	—
Lease liabilities (due after one year)	—	—

(Note) The "average interest rate" is not shown for lease obligations because the Bank uses a method in which amounts equal to the interest in the total capital lease obligations are spread equally over each fiscal year of the lease period.

The following is a summary of the maturities of borrowed money at March 31, 2019.

Year ended March 31:	Borrowings from banks		Lease liabilities	
	Millions of yen	Thousands of U.S. dollars (Note 1)	Millions of yen	Thousands of U.S. dollars (Note 1)
2020	¥358,872	\$3,233,372	¥288	\$2,594
2021	2,270	20,452	234	2,108
2022	1,746	15,731	82	738
2023	1,403	12,640	78	702
2024	743	6,694	74	666
Thereafter	820	7,388	158	1,423
Total	¥365,856	\$3,296,296	¥915	\$8,243

12. Guarantee Obligations

Guarantee obligations for private placement bonds in securities in accordance with the Article 2-3 of the Financial Instruments and Exchange Law amounted to ¥55,413 million (\$499,261 thousand) and ¥48,894 million at March 31, 2019 and 2018, respectively.

13. Acceptances and Guarantees

The principal amount of money trusts to be indemnified by the Bank and its consolidated subsidiaries was ¥31 million (\$279 thousand) and ¥39 million at March 31, 2019 and 2018, respectively.

14. General and Administrative Expenses

General and administrative expenses included salaries and allowances in the amount of ¥21,699 million (\$195,504 thousand) and ¥21,592 million at March 31, 2019 and 2018, respectively.

15. Other Expenses

Other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Loans written off	¥ 15	¥38	\$ 135
Securities written off	1,004	3	9,045

16. Consolidated Statements of Comprehensive Income

Reclassification adjustments and the related tax effects concerning other comprehensive income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net unrealized holding gains (losses) on securities			
Incurred during the period	¥ (6,419)	¥28,846	\$ (57,834)
Reclassification adjustments	(4,156)	(6,046)	(37,444)
Before tax effect adjustments	(10,575)	22,800	(95,278)
Tax effect	3,355	(7,224)	30,227
Net unrealized holding gains (losses) on securities	(7,220)	15,576	(65,050)
Net deferred gains (losses) on derivatives under hedge accounting			
Incurred during the period	(4,334)	(3,225)	(39,048)
Reclassification adjustments	3,895	2,585	35,093
Before tax effect adjustments	(439)	(640)	(3,955)
Tax effect	133	195	1,198
Net deferred gains (losses) on derivatives under hedge accounting	(305)	(444)	(2,747)
Remeasurements of defined benefit plans			
Incurred during the period	(7,771)	1,648	(70,015)
Reclassification adjustments	(704)	239	(6,342)
Before tax effect adjustments	(8,475)	1,887	(76,358)
Tax effect	2,585	(560)	23,290
Remeasurements of defined benefit plans	(5,890)	1,327	(53,067)
The total amount of other comprehensive income	¥(13,415)	¥16,458	\$(120,866)

17. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows included due from banks, except for deposits with the Bank of Japan, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash and due from banks in the balance sheets	¥809,668	¥728,327	\$7,294,963
Due from banks, except for deposits with the Bank of Japan	(1,278)	(2,169)	(11,514)
Cash and cash equivalents in the statements of cash flows	¥808,389	¥726,157	\$7,283,439

18. Lease Transactions

(1) Finance Leases

Finance leases that do not transfer ownership of the lease assets

(a) Details of lease assets

- (i) Tangible fixed assets
 - Automatic teller machines
- (ii) Intangible fixed assets
 - Not applicable

(b) The method of depreciation for lease assets

See Note 2(8), "SIGNIFICANT ACCOUNTING POLICIES - Tangible and intangible fixed assets and lease assets."

(2) Operating Leases

Future lease payment payables and receivables under noncancelable operating leases were as follows:

As lessee

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Due within one year	¥114	¥128	\$1,027
Due after one year	105	217	946
Total	¥219	¥346	\$1,973

As lessor

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Due within one year	¥ 68	¥ 43	\$ 612
Due after one year	205	139	1,847
Total	¥273	¥183	\$2,459

19. Financial Instruments

(1) Financial instruments

(a) Policy on financial instruments

The Bank and its consolidated subsidiaries engage mainly in the financial services business that includes deposit services and lending services and leasing services.

Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and undertakes asset and liability management (ALM) in order to curb any unfavorable impact from interest rate fluctuations. The Bank also engages in derivative transactions as part of its ALM.

(b) Descriptions and risks of financial instruments

The financial assets of the Bank and its consolidated subsidiaries consist mainly of loans to customers, which are subject to default risk. Also, the Bank holds securities that are mainly stocks, bonds and mutual funds for investment, management or trading purposes. They are subject to the issuer's credit risk, interest rate risk and market price risk.

The foreign currency denominated financial assets and liabilities are subject to foreign currency risk. The Bank uses currency swaps to manage the risk.

The Bank's derivative transactions include interest rate swaps. The Bank applies hedge accounting to the interest on loans to hedge interest rate risks regarding the interest rate swaps as hedge instruments. The effectiveness is ensured by maintaining a balance of hedge instruments that does not exceed the balance of the hedged items, which are grouped by incidence and remaining period.

Other transactions not qualifying for hedge accounting expose the Bank to foreign exchange and interest rate risks.

(c) Risk management system for financial products

(i) Credit risk management

The Bank prescribes its credit risk management policy in its "Risk Management Plan," which is issued by the Board of Directors biannually. In particular, the Bank diversifies credit risk by ensuring that credit granted is not overconcentrated in certain customers, groups or industries. The Bank periodically analyzes and evaluates the credit conditions classified by internal ratings, business area and industry. The Bank strives to optimize its credit portfolio by promoting effective credit risk management. Feedback regarding credit risk management is reported to the Board of Directors on a regular basis.

The Bank manages each customer's credit in compliance with its "Internal Rating System," part of the Bank's credit risk management. The Risk Management Division (RMD), which is completely independent from other banking business divisions, is responsible for planning and administering the internal rating system and conducting, coordinating and monitoring the internal ratings. The Loan Group is responsible for supervising the individual credit granted and examining each customers' finances, purpose for the loan and ability to repay. The group is independent from the business promotion group and is divided into four divisions: the Credit Division - responsible for general loans, the Ship Finance Division - responsible for the loans such as loans in the shipping and shipbuilding industries, the Credit Management Division - responsible for the planning of loan administration and troubled credit and the Corporate Consulting Division - responsible for supporting company rehabilitation. The assets are initially assessed by each branch and then by the head office, followed by a validation by RMD, which is also responsible for the formulation of the assessment standards.

The credit granted by the consolidated subsidiaries is managed for each customer along with the credit granted by the Bank. RMD also manages the credit risk of issuers and counterparty risk in derivative transactions by monitoring and periodically evaluating credit information and market prices.

(ii) Market risk management

In order to properly manage market risk and maintain the Bank's soundness and profitability, the Bank has established a comprehensive risk management structure set forth by the ALM Committee. The ALM Committee uses various measures such as the gap method, market value analysis, periodic income/loss simulation and the VaR method to control risk. The ALM Committee also coordinates risk management plans and hedging strategies by analyzing the profitability structure and

forecasting the market and the economic environment. RMD, set up as an independent supervisor, evaluates the appropriateness of market transactions dealt with by other divisions.

The Bank sets limits on the quantity of risk that may be undertaken in its "Risk Management Plan," which is developed by the Board of Directors biannually. RMD monitors compliance with the plan and reports to the Board of Directors monthly.

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance-covariance model (holding period: 120 business days; confidence interval: 99.9%; and historical observation period: 1,200 business days) is applied in the measurement of VaR.

The major market risks for the Bank are equity risk and interest rate risk. Financial instruments affected by interest rate risk are loans and bills discounted, available-for-sale securities, deposits, borrowed money, interest swap transactions and interest rate cap derivative transactions.

At March 31, 2019 and 2018, the quantity of market risk (expected loss), which included equity risk and interest rate risk, amounted to ¥139.3 billion (\$1,255 million) and ¥225.6 billion, respectively.

The Bank confirms the validity of the measurement model by biannually performing back-testing, which compares VaR with actual fluctuations in profit and loss during the observation period. However, VaR, the quantity of market risk which is statistically measured with historical market fluctuations, may not reflect drastic changes in the market.

(iii) Liquidity risk management

The liquidity risk management of the Bank is conducted through asset-liability management (ALM) and the duration of funds procured with consideration for the market environment.

(d) Supplementary explanation of matters related to fair values of financial instruments and others

The fair values of financial instruments include values based on market prices and values reasonably estimated when the financial instruments do not have market prices. Since certain assumptions underlie the estimates of such values, the values may differ when other assumptions are applied.

(2) Fair values of financial instruments

The following tables summarize book values, fair values and any differences between them. Unlisted stocks and others for which the fair value was deemed extremely difficult to determine were excluded from the table below (see Note ii).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2019			2019		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 809,668	¥ 809,668	¥ —	\$ 7,294,963	\$ 7,294,963	\$ —
(2) Call loans and bills purchased	—	—	—	—	—	—
(3) Monetary claims purchased	10,921	10,921	—	98,396	98,396	—
(4) Trading account securities						
Trading securities	349	349	—	3,144	3,144	—
(5) Money held in trust	6,494	6,494	—	58,509	58,509	—
(6) Securities						
Available-for-sale securities	1,555,923	1,555,923	—	14,018,587	14,018,587	—
(7) Loans and bills discounted	4,527,810	4,473,089	—	40,794,756	40,301,729	—
Reserve for loan losses (*1)	(26,114)			(235,282)		
	4,501,696	4,473,089	(28,606)	40,559,473	40,301,729	(257,734)
Total Assets	¥6,885,053	¥6,856,447	¥(28,606)	\$62,033,093	\$61,775,358	\$(257,734)
(1) Deposits	¥5,228,365	¥5,229,025	¥ 659	\$47,106,631	\$47,112,577	\$ 5,937
(2) Negotiable certificates of deposit	459,656	459,656	0	4,141,418	4,141,418	(0)
(3) Call money and bills sold	178,313	178,313	—	1,606,568	1,606,568	—
(4) Payables under repurchase agreements	49,820	49,820	—	448,869	448,869	—
(5) Payables under securities lending transactions	76,968	76,968	—	693,467	693,467	—
(6) Borrowed money	365,856	366,014	158	3,296,296	3,297,720	1,423
Total Liabilities	¥6,358,979	¥6,359,798	¥ 818	\$57,293,260	\$57,300,639	\$ 7,370
Derivative Transactions (*2)						
Derivative transactions to which hedge accounting is not applied	¥ 1,071	¥ 1,071	¥ —	\$ 9,649	\$ 9,649	\$ —
Derivative transactions to which hedge accounting is applied	(4,494)	(4,494)	—	(40,490)	(40,490)	—
Total Derivative Transactions	¥ (3,423)	¥ (3,423)	¥ —	\$ (30,840)	\$ (30,840)	\$ —

(*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(*3) Immaterial items are omitted.

	Millions of yen		
	2018		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 728,327	¥ 728,327	¥ —
(2) Call loans and bills purchased	23,479	23,479	—
(3) Monetary claims purchased	10,247	10,247	—
(4) Trading account securities			
Trading securities	465	465	—
(5) Money held in trust	6,337	6,337	—
(6) Securities			
Available-for-sale securities	1,799,281	1,799,281	—
(7) Loans and bills discounted	4,269,697	4,220,813	
Reserve for loan losses (*1)	(22,946)		
	4,246,750	4,220,813	(25,937)
Total Assets	¥6,814,889	¥6,788,951	¥(25,937)
(1) Deposits	¥5,084,173	¥5,084,055	¥ (117)
(2) Negotiable certificates of deposit	441,225	441,224	0
(3) Call money and bills sold	25,497	25,497	—
(4) Payables under repurchase agreements	77,434	77,434	—
(5) Payables under securities lending transactions	226,150	226,150	—
(6) Borrowed money	419,341	419,430	89
Total Liabilities	¥6,273,822	¥6,273,793	¥ (28)
Derivative Transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ 1,516	¥ 1,516	¥ —
Derivative transactions to which hedge accounting is applied	536	536	—
Total Derivative Transactions	¥ 2,052	¥ 2,052	¥ —

(*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(*3) Immaterial items are omitted.

Note i. Methods used to calculate fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity is considered equal to the book value since the fair value approximates the book value. The fair value of due from banks with maturity is calculated as the present value discounted at rates that reflect the proper market risk and credit risk per contractual terms. The fair value of due from banks with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

(2) Call loans and bills purchased

The fair value of call loans and bills purchased is considered equal to the book value since the contractual term is within one year and the fair value approximates the book value.

(3) Monetary claims purchased

The fair value of trustee beneficial rights in monetary claims purchased is based on the price quoted by correspondent financial institutions. For monetary claims purchased with short contractual terms (within one year), the fair value is considered equal to the book value since the fair value approximates the book value.

(4) Trading account securities

The fair value of securities such as bonds held for trading is based on the market price or the price quoted by correspondent financial institutions.

(5) Money held in trust

The fair value of money held in trust is based on the price quoted by correspondent financial institutions. Information on money held in trust classified by the purpose for which it is held is disclosed in Note 21, "MONEY HELD IN TRUST."

(6) Securities

The fair value of stocks is based on market price. The fair value of bonds is based on market price or the price quoted by correspondent financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated as the present value discounted at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating.

Information on securities classified by the purpose for which they are held is disclosed in Note 20, "SECURITIES."

(7) Loans and bills discounted

The fair value of loans and bills discounted with floating rates are considered equal to the book value since the rate reflects the market rate in a short period and the fair value approximates the book value, unless the creditworthiness of the borrower changes significantly after the inception date. The fair value of loans and bills discounted with fixed rates is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within one year) is considered equal to the book value since the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debt since the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees.

For loans and bills discounted, the fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

Liabilities

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

The fair value of demand deposits is considered the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits is calculated as the present value, discounting the future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. The fair value of deposits with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

(3) Call money and bills sold (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair value of call money, bills sold and payables under securities lending transactions is considered equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

(6) Borrowed money

The fair value of borrowed money with a floating rate is considered equal to the book value since the rate reflects the market rate in a short period, the creditworthiness of the Bank and its consolidated subsidiaries has not changed significantly since the inception date and the fair value of these items approximates the book values.

The fair value of borrowed money with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank.

Derivative Transactions

Information on derivative transactions is disclosed in Note 23, "Derivative Transactions."

Note ii. Financial instruments whose fair value is deemed extremely difficult to determine are not included in "Available-for-sale securities" in the table above.

Category	Consolidated balance sheet amount (2019)	
	Millions of yen	Thousands of U.S. dollars (Note 1)
Unlisted stocks (*1) (*2)	¥12,476	\$112,406
Investments in partnerships (*3)	6,449	58,104
Total	¥18,925	\$170,510

(*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(*2) The amount of impairment on unlisted stock during the year ended March 31, 2019 was ¥1 million (\$9 thousand).

(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Category	Consolidated balance sheet amount (2018)	
	Millions of yen	
Unlisted stocks (*1) (*2)	¥13,042	
Investments in partnerships (*3)	3,230	
Total	¥16,273	

(*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(*2) The amount of impairment on unlisted stock during the year ended March 31, 2018 was ¥3 million.

(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Note iii. Expected redemption of monetary claims and securities with maturities

	Millions of yen					
	2019					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 761,918	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	—	—	—	—	—	—
Monetary claims purchased	4,323	—	173	1,800	—	4,503
Securities	155,695	373,276	84,768	141,199	236,887	79,418
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	155,695	373,276	84,768	141,199	236,887	79,418
Japanese government bonds	90,700	257,100	—	63,500	3,500	16,000
Municipal bonds	24,993	48,802	25,806	35,151	73,487	36,563
Corporate bonds	19,962	34,465	29,393	9,533	1,797	4,880
Loans and bills discounted (*)	1,145,924	828,922	626,203	477,829	490,230	867,610
Total	¥2,067,861	¥1,202,199	¥711,145	¥620,828	¥727,118	¥951,532

	Millions of yen					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 681,662	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	23,479	—	—	—	—	—
Monetary claims purchased	4,271	—	247	393	—	5,302
Securities	128,352	426,794	201,702	94,135	391,312	66,835
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	128,352	426,794	201,702	94,135	391,312	66,835
Japanese government bonds	54,000	289,700	91,100	9,500	100,500	17,000
Municipal bonds	38,019	40,857	39,570	18,840	64,288	36,903
Corporate bonds	18,217	36,388	26,921	13,161	8,711	5,094
Loans and bills discounted (*)	1,053,188	814,868	612,718	429,003	477,719	795,478
Total	¥1,890,953	¥1,241,662	¥814,668	¥523,533	¥869,032	¥867,616

Thousands of U.S. dollars (Note 1)

	2019					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	\$ 6,864,744	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	—	—	—	—	—	—
Monetary claims purchased	38,949	—	1,558	16,217	—	40,571
Securities	1,402,784	3,363,149	763,744	1,272,177	2,134,309	715,541
Held-to-maturity debt securities	—	—	—	—	—	—
Securities with maturities	1,402,784	3,363,149	763,744	1,272,177	2,134,309	715,541
Japanese government bonds	817,190	2,316,424	—	572,123	31,534	144,157
Municipal bonds	225,182	439,697	232,507	316,704	662,104	329,426
Corporate bonds	179,854	310,523	264,825	85,890	16,190	43,967
Loans and bills discounted (*)	10,324,569	7,468,438	5,641,976	4,305,153	4,416,884	7,817,010
Total	\$18,631,056	\$10,831,597	\$6,407,288	\$5,593,548	\$6,551,202	\$8,573,132

(*) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors amounted to ¥54,795 million (\$493,693 thousand) and ¥48,560 million at March 31, 2019 and 2018, respectively and loans and bills with no maturities amounted to ¥36,295 million (\$327,011 thousand) and ¥38,158 million at March 31, 2019 and 2018, respectively.

Note iv. Amounts to be repaid for borrowed money and other interest bearing liabilities

	Millions of yen					
	2019					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,838,849	¥348,674	¥36,992	¥2,395	¥1,453	¥ —
Certificates of deposit	457,826	1,830	—	—	—	—
Call money and bills sold	178,313	—	—	—	—	—
Payables under repurchase agreements	49,820	—	—	—	—	—
Payables under securities lending transactions	76,968	—	—	—	—	—
Borrowed money	358,872	4,016	2,146	385	264	170
Total	¥5,960,650	¥354,521	¥39,138	¥2,781	¥1,717	¥170

	Millions of yen					
	2018					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥4,704,290	¥338,318	¥37,188	¥1,923	¥2,451	¥ —
Certificates of deposit	440,905	320	—	—	—	—
Call money and bills sold	25,497	—	—	—	—	—
Payables under repurchase agreements	77,434	—	—	—	—	—
Payables under securities lending transactions	226,150	—	—	—	—	—
Borrowed money	412,183	4,284	1,766	522	342	242
Total	¥5,886,462	¥342,923	¥38,955	¥2,445	¥2,794	¥242

	Thousands of U.S. dollars (Note 1)					
	2019					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	\$43,597,161	\$3,141,490	\$333,291	\$21,578	\$13,091	\$ —
Certificates of deposit	4,124,930	16,487	—	—	—	—
Call money and bills sold	1,606,568	—	—	—	—	—
Payables under repurchase agreements	448,869	—	—	—	—	—
Payables under securities lending transactions	693,467	—	—	—	—	—
Borrowed money	3,233,372	36,183	19,335	3,468	2,378	1,531
Total	\$53,704,387	\$3,194,170	\$352,626	\$25,056	\$15,469	\$1,531

(*) Demand deposits are included in "Within 1 year."

20. Securities

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2019.

(a) Trading securities:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2019
Unrealized gains (losses) included in profit and loss for the fiscal year	¥(4)	\$(36)

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2019			2019		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with unrealized gains						
Equity securities	¥ 285,418	¥ 81,193	¥204,224	\$ 2,571,565	\$ 731,534	\$1,840,021
Bonds	787,329	766,468	20,861	7,093,693	6,905,739	187,953
Japanese government bonds	438,138	427,245	10,893	3,947,544	3,849,400	98,143
Municipal bonds	252,660	244,999	7,661	2,276,421	2,207,397	69,024
Corporate bonds	96,530	94,224	2,306	869,717	848,941	20,776
Other	357,278	340,206	17,071	3,219,010	3,065,195	153,806
Total	¥1,430,026	¥1,187,868	¥242,158	\$12,884,277	\$10,702,477	\$2,181,800
Securities with unrealized losses						
Equity securities	¥ 6,685	¥ 8,282	¥ (1,597)	\$ 60,230	\$ 74,619	\$ (14,388)
Bonds	32,454	32,749	(294)	292,404	295,062	(2,648)
Japanese government bonds	6,263	6,267	(4)	56,428	56,464	(36)
Municipal bonds	—	—	—	—	—	—
Corporate bonds	26,191	26,481	(290)	235,976	238,589	(2,612)
Other	93,390	95,848	(2,458)	841,427	863,573	(22,146)
Total	132,530	136,880	(4,350)	1,194,071	1,233,264	(39,192)
Total	¥1,562,556	¥1,324,749	¥237,807	\$14,078,349	\$11,935,750	\$2,142,598

(d) Available-for-sale securities sold in the year ended March 31, 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2019			2019		
	Amount sold	Gains	Losses	Amount sold	Gains	Losses
Equity securities	¥ 7,760	¥4,964	¥ 0	\$ 69,916	\$44,724	\$ 0
Bonds	84,039	262	86	757,176	2,360	774
Japanese government bonds	77,929	255	73	702,126	2,297	657
Corporate bonds	6,109	7	13	55,040	63	117
Other	188,560	4,014	3,920	1,698,891	36,165	35,318
Total	¥280,360	¥9,241	¥4,007	\$2,525,993	\$83,259	\$36,102

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) for the year ended March 31, 2019 was ¥1,086 million (\$9,784 thousand), including ¥1,002 million (\$9,027 thousand) of equity securities and ¥83 million (\$747 thousand) of bonds. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the quoted market price change during a certain period in the past, business performance and other factors.

(2) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2018.

(a) Trading securities:

	Millions of yen
	2018
Unrealized gains (losses) included in profit and loss for the fiscal year	¥(4)

(b) Held-to-maturity debt securities:

None

(c) Available-for-sale securities:

	Millions of yen		
	2018		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Equity securities	¥ 306,191	¥ 87,661	¥218,529
Bonds	859,598	834,240	25,357
Japanese government bonds	581,416	565,250	16,165
Municipal bonds	185,598	178,829	6,769
Corporate bonds	92,583	90,160	2,422
Other	246,454	232,134	14,319
Total	¥1,412,245	¥1,154,037	¥258,207
Securities with unrealized losses			
Equity securities	¥ 3,851	¥ 4,605	¥ (754)
Bonds	98,141	98,881	(740)
Japanese government bonds	—	—	—
Municipal bonds	59,636	59,877	(240)
Corporate bonds	38,504	39,004	(499)
Other	291,045	299,310	(8,265)
Total	393,037	402,797	(9,760)
Total	¥1,805,282	¥1,556,835	¥248,447

(d) Available-for-sale securities sold in the year ended March 31, 2018

	Millions of yen		
	2018		
	Amount sold	Gains	Losses
Equity securities	¥ 10,526	¥6,182	¥ 25
Bonds	28,891	39	—
Japanese government bonds	28,825	39	—
Corporate bonds	66	0	—
Other	87,196	863	601
Total	¥126,614	¥7,085	¥626

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) for the year ended March 31, 2018 was ¥337 million. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the quoted market price change during a certain period in the past, business performance and other factors.

21. Money Held in Trust

The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses for money held in trust included in profit and loss for the fiscal year.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Money held in trust for investment			
Book value (fair value)	¥2,994	¥2,994	\$26,975
Amount of net unrealized gain (loss) included in profit and loss for the fiscal year	¥ (0)	¥ —	\$ (0)
Other money held in trust			
Book value (fair value)	3,500	3,343	31,534
Acquisition cost	2,974	2,880	26,795
Difference	526	462	4,739
Unrealized gains	526	480	4,739
Unrealized losses	—	18	—

22. Unrealized Holding Gains on Securities

Unrealized holding gains on securities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Valuation gains			
Available-for-sale securities	¥237,807	¥248,447	\$2,142,598
Other money held in trust	526	462	4,739
Deferred tax liabilities	(72,771)	(76,127)	(655,653)
Net unrealized holding gains on securities (before adjustment for minority interests)	165,562	172,782	1,491,683
Noncontrolling interests	(4,866)	(6,079)	(43,841)
Net unrealized holding gains on securities	¥160,696	¥166,703	\$1,447,842

23. Derivative Transactions

(1) At March 31, 2019

(a) Derivative transactions to which hedge accounting was not applied

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2019				2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Swaps:								
Receive fixed rate and pay floating rate	¥50,901	¥33,985	¥1,035	¥1,035	\$458,608	\$306,198	\$ 9,325	\$ 9,325
Receive floating rate and pay fixed rate	50,890	33,985	(847)	(847)	458,509	306,198	(7,631)	(7,631)
Total	—	—	¥ 187	¥ 187	—	—	\$ 1,684	\$ 1,684

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(ii) Currency and foreign exchange contracts

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2019				2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:	¥547,099	¥420,837	¥ 166	¥ 166	\$4,929,263	\$3,791,665	\$ 1,495	\$ 1,495
Forward exchange contracts:								
Sell	123,538	13,781	479	479	1,113,055	124,164	4,315	4,315
Buy	87,327	13,882	241	241	786,800	125,074	2,171	2,171
Currency options:								
Sell	69,154	50,208	(2,200)	376	623,065	452,365	(19,821)	3,387
Buy	69,154	50,208	2,200	213	623,065	452,365	19,821	1,919
Total	—	—	¥ 888	¥1,478	—	—	\$ 8,000	\$13,316

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on discounted present value.

(iii) Credit derivatives

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2019				2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Credit default swaps								
Sell	¥1,000	¥1,000	¥(4)	¥(4)	\$9,009	\$9,009	\$(36)	\$(36)
Buy	—	—	—	—	—	—	—	—
Total	—	—	¥(4)	¥(4)	—	—	\$(36)	\$(36)

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(iv) Others

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2019				2019			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:								
Earthquake derivatives								
Sell	¥2,260	¥—	¥(37)	¥—	\$20,362	\$—	\$(333)	\$—
Buy	2,260	—	37	—	20,362	—	333	—
Total	—	—	—	—	—	—	—	—

Transactions above for which the values were not readily determinable are stated at cost.

(b) Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Currency and foreign exchange contracts

	Hedged item	Millions of yen			Thousands of U.S. dollars (Note 1)		
		2019			2019		
		Contract amount	Portion maturing over one year	Fair value	Contract amount	Portion maturing over one year	Fair value
Method of hedge accounting							
Currency swaps	Foreign currency	¥161,992	¥116,336	¥(4,507)	\$1,459,518	\$1,048,166	\$(40,607)
Fund related swaps	monetary assets	36,510	—	13	328,948	—	117
Total		—	—	¥(4,494)	—	—	\$(40,490)

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.

(2) At March 31, 2018

(a) *Derivative transactions to which hedge accounting was not applied*

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Interest rate contracts

	Millions of yen			
	2018			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Swaps:				
Receive fixed rate and pay floating rate	¥45,966	¥45,091	¥ 980	¥ 980
Receive floating rate and pay fixed rate	45,872	45,077	(802)	(802)
Total	—	—	¥ 177	¥ 177

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

(ii) Currency and foreign exchange contracts

	Millions of yen			
	2018			
	Contract amount	Portion maturing over one year	Fair value	Recognized gains (losses)
Over-the-counter transactions:				
Currency swaps	¥530,258	¥246,737	¥ 148	¥ 148
Forward exchange contracts:				
Sell	169,832	7,882	1,643	1,643
Buy	35,748	7,648	(453)	(453)
Currency options:				
Sell	58,513	42,108	(2,470)	(126)
Buy	58,513	42,108	2,470	643
Total	—	—	¥ 1,338	¥1,855

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on discounted present value.

(iii) Credit derivatives

Not applicable

(iv) Others

Not applicable

(b) *Derivative transactions to which hedge accounting was applied*

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

(i) Currency and foreign exchange contracts

Method of hedge accounting	Hedged item	Millions of yen		
		2018		
		Contract amount	Portion maturing over one year	Fair value
Currency swaps	Foreign currency	¥131,211	¥119,281	¥226
Fund related swaps	monetary assets	70,383	—	309
Total		—	—	¥536

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value was calculated based on the discounted present value.

24. Retirement Benefits

(a) Outline of retirement and severance benefits plans

The retirement benefit plans of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system. Extra retirement benefits may be paid upon the retirement of employees. In addition, the Bank set up a retirement benefit trust. On April 1, 2014, the Bank transformed its corporate pension fund plan to a cash balance plan and established a defined contribution pension plan. Consolidated subsidiaries use the simplified method in calculating net defined benefit liability and retirement benefit expenses for their retirement lump-sum grant systems.

(b) Defined benefit plan

(i) Reconciliation of retirement benefit obligations between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Retirement benefit obligations at the beginning of the period	¥66,616	¥66,341	\$600,198
Service cost	2,178	2,073	19,623
Interest cost	154	204	1,387
Actuarial differences incurred	7,866	1,144	70,871
Retirement benefits paid	(3,233)	(2,963)	(29,128)
Prior service cost	—	(183)	—
Retirement benefit obligations at the end of the period	73,581	66,616	662,951

(ii) Reconciliation of pension assets between the beginning and the end of the period

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Pension assets at the beginning of the period	¥77,278	¥73,259	\$696,260
Expected return on pension assets	1,028	986	9,262
Actuarial differences incurred	94	2,611	846
Employer's contributions	2,579	2,553	23,236
Retirement benefits paid	(2,181)	(2,133)	(19,650)
Pension assets at the end of the period	78,800	77,278	709,973

(Note) Pension assets include assets in the retirement benefit trust.

(iii) Reconciliation of retirement benefit obligations and pension assets at the end of the period to net defined benefit liability and net defined benefit asset in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Retirement benefit obligations of the savings plan	¥ 73,200	¥ 66,262	\$ 659,518
Pension assets	(78,800)	(77,278)	(709,973)
	(5,600)	(11,016)	(50,454)
Retirement benefit obligations of the non-savings plan	381	354	3,432
Net liabilities and assets recorded on the consolidated balance sheets	(5,218)	(10,661)	(47,013)
Net defined benefit liability	12,281	12,502	110,649
Net defined benefit asset	(17,500)	(23,164)	(157,671)
Net liabilities and assets on the consolidated balance sheets	(5,218)	(10,661)	(47,013)

(Note) Pension assets include assets in the retirement benefit trust.

(iv) Retirement benefit cost and its breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Service cost	¥ 1,989	¥1,888	\$17,920
Interest cost	154	204	1,387
Expected return on pension assets	(1,028)	(986)	(9,262)
Recognized actuarial differences	(107)	818	(964)
Amortization of prior service cost	(597)	(581)	(5,378)
	410	1,343	3,694

(Note 1) Retirement benefit costs of consolidated subsidiaries using the simplified method are included in "Service cost."

(Note 2) Employee contribution to the corporate pension fund is deducted from "Service cost."

(v) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Prior service cost	¥ (597)	¥ (398)	\$ (5,378)
Actuarial differences	(7,878)	2,286	(70,979)
Total	(8,475)	1,887	(76,358)

(vi) Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Unrecognized prior service cost	¥(3,253)	¥(3,850)	\$(29,308)
Unrecognized actuarial differences	2,132	(5,746)	19,208
Total	(1,120)	(9,596)	(10,090)

(vii) Pension assets

(A) Pension asset portfolio

	2019	2018
Bonds	50.9%	50.8%
Equity securities	42.1%	42.7%
Other	7.0%	6.5%
Total	100.0%	100.0%

(Note) 29.7% of the total pension assets as of March 31, 2019 (29.9% as of March 31, 2018) represent assets in the retirement benefit trust for the corporate pension fund. 3.6% of which as of March 31, 2019 (3.6% as of March 31, 2018) corresponds to the lump-sum grants system.

(B) Determination of the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined based on the average investment yield on the pension assets for the past three years. When the average rate is below 1.25% or above 2.0%, it is stated as 1.25% and 2.0%, respectively.

(viii) Actuarial assumptions

The weighted average rate for assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
(A) Discount rates		
Retirement lump-sum grant system	0.00%	0.00%
Corporate pension fund plans	0.20%	0.30%
(B) Long-term expected return on assets		
Pension assets of corporate pension fund	2.00%	2.00%
Retirement benefit trust (Retirement lump-sum grant system and corporate pension fund plans)	0.00%	0.00%

(Note) A point system is applied to the substantive portion of the retirement lump-sum grant system and a cash balance plan to defined benefit corporate pension fund plans, respectively. The "Estimate rate of salary increase" is not disclosed due to the insignificant impact it would have on the calculation of retirement benefit obligations.

(c) Defined contribution plan

The amount of required contribution by the Bank to the defined contribution plan was ¥340 million (\$3,063 thousand) and ¥333 million at March 31, 2019 and 2018, respectively.

25. Stock Options

(1) Stock options to be expensed

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
General and administrative expenses	¥30	¥119	\$270

(Note) At the 115th Ordinary General Meeting of Shareholders held on Jun. 28, 2018, the Bank abolished compensation-type stock options and introduced a share-based payments system using the trust.

In line with the introduction of this system, the Bank will not grant new stock options. However, the unexercised stock acquisition rights already granted as stock options will continue to exist.

(2) Outline of stock options and changes

(a) Outline of stock options

	2017 Stock Options	2016 Stock Options	2015 Stock Options	2014 Stock Options	2013 Stock Options	2012 Stock Options	2011 Stock Options
Title and number of grantees	Directors of the Bank: 8 Executive Officers of the Bank: 12	Directors of the Bank: 7 Executive Officers of the Bank: 15	Directors of the Bank: 7 Executive Officers of the Bank: 14	Directors of the Bank: 16 Executive Officers of the Bank: 4	Directors of the Bank: 18	Directors of the Bank: 17	Directors of the Bank: 17
Number of stock options (*)	Common shares: 140,900	Common shares: 184,600	Common shares: 79,500	Common shares: 123,100	Common shares: 140,900	Common shares: 199,500	Common shares: 156,800
Grant date	July 14, 2017	July 15, 2016	July 15, 2015	July 16, 2014	July 16, 2013	July 17, 2012	July 15, 2011
Conditions for vesting	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Exercise period	July 15, 2017 to July 14, 2047	July 16, 2016 to July 15, 2046	July 16, 2015 to July 15, 2045	July 17, 2014 to July 16, 2044	July 17, 2013 to July 16, 2043	July 18, 2012 to July 17, 2042	July 16, 2011 to July 15, 2041

(*) Reported in terms of shares of stock

(b) Stock options granted and changes

The table below represents stock options outstanding at the year-end and the number of stock options is converted into the number of stock.

(i) Number of stock options

	2017 Stock Options shares	2016 Stock Options shares	2015 Stock Options shares	2014 Stock Options shares	2013 Stock Options shares	2012 Stock Options shares	2011 Stock Options shares
Before vesting							
Previous fiscal year-end	140,900	146,300	57,700	73,100	59,900	80,300	45,100
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	26,600	27,200	12,000	14,500	12,400	18,300	11,000
Outstanding	114,300	119,100	45,700	58,600	47,500	62,000	34,100
After vesting							
Previous fiscal year-end	—	—	—	—	—	—	—
Vested	26,600	27,200	16,900	14,500	12,400	18,300	11,000
Exercised	26,600	27,200	16,900	14,500	12,400	18,300	11,000
Forfeited	—	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—	—

(ii) Price information

	2017 Stock Options Yen (U.S. dollars)	2016 Stock Options Yen (U.S. dollars)	2015 Stock Options Yen (U.S. dollars)	2014 Stock Options Yen (U.S. dollars)	2013 Stock Options Yen (U.S. dollars)	2012 Stock Options Yen (U.S. dollars)	2011 Stock Options Yen (U.S. dollars)
Exercise price	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share	¥ 1 (\$0) per share
Average exercise price	¥695 (\$6) per share	¥695 (\$6) per share	¥ 695 (\$6) per share	¥695 (\$6) per share	¥695 (\$6) per share	¥695 (\$6) per share	¥695 (\$6) per share
Fair value at the grant date	¥867 (\$7) per share	¥601 (\$5) per share	¥1,473 (\$13) per share	¥989 (\$8) per share	¥918 (\$8) per share	¥550 (\$4) per share	¥704 (\$6) per share

26. Income Taxes

Income taxes in the consolidated statement of income consists of corporation tax, inhabitant tax and enterprise tax.

The statutory tax rate were approximately 30.5% and 30.7% as of March 31, 2019 and 2018, respectively.

(1) Reconciliation between the statutory tax rate of the Bank and the effective income tax rate is not disclosed as the difference is less than 5% of the statutory tax rate.

(2) Adjustments to deferred tax assets and deferred tax liabilities as a result of revisions of income tax rates

With the enactment of certain laws, the timing of abolishment and revision of related tax rates was postponed from the consolidated fiscal year starting on or after April 1, 2017 to October 1, 2019. The effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities did not change but there was a reclassification between the national tax and the local tax. Effects of this change on the consolidated financial statements were immaterial.

Significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Deferred tax assets:			
Excess reserve for loan losses	¥ 13,171	¥ 12,884	\$ 118,668
Reserve for losses on repayments on dormant bank accounts	1,049	928	9,451
Net defined benefit liability	966	—	8,703
Impairment loss on land	576	546	5,189
Excess depreciation	541	626	4,874
Accrued employees' bonuses	507	504	4,567
Write-down of securities	406	411	3,657
Other	2,726	2,566	24,560
Valuation reserve	(990)	(964)	(8,919)
Total deferred tax assets	18,956	17,502	170,790
Deferred tax liabilities:			
Unrealized holding gains on securities	¥(72,689)	¥(76,026)	\$(654,914)
Deferred gains on real property	(904)	(906)	(8,144)
Retirement benefit asset	—	(806)	—
Total deferred tax liabilities	(73,593)	(77,739)	(663,059)
Net deferred tax liabilities:	¥(54,637)	¥(60,237)	\$(492,269)

27. Segment Information

(1) Summary of reportable segments

Reportable segments are components of the Bank and its consolidated subsidiaries for which separate financial information is available and is subject to periodic examination by the Board of Directors to determine the allocation of management resources and assess performances.

The Bank and 15 consolidated subsidiaries (13 consolidated subsidiaries as of March 31, 2018) are engaged mainly in the financial services business that includes commercial banking services and leasing services. Therefore, the Bank and its consolidated subsidiaries' reportable segments comprise 'Commercial Banking' and 'Leasing' and are distinguished by the financial services provided. 'Commercial Banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial Banking' represents the Bank's banking service as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management services. 'Leasing' includes leasing services by Iyogin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Methods used to calculate ordinary income, profit and loss, amounts of assets, debt and other items by reportable segment

The accounting policies in Note 2, "SIGNIFICANT ACCOUNTING POLICIES," have been adopted for the reportable segments. Reportable segment profit corresponds to ordinary profits. Ordinary income arising from intersegment transactions is based on arm's length prices.

(3) Information about reported ordinary income, profits and losses, amounts of assets, debts and other items

Segment information as of and for the years ended March 31, 2019 and 2018 was as follows:

	Millions of yen						
	2019						
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial Banking	Leasing	Total				
Ordinary income							
Customers	¥ 107,879	¥16,301	¥ 124,180	¥ 2,106	¥ 126,286	¥ —	¥ 126,286
Intersegment	537	483	1,021	2,160	3,181	(3,181)	—
Total	¥ 108,416	¥16,784	¥ 125,201	¥ 4,266	¥ 129,468	¥ (3,181)	¥ 126,286
Segment profit	¥ 28,362	¥ 192	¥ 28,554	¥ 71	¥ 28,626	¥ (32)	¥ 28,658
Segment assets	¥7,145,436	¥55,124	¥7,200,560	¥11,166	¥7,211,726	¥(46,071)	¥7,165,655
Segment debt	¥6,512,183	¥36,964	¥6,549,148	¥ 4,646	¥6,553,794	¥(36,466)	¥6,517,327
Other items							
Depreciation	¥ 4,484	¥ 32	¥ 4,517	¥ 68	¥ 4,586	¥ (156)	¥ 4,430
Interest income received	78,126	106	78,232	4	78,237	(117)	78,119
Interest expense paid	11,555	124	11,679	0	11,680	(104)	11,575
Extraordinary income	5	—	5	—	5	—	5
Gain on disposal of noncurrent assets	(5)	—	(5)	—	(5)	—	(5)
Extraordinary losses	533	—	533	1	535	—	535
Losses on disposal of fixed assets	(302)	—	(302)	(0)	(303)	—	(303)
Impairment loss	(231)	—	(231)	—	(231)	—	(231)
Provision of reserve for financial products transaction liabilities	—	—	—	(0)	(0)	—	(0)
Tax expense	8,265	59	8,325	51	8,376	(2)	8,374
Increase in tangible fixed assets and intangible fixed assets	7,535	1	7,536	73	7,610	(83)	7,526

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statements of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reportable segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥32 million (\$288 thousand).
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥46,071 million (\$415,091 thousand).
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥36,466 million (\$328,552 thousand).
 - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥156 million (\$1,405 thousand), adjustment of interest income received of negative ¥117 million (\$1,054 thousand), adjustment of interest expense paid of negative ¥104 million (\$937 thousand), adjustment of tax expense of negative ¥2 million (\$18 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥83 million (\$747 thousand).
- Segment profit is adjusted to ordinary income in the consolidated statements of income.

Millions of yen							
2018							
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial Banking	Leasing	Total				
Ordinary income							
Customers	¥ 102,817	¥15,265	¥ 118,083	¥2,901	¥ 120,985	¥ —	¥ 120,985
Intersegment	574	489	1,063	1,624	2,688	(2,688)	—
Total	¥ 103,392	¥15,754	¥ 119,147	¥4,526	¥ 123,673	¥ (2,688)	¥ 120,985
Segment profit	¥ 34,757	¥ 581	¥35,338	¥ 779	¥ 36,118	¥ (18)	¥ 36,099
Segment assets	¥7,074,411	¥56,719	¥7,131,131	¥9,793	¥7,140,924	¥(44,290)	¥7,096,633
Segment debt	¥6,444,526	¥37,150	¥6,481,676	¥3,291	¥6,484,967	¥(34,637)	¥6,450,329
Other items							
Depreciation	¥ 4,260	¥ 38	¥ 4,298	¥ 70	¥ 4,369	¥ (120)	¥ 4,249
Interest income received	77,349	83	77,432	3	77,436	(122)	77,314
Interest expense paid	7,495	127	7,622	4	7,627	(109)	7,517
Extraordinary income	3	13	17	—	17	—	17
Gain on disposal of noncurrent assets	3	13	17	—	17	—	17
Extraordinary losses	324	0	324	0	324	—	324
Losses on disposal of fixed assets	120	0	120	0	121	—	121
Impairment loss	203	—	203	—	203	—	203
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expense	10,697	86	10,784	239	11,024	(3)	11,020
Increase in tangible fixed assets and intangible fixed assets	4,782	136	4,919	29	4,949	(276)	4,672

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statements of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reportable segments.
- Adjustments are as below.
 - Adjustment of segment profit includes eliminations of intersegment transactions of negative ¥18 million.
 - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥44,290 million.
 - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥34,637 million.
 - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥120 million, adjustment of interest income received of negative ¥122 million, adjustment of interest expense paid of negative ¥109 million, adjustment of tax expense of negative ¥3 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥276 million.
- Segment profit is adjusted to ordinary income in the consolidated statements of income.

Thousands of U.S. dollars (Note 1)							
2019							
	Reportable segments			Other businesses	Total	Adjustments	Consolidated total
	Commercial Banking	Leasing	Total				
Ordinary income							
Customers	\$ 971,970	\$146,869	\$ 1,118,839	\$ 18,974	\$ 1,137,814	\$ —	\$ 1,137,814
Intersegment	4,838	4,351	9,199	19,461	28,660	(28,660)	—
Total	\$ 976,808	\$151,220	\$ 1,128,038	\$ 38,435	\$ 1,166,483	\$ (28,660)	\$ 1,137,814
Segment profit	\$ 255,536	\$ 1,729	\$ 257,266	\$ 639	\$ 257,915	\$ (288)	\$ 258,203
Segment assets	\$64,379,097	\$496,657	\$64,875,754	\$100,603	\$64,976,358	\$(415,091)	\$64,561,266
Segment debt	\$58,673,601	\$333,039	\$59,006,649	\$ 41,859	\$59,048,508	\$(328,552)	\$58,719,947
Other items							
Depreciation	\$ 40,400	\$ 288	\$ 40,697	\$ 612	\$ 41,319	\$ (1,405)	\$ 39,913
Interest income received	703,901	955	704,856	36	704,901	(1,054)	703,838
Interest expense paid	104,108	1,117	105,225	0	105,234	(937)	104,288
Extraordinary income	45	—	45	—	45	—	45
Gain on disposal of noncurrent assets	(45)	—	(45)	—	(45)	—	(45)
Extraordinary losses	4,802	—	4,802	9	4,820	—	4,820
Losses on disposal of fixed assets	(2,720)	—	(2,720)	0	(2,729)	—	(2,729)
Impairment loss	(2,081)	—	(2,081)	—	(2,081)	—	(2,081)
Provision of reserve for financial products transaction liabilities	—	—	—	0	0	—	0
Tax expense	74,466	531	75,006	459	75,466	(18)	75,448
Increase in tangible fixed assets and intangible fixed assets	67,888	9	67,898	657	68,564	(747)	67,807

(4) Related information

Information by service

Millions of yen					
2019					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥55,878	¥34,058	¥16,301	¥20,048	¥126,286
Millions of yen					
2018					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	¥51,953	¥34,978	¥15,265	¥18,786	¥120,985
Thousands of U.S. dollars (Note 1)					
2019					
	Loan	Securities investment	Lease	Other businesses	Total
Ordinary income customers	\$503,450	\$306,856	\$146,869	\$180,628	\$1,137,814

Millions of yen					
2019					
Reportable segments					
	Commercial banking	Leasing	Total	Other businesses	Total
Impairment loss	¥231	¥—	¥231	¥—	¥231

(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

Millions of yen					
2018					
Reportable segments					
	Commercial banking	Leasing	Total	Other businesses	Total
Impairment loss	¥203	¥—	¥203	¥—	¥203

(Note) Amounts of "Elimination or common assets" are eliminations of intersegment transactions.

Thousands of U.S. dollars (Note 1)					
2019					
Reportable segments					
	Commercial banking	Leasing	Total	Other businesses	Total
Impairment loss	\$2,081	\$—	\$2,081	\$—	\$2,081

28. Related Party Transactions

(1) For the year ended March 31, 2019

(a) Transactions between the Bank and its related parties.

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary staffing	—	Temporary staffing	Temporary staffing	¥3	—	¥—

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	\$495	Temporary staffing	—	Temporary staffing	Temporary staffing	\$27	—	\$—

(Notes)

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

2. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

(b) Transactions between Consolidated subsidiaries of the Bank and its related parties.

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)	
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary staffing	19.2%	Directly holding	Temporary staffing	Temporary staffing	¥17	Other liabilities	¥0

Type	Name	Location	Capital (Thou- sands of U.S. dollars)	Business	Ownerships of voting rights (%)	Relationship	Transactions	Transaction amount (Thousands of U.S. dollars)	Account	Outstanding balance (Thousands of U.S. dollars)	
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	\$495	Temporary staffing	19.2%	Directly holding	Temporary staffing	Temporary staffing	\$153	Other liabilities	\$0

(Notes)

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

2. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

(2) For the year ended March 31, 2018

(a) Transactions between the Bank and its related parties.

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a major- ity of voting rights is owned by a director or the director's close relatives	Ability Center, Inc	Ehime	¥55	Temporary staffing	—		Temporary staffing	Temporary staffing	¥ 5	—	¥—
	Miyoshi Iron Works, Co., Ltd.	Ehime	38	Manufacturing	0.0%	Directly held	Banking	Loan	65	Loans and bills discounted	30

(Notes)

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

2. Loan transaction amounts were reported at the average balance for the period.

3. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

4. Ms. Junko Miyoshi, a director (Supervisory Committee Member) and her close relative own a majority of the voting rights of Miyoshi Iron Works, Co., Ltd.

(b) Transactions between consolidated subsidiaries of the Bank and its related parties.

Directors or major individual stockholders

Type	Name	Location	Capital (Millions of yen)	Business	Ownerships of voting rights (%)		Relationship	Transactions	Transaction amount (Millions of yen)	Account	Outstanding balance (Millions of yen)
Companies in which a majority of voting rights is owned by a director or the director's close relatives	Ability Center, Inc.	Ehime	¥55	Temporary staffing	19.2%	Directly holding	Temporary staffing	Temporary staffing	¥15	Other liabilities	¥0

(Notes)

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

2. Ms. Junko Miyoshi, a director (Supervisory Committee Member) owns a majority of the voting rights of Ability Center, Inc.

29. Changes in Net Assets

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

Type and number of shares issued and treasury stock in the year ended March 31, 2019 were as follows:

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,422	302	422	7,302
Total	7,422	302	422	7,302

1 The increase in number of shares of treasury stock was from the acquisition of shares by the Trust for the share-based payments system (300 thousand shares) and from the purchase of fractional shares (2 thousand shares).

2 The decrease in number of shares of treasury stock was due to the disposal of treasury stock through the third-party allocation to the Trust for the share-based payments system (300 thousand shares) and due to the exercise of stock acquisition rights (122 thousand shares).

3 The number of shares of treasury stock at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payments system (300 thousand shares).

Type and number of shares issued and treasury stock in the year ended March 31, 2018 were as follows:

	Thousands			
	Number of shares at the beginning of the accounting period	Increase in number of shares during the accounting period	Decrease in number of shares during the accounting period	Number of shares at the end of the accounting period
Shares issued				
Common stock	323,775	—	—	323,775
Total	323,775	—	—	323,775
Treasury stock				
Common stock	7,585	1	165	7,422
Total	7,585	1	165	7,422

The increase in number of shares of treasury stock was from the purchase of fractional shares (1 thousand shares).

The decrease in number of shares of treasury stock was due to the exercise of stock acquisition rights (165 thousand shares).

(2) Stock acquisition rights and own stock acquisition rights

Stock acquisition rights and own stock acquisition rights in the year ended March 31, 2019 were as follows:

Division	Details of stock acquisition rights	Type of shares to be issued	Number of shares subject to stock acquisition rights				Closing balance	
			Beginning balance	Increase	Decrease	Closing balance	Millions of yen	Thousands of U.S. dollars (Note 1)
The Bank	Stock acquisition rights as stock options			—			397	3,576
Total				—			397	3,576

Stock acquisition rights and own stock acquisition rights in the year ended March 31, 2018 were as follows:

Division	Details of stock acquisition rights	Type of shares to be issued	Number of shares subject to stock acquisition rights				Closing balance	
			Beginning balance	Increase	Decrease	Closing balance	Millions of yen	
The Bank	Stock acquisition rights as stock options			—			467	
Total				—			467	

(3) Dividends

The following dividends were paid in the year ended March 31, 2019

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 11, 2018	Common stock	¥2,214	\$19,947	¥7.00	\$0.06	March 31, 2018	June 7, 2018
Directors' meeting held on November 9, 2018	Common stock	¥2,217	\$19,974	¥7.00	\$0.06	September 30, 2018	December 10, 2018

The total amount of dividend on common stock resolved at the Directors' meeting held on November 9, 2018 includes ¥2 thousand in dividends to the Bank's shares held by the Trust for the share-based payments system.

The following dividends were paid in the year ended March 31, 2018

Date of resolution	Type of shares	Amount of dividends		Record date	Effective date
		Millions of yen	Cash dividends per share Yen		
Directors' meeting held on May 12, 2017	Common stock	¥1,897	¥6.00	March 31, 2017	June 8, 2017
Directors' meeting held on November 10, 2017	Common stock	¥2,214	¥6.00	September 30, 2017	December 8, 2017

Dividends whose record date is attributable to the year ended March 31, 2019 but which became effective after March 31, 2019

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)		Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 10, 2019	Common stock	¥2,217	\$19,990	Retained earnings	¥7.00	\$0.06	March 31, 2019	June 6, 2019

The total amount of dividend on common stock includes ¥2 thousand in dividends to the Bank's shares held by the Trust for the share-based payments system.

Dividends whose record date is attributable to the year ended March 31, 2018 but which became effective after March 31, 2018.

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 1)		Yen	U.S. dollars (Note 1)		
Directors' meeting held on May 11, 2018	Common stock	¥2,214	\$19,947	Retained earnings	¥7.00	\$0.06	March 31, 2018	June 7, 2018



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Iyo Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Iyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 31, 2019
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Nonconsolidated Balance Sheet (Unaudited)

The Iyo Bank, Ltd.
March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
ASSETS			
Cash and due from banks	¥ 808,815	¥ 727,624	\$ 7,287,278
Call loans	0	23,479	0
Monetary claims purchased	10,921	10,247	98,396
Trading account securities	349	465	3,144
Money held in trust	4,759	4,273	42,877
Securities	1,573,300	1,810,035	14,175,150
Loans and bills discounted	4,550,809	4,292,668	41,001,973
Reserve for loan losses	(23,137)	(19,803)	(208,460)
Foreign exchange	7,164	7,092	64,546
Other assets	74,788	78,105	673,826
Tangible fixed assets	72,635	71,981	654,428
Intangible fixed assets	6,982	5,302	62,906
Prepaid pension cost	17,452	14,487	157,239
Customers' liabilities for acceptances and guarantees	35,937	33,761	323,785
Total assets	¥7,140,776	¥7,059,722	\$64,337,111
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits	¥5,712,677	¥5,546,034	\$51,470,195
Call money	178,313	25,497	1,606,568
Payables under repurchase agreements	49,820	77,434	448,869
Payables under securities lending transactions	76,968	226,150	693,467
Borrowed money	360,251	414,058	3,245,796
Foreign exchange	249	65	2,243
Borrowed money from trust account	31	39	279
Other liabilities	30,427	47,777	274,141
Accrued employees' bonuses	1,511	1,508	13,613
Employees' severance and retirement benefits	12,973	13,067	116,884
Reserve for losses on repayment of dormant bank accounts	3,301	2,928	29,741
Reserve for contingent losses	516	426	4,649
Reserve for share-based payment	86	—	774
Deferred tax liabilities	52,823	54,578	475,925
Deferred taxes on revaluation excess	9,769	9,824	88,016
Acceptances and guarantees	35,937	33,761	323,785
Total liabilities	6,525,658	6,453,153	58,795,008
Net assets			
Common stock			
Authorized — 600,000,000 shares			
Issued — 323,775,366 shares	20,948	20,948	188,737
Capital surplus	10,480	10,480	94,422
Legal reserve	20,948	20,948	188,737
Other retained earnings	392,106	378,288	3,532,804
Treasury stock	(6,683)	(6,839)	(60,212)
Net unrealized holding gains (losses) on securities	158,875	163,880	1,431,435
Net deferred gains (losses) on hedging instruments	(1,545)	(1,240)	(13,920)
Land revaluation excess	19,590	19,634	176,502
Stock acquisition rights	397	467	3,576
Total net assets	615,117	606,568	5,542,093
Total liabilities and net assets	¥7,140,776	¥7,059,722	\$64,337,111

Nonconsolidated Statement of Income (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
INCOME			
Interest and dividend income:			
Interest on loans and discounts	¥ 52,834	¥ 49,541	\$476,024
Interest and dividends on securities	23,770	26,648	214,163
Interest on receivables under resale agreements	—	(0)	—
Interest on receivables under securities lending transactions	62	—	558
Other interest income	1,327	1,072	11,956
Fees and commissions	13,559	12,941	122,164
Other operating income	6,746	1,777	60,780
Other income	8,927	10,233	80,430
Total income	107,228	102,214	966,105
EXPENSES			
Interest expense:			
Interest on deposits	3,549	2,480	31,975
Interest on borrowings and rediscounts	1,802	1,225	16,235
Interest on payables under repurchase agreements	625	401	5,631
Interest on payables under securities lending transactions	1,308	387	11,784
Other interest expense	4,267	2,999	38,444
Fees and commissions	6,495	6,298	58,518
Other operating expenses	3,868	344	34,849
General and administrative expenses	49,770	49,467	448,418
Other expenses	9,717	5,999	87,548
Total expenses	81,407	69,604	733,462
Income before income taxes	25,821	32,610	232,642
Income taxes:			
Current	7,035	10,435	63,384
Deferred	523	(488)	4,712
Net income	¥ 18,262	¥ 22,662	\$164,537
	Yen		U.S. dollars
Basic net income per share	¥57.71	¥71.64	\$0.51
Diluted net income per share	57.61	71.51	0.51

Nonconsolidated Statement of Changes in Net Assets (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2019

For the year ended March 31, 2019	Millions of yen			
	Stockholders' equity			
	Common stock	Capital reserve	Capital surplus	
			Other capital surplus	Total capital surplus
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥—	¥10,480
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(56)	(56)
Transfer of loss on disposal of treasury stock			56	56
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥—	¥10,480

For the year ended March 31, 2019	Thousands of U.S. dollars			
	Stockholders' equity			
	Common stock	Capital reserve	Capital surplus	
			Other capital surplus	Total capital surplus
Balance at the beginning of the accounting period	\$188,737	\$94,422	\$ —	\$94,422
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(504)	(504)
Transfer of loss on disposal of treasury stock			504	504
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	\$188,737	\$94,422	\$ —	\$94,422

For the year ended March 31, 2019	Millions of yen						
	Stockholders' equity						
	Legal reserve	Retained earnings			Total retained earnings	Treasury stock	Total stockholders' equity
		Deferred gains on real property	General reserve	Retained earnings brought forward			
Balance at the beginning of the accounting period	¥20,948	¥2,066	¥352,594	¥ 23,627	¥399,236	¥(6,839)	¥433,826
Changes during the accounting period							
Dividends				(4,431)	(4,431)		(4,431)
Reversal of deferred gains on real property		(6)		6	—		
Provision of general reserve			18,000	(18,000)	—		
Net income				18,262	18,262		18,262
Purchase of treasury stock						(232)	(232)
Disposal of treasury stock						388	332
Transfer of loss on disposal of treasury stock				(56)	(56)		—
Reversal of land revaluation excess				43	43		43
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(6)	18,000	(4,175)	13,817	155	13,973
Balance at the end of the accounting period	¥20,948	¥2,059	¥370,594	¥ 19,452	¥413,054	¥(6,683)	¥437,800

	Thousands of U.S. dollars						
	Stockholders' equity						
	Retained earnings						
	Other retained earnings						
For the year ended March 31, 2019	Legal reserve	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the accounting period	\$188,737	\$18,614	\$3,176,808	\$ 212,875	\$3,597,044	\$(61,618)	\$3,908,694
Changes during the accounting period							
Dividends				(39,922)	(39,922)		(39,922)
Reversal of deferred gains on real property		(54)		54	—		
Provision of general reserve			162,176	(162,176)	—		
Net income				164,537	164,537		164,537
Purchase of treasury stock						(2,090)	(2,090)
Disposal of treasury stock						3,495	2,991
Transfer of loss on disposal of treasury stock				(504)	(504)		—
Reversal of land revaluation excess				387	387		387
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(54)	162,176	(37,616)	124,488	1,396	125,894
Balance at the end of the accounting period	\$188,737	\$18,551	\$3,338,985	\$ 175,259	\$3,721,542	\$(60,212)	\$3,944,499

	Millions of yen					
	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
For the year ended March 31, 2019						
Balance at the beginning of the accounting period	¥163,880	¥(1,240)	¥19,634	¥182,274	¥467	¥606,568
Changes during the accounting period						
Dividends						(4,431)
Reversal of deferred gains on real property						
Provision of general reserve						18,262
Net income						(232)
Purchase of treasury stock						332
Disposal of treasury stock						
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						43
Changes in items other than stockholders' equity, net	(5,005)	(305)	(43)	(5,354)	(70)	(5,424)
Total changes during the accounting period	(5,005)	(305)	(43)	(5,354)	(70)	8,549
Balance at the end of the accounting period	¥158,875	¥(1,545)	¥19,590	¥176,919	¥397	¥615,117

	Thousands of U.S. dollars					
	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
For the year ended March 31, 2019						
Balance at the beginning of the accounting period	\$1,476,529	\$(11,172)	\$176,898	\$1,642,256	\$4,207	\$5,465,068
Changes during the accounting period						
Dividends						(39,922)
Reversal of deferred gains on real property						
Provision of general reserve						164,537
Net income						(2,090)
Purchase of treasury stock						2,991
Disposal of treasury stock						
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						387
Changes in items other than stockholders' equity, net	(45,094)	(2,747)	(387)	(48,238)	(630)	(48,869)
Total changes during the accounting period	(45,094)	(2,747)	(387)	(48,238)	(630)	77,024
Balance at the end of the accounting period	\$1,431,435	\$(13,920)	\$176,502	\$1,594,008	\$3,576	\$5,542,093

	Millions of yen			
	Stockholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
For the year ended March 31, 2018				
Balance at the beginning of the accounting period	¥20,948	¥10,480	¥ —	¥10,480
Changes during the accounting period				
Dividends				
Reversal of deferred gains on real property				
Provision of general reserve				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(20)	(20)
Transfer of loss on disposal of treasury stock			20	20
Reversal of land revaluation excess				
Changes in items other than stockholders' equity, net				
Total changes during the accounting period	—	—	—	—
Balance at the end of the accounting period	¥20,948	¥10,480	¥ —	¥10,480

	Millions of yen						
	Stockholders' equity						
	Retained earnings						
	Other retained earnings						
	Legal reserve	Deferred gains on real property	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31, 2018							
Balance at the beginning of the accounting period	¥20,948	¥2,073	¥334,594	¥ 22,823	¥380,438	¥(6,989)	¥404,878
Changes during the accounting period							
Dividends				(4,111)	(4,111)		(4,111)
Reversal of deferred gains on real property		(6)		6	—		
Provision of general reserve			18,000	(18,000)	—		
Net income				22,662	22,662		22,662
Purchase of treasury stock						(1)	(1)
Disposal of treasury stock						152	131
Transfer of loss on disposal of treasury stock				(20)	(20)		—
Reversal of land revaluation excess				267	267		267
Changes in items other than stockholders' equity, net							
Total changes during the accounting period	—	(6)	18,000	804	18,797	150	18,948
Balance at the end of the accounting period	¥20,948	¥2,066	¥352,594	¥ 23,627	¥399,236	¥(6,839)	¥423,826

	Millions of yen					
	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
For the year ended March 31, 2018						
Balance at the beginning of the accounting period	¥152,634	¥ (795)	¥19,901	¥171,740	¥479	¥577,097
Changes during the accounting period						
Dividends						(4,111)
Reversal of deferred gains on real property						
Provision of general reserve						
Net income						22,662
Purchase of treasury stock						(1)
Disposal of treasury stock						131
Transfer of loss on disposal of treasury stock						
Reversal of land revaluation excess						267
Changes in items other than stockholders' equity, net	11,246	(444)	(267)	10,533	(11)	10,522
Total changes during the accounting period	11,246	(444)	(267)	10,533	(11)	29,470
Balance at the end of the accounting period	¥163,880	¥(1,240)	¥19,634	¥182,274	¥467	¥606,568

Corporate Data

(As of March 31, 2019)

Year of Foundation

1878

Common Stock

Authorized 600,000,000 shares
 Issued 323,775,366 shares
 Capital ¥20,948 million

Number of Stockholders

23,110

Major Stockholders

Name	Shares (thousands)	%
Japan Trustee Services Bank, Ltd.	47,274	14.92
The Master Trust Bank of Japan, Ltd.	13,082	4.13
Nippon Life Insurance Company	8,878	2.80
Meiji Yasuda Life Insurance Company	8,867	2.79
Sumitomo Forestry Co., Ltd.	5,911	1.86
Sumitomo Life Insurance Company	5,415	1.70
Employee stock ownership of Iyo Bank	4,490	1.41
JP MORGAN CHASE BANK 385151 (Standing proxy Mizuho Bank, Ltd. Settlement & Clearing Services Department)	4,377	1.38
Sompo Japan Nipponkoa Insurance Inc.	4,293	1.35
MUFG Bank, Ltd.	3,988	1.25

Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)

3,147

Number of Branches

150 (Domestic 149, Foreign 1)

Directory

(As of March 31, 2019)

Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514
 Tel: (089) 941-1141
<http://www.iyobank.co.jp/>

International Division

Tel: (089) 931-9899
 SWIFT Address: IYOBJPJT

Treasury and Foreign Exchange Department

Tel: (03) 3242-1801
 SWIFT Address: IYOBJPJT

Board of Directors and Corporate Auditors

(As of June 27, 2019)

President	Iwao Otsuka
Senior Managing Director	Kenji Takata Kenji Miyoshi
Managing Directors	Muneaki Todo Tetsuo Takeuchi Haruhiro Kono
Directors (Audit and Supervisory Committee Members)	Shiro Hirano Kaname Saeki Takeshi Ichikawa Yasunobu Yanagisawa Junko Miyoshi Keiji Joko
Senior Managing Executive Officers	Kenji Morioka
Managing Executive Officers	Hideyo Nishimoto Shinya Fujita Kensei Yamamoto Yasuji Fujita Masamichi Ito Hiroshi Nagata
Executive Officers	Tetsuya Yagi Keiji Joko Kazuya Chikata Shinichi Doi Seiji Komoda Hirohisa Senba Yoshiki Kume Toshiki Hamaguchi Koichi Kihara

Singapore Branch

8 Marina View #15-02 Asia Square Tower 1, Singapore
 018960, Singapore
 Tel: (65) 6394-9830

Hong Kong Representative Office

Suite 801, The Hong Kong Club Building, 3A Chater Road
 Central, Hong Kong
 Tel: (852)2869-0466

Shanghai Representative Office

Room 1603 Shanghai International Trade Center, 2201 Yan-an Road (West), Shanghai 200336, People's Republic of China
 Tel: (021) 6270-7488



THE IYO BANK, LTD.

HEAD OFFICE

1, Minami-Horibata-cho, Matsuyama 790-8514

Tel: (089) 941-1141

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