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Tsuruoka Branch

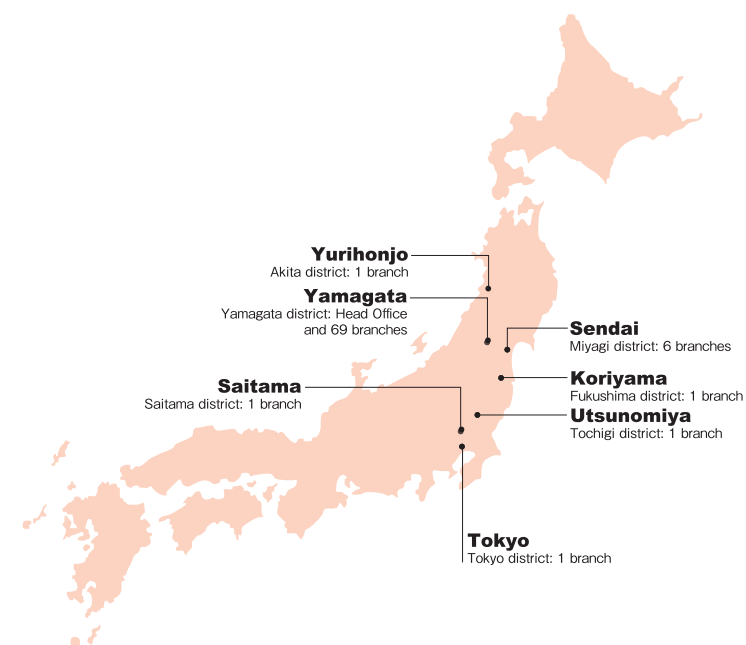
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(Total: Head Office and 80 branches)
(As of March 31, 2019)

Bank Data: (As of March 31, 2019)

Date of Incorporation: 1896
Authorized Stocks: 59,670,000
Issued Stocks: 34,000,000
Number of Shareholders: 7,918
Number of Employees: 1,292



Cherries
Cherries are a special product of Yamagata Prefecture.
Stylized cherries are used as the symbol of The Yamagata Bank, Ltd.

Corporate Data

(As of March 31, 2019)

Head Office

1-2, Nanukamachi 3-chome, Yamagata
990-8642, Japan

Phone:+81 23 623 1221

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

Date of Establishment

April 14, 1896

Paid-in Capital

¥12,008million

Stock Exchange Listing

Tokyo Stock Exchange

Credit Rating

A+ (JCR)

CONTENTS

Message from Management	1
19th long-term management plan (fiscal 2018-2020) Yamagata Bank: Building the Future - Vision for 2020 (April 2018 - March 2021)	2
Consolidated Five-Year Financial Highlights	3
Independent Auditor's Report	4
Review of Operations	5
Financial Statements	6
Corporate Data	29
Directory	

Management philosophy and ESG management

Management philosophy

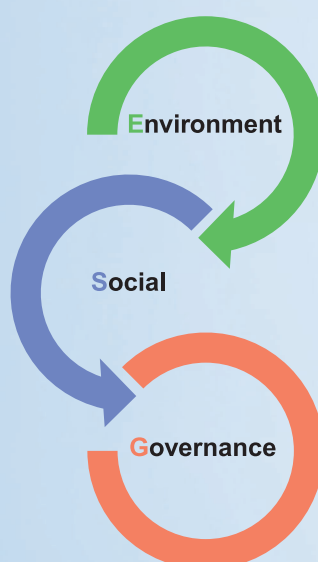
To prosper together
with the region

To satisfy all of
our customers

To provide our staff
with stability
and opportunities

ESG management

In pursuit of the improvement of mid-to long-term corporate value and the realization of a sustainable society (business foundation).



Social issues

- Climate change
- CO₂ reduction

Yamagata Bank initiatives

- Forest conservation activities
- Eco-cap promotion activities
- Environment-related finance

Social issues

- Community revitalization
- Population decline
- Human rights issues
- Labor issues

Yamagata Bank initiatives

- Local creation
- Improvement of financial intermediary function
- Health management (White 500)
- Parenting support
- Sport and culture promotion activities

Social issues

- Corporate ethics compliance
- Protection of personal information
- Fraud prevention

Yamagata Bank initiatives

- Code of corporate governance
- Cyber-security
- Enhanced profit and risk management structures
- Enhanced group management

Message from Management

We thank you for your kind support to Yamagata Bank.

Yamagata Bank's main area of business is Yamagata prefecture, situated in the south of Japan's Tohoku region, some 300 kilometers north of Tokyo. Yamagata Bank's head office is in Yamagata city, a neighbor of Sendai (Miyagi prefecture), the largest city in the Tohoku region, and there is economic interchange between the two cities. The population of Yamagata prefecture is approximately 1.09 million. It has a flourishing farming industry, with agricultural products including rice and cherries, and manufacturing industry, with products ranging from traditional crafts to electronics.

While Japan's domestic economy continued to recover in fiscal 2018, the pace of recovery slowed in the latter half of the year. Against the backdrop of overseas economic deceleration, exports and corporate production activity slowed down, and the improvement in private consumption was mild at best. There was a growing sense of stagnation in economic improvement within Yamagata prefecture also. The production activities of businesses within the prefecture tend to be weighted towards the production of electronic parts and components and devices, which makes these businesses vulnerable to the impact of reduced overseas demand, and it seemed that the recovery had run its course for the time being.

Meanwhile, the business environment of regional financial institutions, including Yamagata Bank, continues to become more and more difficult, as a result of factors such as continued low interest rates due to the Bank of Japan's policy. In addition, a falling birthrate and aging population are causing the population to decline, and there is concern that this will negatively impact the regional economy in the future.

In these circumstances, Yamagata Bank launched its 19th Long-Term Management Plan "Yamagata Bank, Building the Future: Vision for 2020" (fiscal 2018-2020) in April of last year. In order to be a part of the building of the future for our customers, our region and our Bank, our aim is to

become "the best partner bank, as part of its commitment to the advance of Yamagata" and, working in close partnership with our Group companies, developing our businesses to match regional economic development and customer needs, such as providing a comprehensive range of support services for regional businesses and support for individual customers' asset formation, etc.

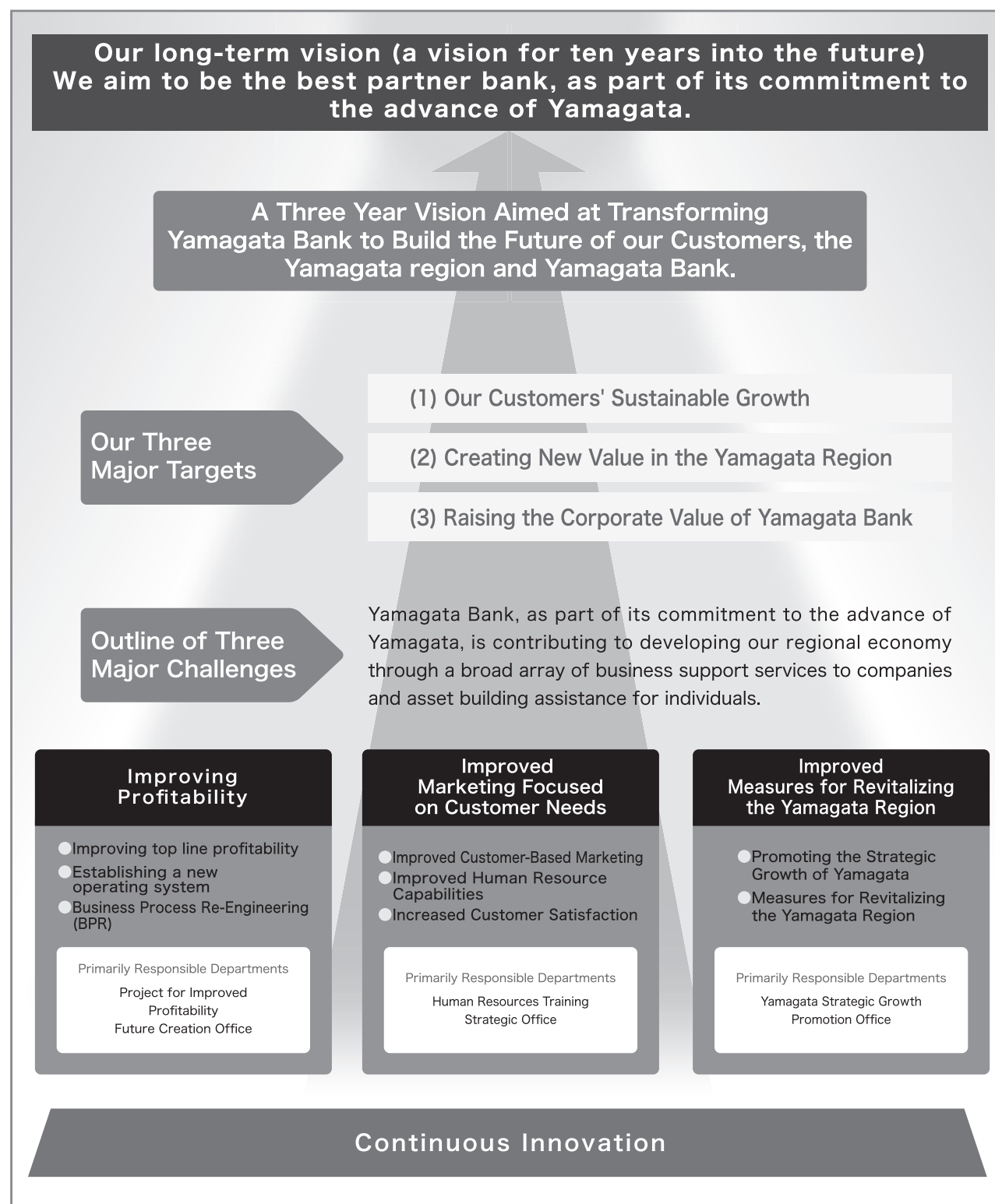
In addition, while we need to work on our ESG (environment, social and governance) and our SDGs (sustainable development goals), we will also work to strengthen our business management setup, including the prevention of money laundering and the enhancement of our security against cyber-attacks, as we endeavor to provide high-quality comprehensive financial information.

Thank you for your ongoing encouragement and support.



Kichishige Hasegawa
President

19th long-term management plan (fiscal 2018-2020)
Yamagata Bank: Building the Future - Vision for 2020
 (April 2018 - March 2021)



The Yamagata Bank, Ltd., and Consolidated Subsidiaries
Consolidated Five-Year Financial Highlights

Yen: In millions except per share data and percentages
 U.S. dollars: In thousands except per share data and percentages

Years ended March 31

For the fiscal year:	2019 2018 2017 2016 2015					2019
	(Millions of yen)					(Thousands of U.S. dollars)
Ordinary income	¥ 47,354	¥ 42,488	¥ 45,886	¥ 45,252	¥ 45,970	\$ 426,653
Ordinary expenses	41,391	35,350	37,802	34,504	33,250	372,932
Income before income taxes	5,910	6,992	8,034	10,623	12,448	53,254
Net income attributable to owners of parent	4,020	4,988	5,473	6,714	7,483	36,224

At the fiscal year-end	2019	2018	2017	2016	2015	2019
	(Yen)					(U.S. dollars)
Total assets	¥ 2,576,980	¥ 2,618,179	¥ 2,612,784	¥ 2,503,672	¥ 2,466,878	\$ 23,218,129
Loans and bills discounted	1,699,188	1,726,334	1,674,250	1,584,509	1,470,267	15,309,384
Securities	677,078	732,995	717,552	741,165	821,614	6,100,351
Total liabilities	2,420,219	2,460,737	2,459,270	2,347,728	2,312,184	21,805,739
Deposits	2,212,792	2,206,819	2,180,460	2,075,390	2,036,421	19,936,859
Total net assets	156,761	157,442	153,514	155,944	154,694	1,412,389

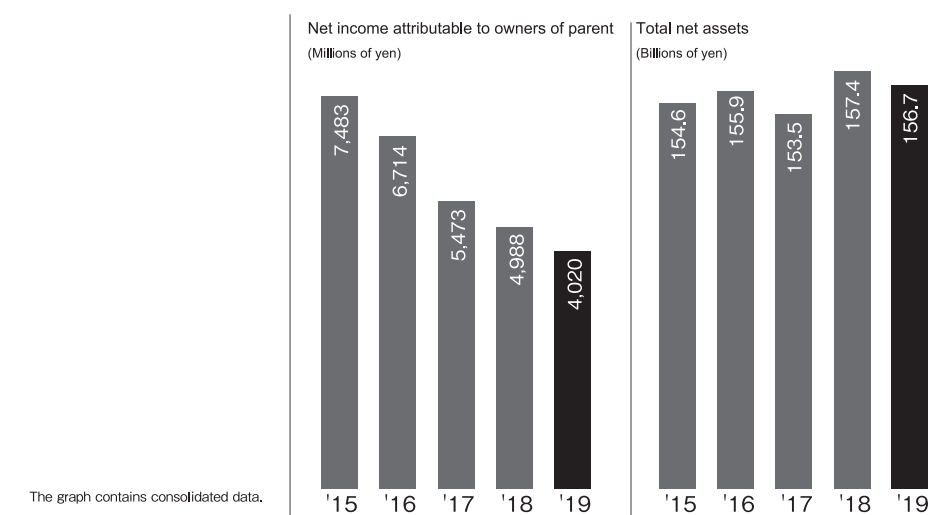
Amounts per share	(Yen)					(U.S. dollars)
Cash dividends	¥ 35.00	¥ 21.00	¥ 7.00	¥ 7.00	¥ 6.00	\$ 0.32
Net income attributable to owners of parent	123.36	153.04	167.74	41.08	45.62	1.11
Diluted net income attributable to owners of parent	110.01	136.52	149.68	36.67	41.00	0.99
Net assets	4,804.85	4,825.85	4,705.09	904.81	900.00	43.29

Ratios:	2019	2018	2017	2016	2015
Capital adequacy ratio (Domestic standard)	11.59%	11.61%	12.11%	12.77%	13.24%

Notes 1 : U.S. dollars represent transactions, for the convenience of readers, at ¥ 110.99=U.S.\$1.00 the rate prevailing on March 31, 2019.

2 : Effective October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per share information except cash dividends is calculated under assumption that the stock consolidation had taken effect at the preceding fiscal year.

3 : Effective October 1, 2017, the Bank executed the 1-for-5 stock consolidation. The dividend of ¥21.00 per share for March 31, 2018 is the sum of the intermediate dividend of ¥3.50 and the year-end dividend of ¥17.50, with the interim dividend ¥3.50 being the pre-merger dividend, and the year-end dividend ¥17.50 the post-merger dividend.



Independent Auditor's Report

The Board of Directors
The Yamagata Bank, Ltd.

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

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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 referred to above present fairly, in all material respects, the consolidated financial position of The Yamagata Bank, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.



June 25, 2019
Tokyo, Japan

Review of Operations

The Conditions of Consolidated Accounts

The general situation of this term (from April 1, 2018 to March 31, 2019)

Deposits and negotiable certificates of deposit

While personal deposits and financial institution deposits increased, corporate deposits and public deposits decreased, resulting in ¥4.4 billion decrease in deposits and negotiable deposits during the consolidated fiscal year, with a balance of ¥2,316.9 billion for the consolidated fiscal year.

Deposited financial assets

The year-end consolidated balance of deposited financial assets rose by ¥8.7 billion during the year to ¥283.5 billion, due to reasons such as a steady increase in personal insurance.

Loans

The year-end consolidated balance of loans decreased by ¥27.1 billion to ¥1,699.1 billion. Although loans to personal customers and local corporations increased, loans to large corporations and local public entities decreased.

Securities

As for securities, although investment in assets likely to be profitable, such as local bonds and investment trusts, etc., was promoted, as a result of the curbing of re-investment in government bonds there was ¥55.9 billion decrease during the consolidated fiscal year, with a final balance of ¥677.0 billion at the end of the accounting period.

Profit and loss

The consolidated ordinary income increased by ¥4,865 million on the previous year to ¥47,354 million, mainly because of an increase in gains on sales of bonds. The consolidated ordinary expenses increased by ¥6,041 million on the previous year to ¥41,391 million, mainly because of an increase in losses on sales of bonds and provision of reserve for possible loan losses.

As a result, the consolidated ordinary income (net) decreased by ¥1,176 million during the year to ¥5,962 million, and the consolidated net income attributable to owners of parent decreased by ¥967 million during the year to ¥4,020 million.

Results by business segment

In the banking business, the ordinary income for the fiscal year was ¥40,406 million, which was ¥4,259 million more than that for the previous fiscal year; the segment profit for the fiscal year was ¥5,079 million, which was ¥1,287 million less than that for the previous fiscal year.

In the leasing business, the ordinary income for the fiscal year was ¥5,859 million, which was ¥636 million more than that for the previous year; the segment profit for the fiscal year was ¥194 million, which was ¥196 million more than that for the previous fiscal year. In other business sectors, the ordinary income for the fiscal year was ¥2,427 million, which was ¥21 million more than that for the previous fiscal year; the segment profit for the fiscal year was ¥637 million, which was ¥2 million less than that for the previous fiscal year.

Cash flow

Cash flow from operating activities was negative at ¥46.5 billion, mainly due to decrease in borrowed money.

Cash flow from investing activities was positive at ¥55.4 billion, because the inflow generated by the sales and redemption of securities, etc exceeded the outflow generated by acquisition of securities etc.

Cash flow from financing activities was negative at ¥1.1 billion, because of payments of dividends etc.

As a result of the above, the year-end consolidated balance of cash and cash equivalents increased by ¥7.7 billion during the year to ¥84.4 billion.

Financial Statements

Consolidated Balance Sheet

As of March 31, 2019 and 2018

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)(Note 2)
Assets			
Cash and due from banks (Note 19)	¥ 95,037	¥ 82,343	\$ 856,275
Call loans and bills bought	13,995	1,339	126,100
Monetary claims bought	4,900	5,797	44,153
Trading securities (Note 22)	4	4	36
Securities (Note 4, 5, 7, 11 and 22)	677,078	732,995	6,100,351
Loans and bills discounted (Note 6)	1,699,188	1,726,334	15,309,384
Foreign exchanges	1,464	941	13,197
Other assets (Note 7)	51,519	39,241	464,178
Tangible fixed assets (Note 10)	14,513	14,977	130,764
Buildings (Note 9)	3,625	3,818	32,668
Land (Note 8)	8,825	9,109	79,514
Construction in progress	127	26	1,150
Other tangible fixed assets (Note 9)	1,934	2,022	17,431
Intangible fixed assets	2,783	1,990	25,083
Software	2,575	1,781	23,207
Other intangible fixed assets	208	208	1,875
Assets for retirement benefits (Note 25)	243	930	2,189
Deferred tax assets (Note 26)	355	289	3,205
Customers' liabilities for acceptances and guarantees	25,416	18,720	229,002
Reserve for possible loan losses	(9,522)	(7,727)	(85,794)
Total assets	¥ 2,576,980	¥ 2,618,179	\$ 23,218,129
Liabilities and Net Assets			
Liabilities			
Deposits (Note 7)	¥ 2,212,792	¥ 2,206,819	\$ 19,936,859
Negotiable certificates of deposit	104,121	114,497	938,118
Call money and bills sold	—	7,968	—
Payables under securities lending transactions (Note 7)	29,653	26,536	267,169
Borrowed money (Note 7)	16,133	54,245	145,357
Foreign exchanges	61	32	550
Bonds with stock acquisition rights	11,099	10,624	100,000
Other liabilities	16,689	15,343	150,370
Reserve for bonuses to directors	25	25	225
Liabilities for retirement benefits (Note 25)	53	48	478
Reserve for directors' retirement benefits	8	5	72
Reserve for stock payments of board incentive plan	77	45	695
Reserve for losses on dormant deposits repayments	163	143	1,470
Reserve for losses on contingencies	249	301	2,248
Reserve for point service program	43	38	395
Reserve for loss due to returning interests	58	60	531
Deferred tax liabilities (Note 26)	2,296	3,973	20,687
Deferred tax liabilities arising from revaluation of land (Note 8)	1,277	1,308	11,506
Acceptances and guarantees	25,416	18,720	229,002
Total liabilities	¥ 2,420,219	¥ 2,460,737	\$ 21,805,739
Net Assets			
Shareholders' equity (Note 17 and 31)			
Common stock	¥ 12,008	¥ 12,008	\$ 108,195
Capital surplus	10,215	10,215	92,043
Retained earnings	123,665	120,721	1,114,204
Treasury stock	(3,178)	(3,176)	(28,637)
Total shareholders' equity	142,711	139,769	1,285,805
Net unrealized holding gain on securities available for sale (Note 23)	16,379	18,654	147,579
Deferred gain (loss) on hedging instruments	(2,701)	(2,184)	(24,341)
Revaluation of land (Note 8)	1,097	1,164	9,887
Retirement benefits liability adjustments	(883)	(110)	(7,961)
Total accumulated other comprehensive income	13,892	17,523	125,165
Non-controlling interests	157	149	1,418
Total net assets	¥ 156,761	¥ 157,442	\$ 1,412,389
Total liabilities and net assets	¥ 2,576,980	¥ 2,618,179	\$ 23,218,129

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2019 and 2018

Consolidated Statement of Income

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)(Note 2)
Ordinary income			
Interest income	¥ 47,354	¥ 42,488	\$ 426,653
Interest on loans and discounts	25,506	25,186	229,806
Interest and dividends on securities	17,640	17,799	158,938
Interest on call loans and bills bought	7,624	7,207	68,692
Interest on receivables under resale agreements	120	92	1,087
Interest on deposits with banks	(1)	(0)	(11)
Other interest	11	8	101
Other interest	110	79	998
Fees and commissions	7,751	7,626	69,838
Other operating income	10,200	6,712	91,908
Other income	3,895	2,963	35,100
Recoveries of written off claims	20	15	188
Other (Note 12)	3,874	2,947	34,912
Ordinary expenses	41,391	35,350	372,932
Interest expenses	2,554	2,168	23,012
Interest on deposits	757	753	6,823
Interest on negotiable certificates of deposit	26	59	241
Interest on call money and bills sold	33	5	302
Interest on payables under securities lending transactions	659	274	5,943
Interest on borrowings and rediscounts	198	144	1,790
Other interest	877	930	7,910
Fees and commissions payments	2,306	2,436	20,777
Other operating expense	10,151	6,825	91,464
General and administrative expenses (Note 13)	21,465	22,025	193,404
Other expenses	4,914	1,894	44,274
Provision of allowance for loan losses	3,096	1,095	27,898
Other	1,817	799	16,376
Ordinary income (Net)	5,962	7,138	53,720
Extraordinary income	8	0	79
Gain on disposal of fixed assets	8	0	79
Other	—	0	—
Extraordinary losses	60	146	545
Loss on disposal of fixed assets	60	73	545
Impairment loss (Note 15)	—	72	—
Income before income taxes	5,910	6,992	53,254
Income taxes-current	2,177	2,630	19,614
Income taxes-deferred (Note 26)	(294)	(626)	(2,655)
Total income taxes	1,882	2,004	16,959
Net income	4,028	4,988	36,294
Net income attributable to non-controlling interests	7	0	70
Net income attributable to owners of parent	¥ 4,020	¥ 4,988	\$ 36,224
Consolidated Statements of Comprehensive Income			
Net income	¥ 4,028	¥ 4,988	\$ 36,294
Other comprehensive income (Note 16)	(3,563)	89	(32,109)
Net unrealized holding gain on securities available for sale	(2,274)	(170)	(20,490)
Deferred gain (loss) on hedging instruments	(516)	394	(4,656)
Retirement benefits liability adjustments	(772)	(134)	(6,962)
Comprehensive income	464	5,077	4,184
Comprehensive income attributable to owners of parent	456	5,077	4,114
Comprehensive income attributable to non-controlling interests	7	0	70

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2019	Shareholders' equity				(Millions of yen)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	¥ 12,008	¥ 10,215	¥ 120,721	¥ (3,176)	¥ 139,769
Changes in the consolidated fiscal year					
Cash dividends			(1,143)		(1,143)
Net income attributable to owners of parent			4,020		4,020
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock					
Reversal of land revaluation			67		67
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
Total	—	—	2,944	(2)	2,941
Balance as of March 31, 2019	¥ 12,008	¥ 10,215	¥ 123,665	¥ (3,178)	¥ 142,711

For the year ended March 31, 2019	Shareholders' equity				(Thousands of U.S. dollars) (Note 2)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	\$ 108,195	\$ 92,043	\$ 1,087,679	\$ (28,616)	\$ 1,259,301
Changes in the consolidated fiscal year					
Cash dividends			(10,306)		(10,306)
Net income attributable to owners of parent			36,224		36,224
Acquisition of treasury stock				(20)	(20)
Disposal of treasury stock					
Reversal of land revaluation			606		606
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
Total	—	—	26,525	(20)	26,504
Balance as of March 31, 2019	\$ 108,195	\$ 92,043	\$ 1,114,204	\$ (28,637)	\$ 1,285,805

For the year ended March 31, 2018	Shareholders' equity				(Millions of yen)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	¥ 12,008	¥ 10,215	¥ 116,853	¥ (3,171)	¥ 135,906
Changes in the consolidated fiscal year					
Cash dividends			(1,143)		(1,143)
Net income attributable to owners of parent			4,988		4,988
Acquisition of treasury stock				(8)	(8)
Disposal of treasury stock		0		3	3
Reversal of land revaluation			23		23
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
Total	—	0	3,868	(4)	3,863
Balance as of March 31, 2018	¥ 12,008	¥ 10,215	¥ 120,721	¥ (3,176)	¥ 139,769

For the year ended March 31, 2019	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2018	¥ 18,654	¥ (2,184)	¥ 1,164	¥ (110)	¥ 17,523	¥ 149	¥ 157,442
Changes in the consolidated fiscal year							
Cash dividends							(1,143)
Net income attributable to owners of parent							4,020
Acquisition of treasury stock							(2)
Disposal of treasury stock							—
Reversal of land revaluation							67
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(2,274)	(516)	(67)	(772)	(3,631)	7	(3,623)
Total	(2,274)	(516)	(67)	(772)	(3,631)	7	(681)
Balance as of March 31, 2019	¥ 16,379	¥ (2,701)	¥ 1,097	¥ (883)	¥ 13,892	¥ 157	¥ 156,761

For the year ended March 31, 2019	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2018	\$ 168,070	\$ (19,684)	\$ 10,494	\$ (998)	\$ 157,881	\$ 1,348	\$ 1,418,531
Changes in the consolidated fiscal year							
Cash dividends							(10,306)
Net income attributable to owners of parent							36,224
Acquisition of treasury stock							(20)
Disposal of treasury stock							—
Reversal of land revaluation							606
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(20,490)	(4,656)	(606)	(6,962)	(32,716)	70	(32,646)
Total	(20,490)	(4,656)	(606)	(6,962)	(32,716)	70	(6,141)
Balance as of March 31, 2019	\$ 147,579	\$ (24,341)	\$ 9,887	\$ (7,961)	\$ 125,165	\$ 1,418	\$ 1,412,389

For the year ended March 31, 2018	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2017	¥ 18,824	¥ (2,578)	¥ 1,188	¥ 24	¥ 17,457	¥ 149	¥ 153,514
Changes in the consolidated fiscal year							
Cash dividends							(1,143)
Net income attributable to owners of parent							4,988
Acquisition of treasury stock							(8)
Disposal of treasury stock							3
Reversal of land revaluation							23
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(170)	394	(23)	(134)	65	0	65
Total	(170)	394	(23)	(134)	65	0	3,928
Balance as of March 31, 2018	¥ 18,654	¥ (2,184)	¥ 1,164	¥ (110)	¥ 17,523	¥ 149	¥ 157,442

Consolidated Statements of Cash Flows

For the years ended March 31, 2019 and 2018

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)(Note 2)
Cash flows from operating activities			
Income before income taxes	¥ 5,910	¥ 6,992	\$ 53,254
Depreciation	1,274	1,122	11,484
Loss on impairment of fixed assets	—	72	—
Reserve for possible loan losses	1,794	650	16,169
Reserve for bonuses to directors	—	2	—
Assets for retirement benefits	(424)	(183)	(3,825)
Liabilities for retirement benefits	4	1	39
Reserve for directors' retirement benefits	2	2	26
Reserve for stock payments of board incentive plan	31	21	282
Reserve for loss due to returning interests	(1)	(2)	(15)
Reserve for losses on dormant deposits repayments	19	96	180
Reserve for losses on contingencies	(51)	74	(465)
Reserve for point service program	5	2	47
Interest income	(25,506)	(25,186)	(229,806)
Interest expenses	2,554	2,168	23,012
Loss (gain) on investment securities	(2,684)	(2,721)	(24,187)
Foreign exchange gain, net	49	36	449
Loss on disposal of fixed assets	51	73	466
Net decrease (increase) in loans and bills discounted	27,168	(52,302)	244,784
Net increase (decrease) in deposits	5,956	26,579	53,664
Net increase (decrease) in negotiable certificates of deposit	(10,375)	(1,204)	(93,479)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(38,118)	1,092	(343,443)
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	(4,987)	(1,943)	(44,932)
Net decrease (increase) in call loans and bills bought	(11,747)	6,868	(105,845)
Net increase (decrease) in call money and bills sold	(7,968)	(3,166)	(71,790)
Net increase (decrease) in payables under securities lending transactions	3,085	(18,308)	27,795
Net decrease (increase) in trading securities	0	18	6
Net decrease (increase) in foreign exchanges-assets	(573)	(4)	(5,169)
Net increase (decrease) in foreign exchanges-liabilities	28	(21)	260
Proceeds from fund management	25,726	24,960	231,793
Payments for finance	(2,799)	(2,514)	(25,224)
Other	(12,832)	(12,953)	(115,614)
Subtotal	(44,405)	(49,676)	(400,083)
Income taxes paid	(2,184)	(2,717)	(19,679)
Income taxes refunded	7	226	71
Net cash provided by (used in) operating activities	(46,581)	(52,166)	(419,690)
Cash flows from investing activities			
Purchases of investment securities	(448,553)	(449,849)	(4,041,390)
Proceeds from sales of investment securities	430,278	375,250	3,876,736
Proceeds from redemption of investment securities	75,298	57,009	678,425
Expenditure for acquisition of tangible fixed assets	(650)	(1,283)	(5,861)
Income from sale of tangible fixed assets	291	0	2,627
Expenditure for acquisition of intangible fixed assets	(1,229)	(468)	(11,075)
Net cash provided by (used in) investing activities	55,435	(19,341)	499,461
Cash flows from financing activities			
Dividends paid	(1,143)	(1,143)	(10,306)
Purchases of treasury stock	(2)	(8)	(20)
Proceeds from sales of treasury stock	—	3	—
Net cash provided by (used in) financing activities	(1,146)	(1,148)	(10,326)
Effect of exchange rate change on cash and cash equivalents	0	0	0
Net increase (decrease) in cash and cash equivalents	7,707	(72,655)	69,444
Cash and cash equivalents at beginning of year	¥ 76,764	¥ 149,420	\$ 691,636
Cash and cash equivalents at end of year (Note 19)	84,472	76,764	761,081

Notes to Consolidated Financial Statements

March 31, 2019

1. Basis of Presentation

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

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. U.S. Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of 110.99=U.S.\$1.00, the rate of exchange in effect on March 31, 2019, has been used in translation. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 6 subsidiaries, except for 3 subsidiaries which are not consolidated due to their immateriality.

All significant intercompany receivables and payables and transactions have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Immaterial goodwill is charged to income when incurred.

b. Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or other securities (securities available for sale). Trading account securities, which are purchased for trading purposes, are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities whose fair value is deemed to be extremely difficult to determine are carried at cost. Cost of securities sold is determined by the moving average method.

c. Derivative financial instruments

Derivatives are stated at fair market value.

d. Tangible fixed assets

The Bank recognizes depreciation by the straight-line method applicable to each specific category of assets. The useful lives of buildings and equipment are summarized as follows:

Buildings : 2 to 50 years Equipment : 2 to 15 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.

e. Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method. The Bank's software, which is used in-house, is depreciated based on the estimated period of use (mainly five years) at the Bank and at consolidated subsidiaries.

f. Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value or, where lease agreements stipulate guarantee of residual value, the guaranteed residual value. The Bank leases certain vehicles, computer equipment and other assets.

g. Reserve for possible loan loss

The reserve for possible loan losses of the Bank is provided in accordance with internally established standards for write-offs and reserve provisions. The reserve for possible loan losses on loans to borrowers who are classified as substantially bankrupt or who are legally bankrupt is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and amounts recoverable under guarantees. In addition, an allowance is provided for loans to borrowers who, although not legally bankrupt, are experiencing serious difficulties and whose failure is imminent. In such cases, a portion of this allowance is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and the amounts recoverable under guarantees, and the balance of the allowance is provided after giving full consideration to the amount which the borrower is deemed capable of repaying. In the case of all other loans, the amount provided as an allowance is based on the Bank's historical percentage of actual defaults over a specific fixed period in the past.

The relevant departments assess the assets for all of the credit, based on self-assessment standards for assets, and an independent asset audit department audits the results of the assessments. We provide a reserve described above based on the assessment results.

The reserve for possible loan losses is calculated based on the quality of the Bank's total loan assets, applying the Bank's internally established rules for the self-assessment of its assets.

h. Reserve for bonuses to directors

A reserve for bonuses to directors and corporate auditors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payment to directors.

i. Reserve for directors' retirement benefits

A reserve for directors' retirement benefits is provided in the amount accrued during the year, which is calculated based on the estimated amount of future retirement payments to directors.

j. Reserve for stock payments of board incentive plan

A reserve for stock payments of board incentive plan is provided for the expected stock payments due to points assigned to directors based on the stock incentive plan, in order to prepare for the delivery of the Bank's stock through the board incentive BIP trust.

k. Reserve for losses on dormant deposit repayments

A reserve for losses on dormant deposit repayments which are derecognized as liabilities is provided for the possible losses on the future claims of repayments based on the historical repayments experience.

l. Reserve for losses on contingencies

A reserve for losses on contingencies is provided for future estimated payments to the Credit Guarantee Corporations.

m. Reserve for point service program

A reserve for point service program relating to the points awarded by the use of credit cards issued by consolidated subsidiaries is provided in the amount deemed necessary based on the reasonable estimate of expected future use of the points in order to prepare for the costs in the event of future use.

n. Reserve for loss due to returning interests

A reserve for loss due to returning interests is provided for the possible losses on the future claims of returning interests.

o. Employees' retirement benefits

For the calculation of employees' retirement benefit obligation, the estimated amount of employees' retirement benefits is attributed to each period by the straight-line method.

Prior service cost is amortized as incurred, by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the necessary payments of the voluntary retirement for all employees at the fiscal year-end.

p. Foreign currency translation

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the balance sheet date.

q. Hedge accounting

1. Interest rate risk hedges

The Bank uses deferral hedges described in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24 February 13, 2002, referred to as Report No. 24 of the Industry Audit Committee) to hedge interest rate risks generated by the Bank's financial assets and liabilities. The effectiveness of hedges to offset market fluctuations is assessed for each hedged item (for example, deposits and loans) and its hedging instrument (such as interest rate swaps). Concerning hedges to fix cash flows, the Bank identifies hedged items by grouping them based on interest rate indexes and on interest rate revision periods in accordance with Report No. 24 of the Industry Audit Committee, and specifies interest rate swaps as hedging instruments. The Bank specifies hedges in such a way that the major conditions of hedged items and hedging instruments are almost the same, so we believe that our hedges are highly effective. The Bank applies the exceptional method for interest rate swaps to certain assets and liabilities.

2. Exchange rate fluctuation risk hedges

The hedge we use against exchange rate fluctuation risks, which are generated by our financial assets and liabilities in foreign currencies, is the deferral hedge described in "Accounting and auditing for transactions in foreign currencies, etc., in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 25 July 29, 2002). We assess the effectiveness of the hedge by regarding currency swaps and foreign exchange swaps, which are conducted to reduce or eliminate exchange rate fluctuation risks generated by monetary claims and liabilities in foreign currencies, etc., as hedging instruments and by checking whether or not we have appropriate foreign currency positions for the hedging instruments to meet the hedged items (monetary claims and liabilities in foreign currencies, etc.).

r. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

s. Consumption tax and regional consumption tax

With respect to the Bank and the domestic consolidated subsidiaries, all amounts in the accompanying consolidated balance sheet are recorded exclusive of consumption tax and regional consumption tax.

t. Finance leases

The criteria used is to record sales and cost of sales at the time of the receipt of lease payments.

u. Accounting standards issued but not yet effective

• "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 30, 2018)

• "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30; March 30, 2018)

1. Overview

These are comprehensive standards relating to revenue recognition. Revenue is recognized by applying the following 5 steps:

- Step 1: Identify each contract with clients.
- Step 2: Identify the performance obligations of each contract.
- Step 3: Calculate the transaction price.
- Step 4: Allocate the transaction price to the contractual performance obligations.
- Step 5: Recognize revenue as performance obligations are completed.

2. Scheduled date of adoption

The Bank expects to adopt these revised standards from the beginning of the fiscal year ending March 31, 2022.

3. Impact of adopting revised standards

The Bank is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

v. Change in reporting method

Changes implemented in accordance with "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Standard No. 28 Implementation Guidance on Tax Effect Accounting — February 16, 2018, (hereinafter referred to as "Partial Amendments to Accounting Standard for Tax Effect Accounting") will be applied from the current consolidated fiscal year, and changes in tax effect-related notes will implemented accordingly. Tax effect-related notes will now include the content described in the "Accounting Standard for Tax Effect Accounting" annotations 8 (excluding the valuation allowance total) and 9, prescribed in "Partial Amendments to Accounting Standard for Tax Effect Accounting" Paragraphs 3 to 5. Note, however, that, of said content, details pertaining to the preceding consolidated fiscal year will not be included, in accordance with the transitional measures prescribed in "Partial Amendments to Accounting Standard for Tax Effect Accounting" Paragraph 7.

w. Additional information

Yamagata Bank has implemented a BIP (Board Incentive Plan) trust for directors using the trust framework to grant Bank stock as director compensation, with the aim to motivate directors to more strongly commit to the medium - to long - term contribution to the Bank's corporate value and improvement of the Bank's business performance.

1. Summary of the transaction

Pursuant to the Stock Grant Rules of the Bank, points are allotted to each director based upon level of achievement of business performance goals each fiscal year and based upon individual position, and the Bank stock and the money equivalent to the converted value of the Bank stock based on the points are granted and delivered through the trust at the time of leaving the Bank.

2. Matters regarding the Bank stock held by the trust

- (1) The Bank's stock held by the trust is recorded as treasury stock as part of shareholder's equity at the trust's book value.
- (2) The trust's book value was ¥187 million (\$1,690 thousand) and ¥187 million at March 31, 2019 and 2018, respectively.
- (3) The number of the Bank stocks held by the trust was 88 thousand shares and 88 thousand shares at March 31, 2019 and 2018, respectively.

4. Stock or Contributed Capital of Non-Consolidated Subsidiaries and Affiliated Companies

Stock or contributed capital of non-consolidated subsidiaries and affiliated companies totaled ¥1,267 million (\$11,422 thousand) and ¥939 million at March 31, 2019 and 2018, respectively.

5. Government Bonds with Lending Agreements

The "securities" include government bonds lent through unsecured lending agreements. Their amount totaled ¥48,704 million (\$438,822 thousand) and ¥62,497 million at March 31, 2019 and 2018, respectively.

6. Loans and Bills Discounted

(i) Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥2,999 million (\$27,024 thousand) and ¥14,307 million (\$128,909 thousand), respectively, at March 31, 2019, and ¥1,701 million and ¥14,222 million, respectively, at March 31, 2018. A loan is placed on non-accrual status when substantial doubt as to the collectibility of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans, after the charge-offs of loans deemed uncollectible, to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance of the Corporation Income Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

(ii) Loans past due for 3 months or more totaled ¥49 million (\$442 thousand) and ¥30 million at March 31, 2019 and 2018, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrowers under bankruptcy procedures or delinquent loans.

(iii) Restructured loans totaled ¥6,926 million (\$62,404 thousand) and ¥4,953 million at March 31, 2019 and 2018, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction of the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Restructured loans are not included in loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

(iv) The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥24,282 million (\$218,781 thousand) and ¥20,908 million at March 31, 2019 and 2018, respectively.

(v) Bills discounted are accounted for as financial transactions in accordance with "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24 February 13, 2002). The Bank has rights to sell or pledge accepted banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills acquired at discount and foreign exchange bought at a discount was ¥6,198 million (\$55,848 thousand) and ¥7,184 million as of March 31, 2019 and 2018, respectively.

(vi) Overdraft protection on current accounts and contracts for loan commitments are agreements under which the Bank and the consolidated subsidiaries are bound to extend loans up to a prearranged amount, at the request of the customer, unless the customer is in breach of contract. The unutilized balance of such contracts amounted to ¥581,845 million (\$5,242,321 thousand) and ¥573,831 million as of March 31, 2019 and 2018, respectively, in which the balance of contracts that have a term of one year or less are unconditionally cancelable at any time were ¥557,180 million (\$5,020,098 thousand) and ¥549,919 million as of March 31, 2019 and 2018, respectively. Since many of these contracts are scheduled to expire without the rights having been exercised, any unutilized balance in itself does not necessarily affect the future cash flows of the Bank or its consolidated subsidiaries. A provision is included in many of these contracts which entitles the Bank and the consolidated subsidiaries to refuse the execution of such loans, or to reduce the maximum amount loaned under such contracts when there is a change in the borrowers' financial situation, or when there is the necessity to secure a claim, or when other similar factors arise. In addition, the Bank and its consolidated subsidiaries obtain, if needed, real estate or securities as collateral at the time when the contracts are entered into and they subsequently monitor the borrowers' financial condition periodically based on, and in accordance with, the procedures established. If deemed necessary, specific measures such as amendments to the contracts are undertaken in order to control the credit risk.

7. Assets Pledged

Pledged assets and liabilities related to pledged assets as of March 31, 2019 and 2018 were summarized as follows:

	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Pledged assets:			
Securities	¥ 143,072	¥ 157,288	\$ 1,289,059
Liabilities related to the above pledged assets:			
Deposits	¥ 13,555	¥ 12,871	\$ 122,135
Payables under securities lending transactions	¥ 29,653	¥ 26,536	\$ 267,169
Borrowed money	¥ 10,693	¥ 50,811	\$ 96,346

In addition, securities totaling ¥5,806 million (\$52,313 thousand) and ¥16,744 million were pledged as collateral for settlement of exchange and futures transactions at March 31, 2019 and 2018, respectively.

Initial margins of futures markets included in other assets as of March 31, 2019 and 2018 were ¥1 million (\$11 thousand) and zero, respectively.

Deposits included in other assets as of March 31, 2019 and 2018 were ¥281 million (\$2,539 thousand) and ¥284 million, respectively.

Initial margins of central counterparty included in other assets as of March 31, 2019 and 2018 were ¥25,000 million (\$225,245 thousand) and ¥15,000 million, respectively.

8. Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Bank's business operations was revalued on March 31, 2002. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in net assets at an amount net of the related tax effect at March 31, 2002. The corresponding income taxes were included in liabilities at March 31, 2002 as deferred tax liability on revalued land.

The revaluation of the land was determined based on two methods, the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments, and the appraisal by real estate appraiser.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the above-mentioned law, and the total book value of the land after the revaluation was ¥3,660 million (\$32,980 thousand) and ¥3,734 million at March 31, 2019 and 2018, respectively.

9. Accumulated Depreciation

Accumulated depreciation totaled ¥25,272 million (\$227,699 thousand) and ¥25,479 million at March 31, 2019 and 2018, respectively.

10. Recorded Reduction in Value of Tangible Fixed Assets

The recorded reduction in value of tangible fixed assets was ¥1,994 million (\$17,965 thousand) and ¥2,044 million at March 31, 2019 and 2018, respectively. During the current consolidated fiscal year there were no new tangible fixed assets for which the book value was reduced in value.

11. Guarantee Obligations in Respect of the Corporate Bonds

Among the corporate bonds included in the "securities", the guarantee obligations in respect of the corporate bonds pursuant to private offering securities (Article 2, paragraph 3 of the Financial Instruments and Exchange Act) were ¥11,280 million (\$101,637 thousand) and ¥9,287 million at March 31, 2019 and 2018, respectively.

12. Other Income

Other income includes profit from sale of stock, etc. of ¥3,504 million (\$31,570 thousand) and ¥2,557 million at March 31, 2019 and 2018, respectively.

13. General and Administrative Expenses

General and administrative expenses include salary and benefits of ¥9,887 million (\$89,086 thousand) and ¥9,946 million, and outsourcing costs of ¥2,069 million (\$18,648 thousand) and ¥2,041 million at March 31, 2019 and 2018, respectively.

14. Other Expenses

Other expenses include losses on sales of stocks and other securities of ¥ 1,282 million (\$11,551 thousand) and ¥108 million at March 31, 2019 and 2018, respectively.

15. Loss on Impairment

The Bank reviewed its long-lived assets by grouping them into units consisting of operating branches, idle assets, jointly used assets including head office, administrative centers, company housing and dormitories and each consolidated subsidiary for impairment and recognized loss on impairment of land in the amount of zero (\$0) and ¥72 million for the year ended March 31, 2019 and 2018, respectively. The recoverable amount used for measurement of loss on impairment was net selling price and computed mainly based on the real estate appraisal value.

16. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to other comprehensive income for the year ended March 31, 2019 and 2018 are summarized as follows:

	2019	2018	2019
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net unrealized holding gain on securities available for sale:			
Amount arising during the year	¥ (239)	¥ 2,518	\$ (2,159)
Reclassification adjustments	(2,949)	(2,724)	(26,574)
Amount before tax effect	(3,189)	(206)	(28,733)
Tax effect	914	35	8,242
Net unrealized holding gain on securities available for sale:	(2,274)	(170)	(20,490)
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(1,627)	(360)	(14,667)
Reclassification adjustments	884	927	7,967
Amount before tax effect	(743)	567	(6,700)
Tax effect	226	(172)	2,043
Deferred gain (loss) on hedging instruments	(516)	394	(4,656)
Revaluation of land:			
Amount arising during the year	—	—	—
Reclassification adjustments	—	—	—
Amount before tax effect	—	—	—
Tax effect	—	—	—
Revaluation of land	—	—	—
Retirement benefits liability adjustments:			
Amount arising during the year	(938)	(211)	(8,457)
Reclassification adjustments	(173)	17	(1,560)
Amount before tax effect	(1,111)	(194)	(10,018)
Tax effect	339	59	3,055
Retirement benefits liability adjustments	(772)	(134)	(6,962)
Total other comprehensive income	¥ (3,563)	¥ 89	\$ (32,109)

17. Stocks Issued

The number of stocks issued and changes during the year ended March 31, 2019 and 2018 are summarized as follows:

	Thousands of stocks		Thousands of stocks	
	2019	2018	2019	2018
	Treasury stock	Common stock issued	Treasury stock	Common stock issued
Beginning of the year	1,406	34,000	7,022	170,000
Increase during the year	1 ^{*1}	—	8 ^{*3}	—
Decrease during the year	—	—	5,624 ^{*4}	136,000 ^{*6}
End of the year	1,407 ^{*2}	34,000	1,406 ^{*2,5}	34,000 ^{*5}

*1 The increase of 1 thousand in treasury stock, which is common stock, was due to the purchase of fractional numbers of less than one unit.

*2 The number of treasury stock as of the end of the consolidated fiscal year includes 88 thousand of the Bank's stock held by the board incentive BIP trust.

*3 The increase of 8 thousand in treasury stock, which is common stock, was increased by 6 thousand due to the purchase of fractional numbers of less than one unit before the stock consolidation, increased by 1 thousand due to the purchase of fractional stock in connection with the stock consolidation, and increased by 0 thousand due to the purchase of fractional numbers of less than one unit after the stock consolidation.

*4 The decrease of 5,624 thousand in treasury stock, which is common stock, was decreased by 7 thousand due to the delivery of the Bank's stock from the board incentive BIP trust conducted before the stock consolidation, decreased by 0 thousand in response to request to purchase of fractional numbers of less than one unit, decreased by 5,616 thousand resulting from the stock consolidation, and decreased by 0 thousand through the disposition of fractional numbers of less than one unit in connection with the stock consolidation.

*5 Effective October 1, 2017 the Bank executed the 1-for-5 stock consolidation.

*6 The decrease of 136,000 thousand stocks of issued and outstanding common stocks is a result of the stock consolidation.

18. Dividends

Dividends for the year ended March 31, 2019 and 2018 are summarized as follows:

	2019			
	November 9, 2018		May 11, 2018	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 571 million	\$ 5,153 thousand	¥ 571 million	\$ 5,153 thousand
Dividend per share	¥ 17.5	\$ 0.15	¥ 17.5	\$ 0.15
Base date	September 30, 2018	September 30, 2018	March 31, 2018	March 31, 2018
Effective date	December 6, 2018	December 6, 2018	June 4, 2018	June 4, 2018
	2018			
	November 10, 2017		May 12, 2017	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 571 million	\$ 5,152 thousand	¥ 571 million	\$ 5,152 thousand
Dividend per share	¥ 17.5	\$ 0.15	¥ 17.5	\$ 0.15
Base date	September 30, 2017	September 30, 2017	March 31, 2017	March 31, 2017
Effective date	December 6, 2017	December 6, 2017	June 5, 2017	June 5, 2017

Dividends for which the base date belonged to the year ended March 31, 2019 and 2018 but to be effective in the following year are summarized as follows:

	2019		2018	
	May 13, 2019		May 11, 2018	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 571 million	\$ 5,152 thousand	¥ 571 million	\$ 5,152 thousand
Dividend per share	¥ 17.5	\$ 0.15	¥ 17.5	\$ 0.15
Base date	March 31, 2019	March 31, 2019	March 31, 2018	March 31, 2018
Effective date	June 5, 2019	June 5, 2019	June 4, 2018	June 4, 2018

Total dividends above mentioned include 1 million yen for the stocks held by the board incentive BIP trust.

Dividend per share pursuant to the November 10, 2017 director's resolution is based on the record date of September 30, 2017 and does not reflect the stock consolidation of October 1, 2017.

Since the stock consolidation was conducted on October 1, 2017, the dividend amount per share specifies the amount per share following the consolidated stock, taking into account the effect of the stock consolidation.

Dividends are recorded in the fiscal year in which the proposed appropriation of retained earnings is approved by the Board of Directors and by the general meeting of shareholders. There is a limit on dividends under Article 18 of the Banking Act. An amount equal to 20% of the aggregated amount of dividends shall be set aside as a legal reserve or legal capital surplus, regardless of Article 445-4 of the Companies Act of Japan.

19. Cash Flows

Cash and cash equivalents stated in the consolidated statement of cash flows consisted of the following:

	2019	2018	2019
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and due from banks	¥ 95,037	¥ 82,343	\$ 856,275
Current deposits	(72)	(92)	(653)
Ordinary deposits	(230)	(309)	(2,074)
Time deposits	(10,000)	(5,000)	(90,101)
Deposits with Japan Post Bank	(254)	(169)	(2,297)
Others	(7)	(7)	(67)
Cash and cash equivalents	¥ 84,472	¥ 76,764	\$ 761,081

20. Leases

(As lessee)

Finance Lease transaction

Finance lease transactions that do not transfer ownership.

① Description of lease asset
Tangible fixed assets
Primarily, a portion of vehicles and electronic computers.

② Method of depreciation of lease assets

As stated in the "f. Leased assets" of *3. Summary of Significant Accounting Policies".

(As lessor)

Investments in leased assets at March 31, 2019 and 2018 are summarized as follows:

	2019	2018	2019
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Gross lease receivables	¥ 15,120	¥ 13,627	\$ 136,234
Estimated residual values	992	873	8,940
Unearned interest income	(1,884)	(1,897)	(16,978)
Investments in leased assets	¥ 14,228	¥ 12,603	\$ 128,196

Maturities of lease receivables at March 31, 2019 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2020	¥ 4,389	\$ 39,551
2021	3,565	32,120
2022	2,742	24,706
2023	1,926	17,356
2024	1,116	10,056
2025 and thereafter	1,381	12,444

Maturities of lease receivables at March 31, 2018 are as follows:

Years ending March 31	(Millions of yen)
2019	¥ 4,103
2020	3,376
2021	2,541
2022	1,715
2023	953
2024 and thereafter	936

21. Financial Instruments

1. Matters relating to the state of financial instruments

(1) Policy for financial instruments

The Yamagata Bank group (referred to as the "Bank" below) provides financial services mainly connected with the banking business including deposits, loans, buying and selling trading securities and security investments. In the banking business, which is the main business of the Bank, funds are raised by means such as accepting deposits and borrowing money from the call money market, and are invested by providing loans and buying securities. Financial assets and liabilities are susceptible to interest rate fluctuations, so the Bank bears market risk, which is the risk of loss caused by changes in financial market conditions (for example, interest rate risk and price fluctuation risk), and the risk of failing to raise sufficient funds.

The Bank performs comprehensive asset and liability management (ALM) to appropriately control the balance of profit and risk in a way that suits fund raising and investment policy as well as taking into consideration the state of assets and liabilities and the trends of the financial and capital markets. The Bank uses derivatives as part of such management.

(2) Nature and risk of financial instruments

The Bank's financial assets consist mainly of loans to domestic companies and individuals, and the Bank is exposed to the credit risks arising from customers' default on their loans. Securities mainly consist of stocks, bonds and investment trusts, some of which are held until the maturity date, others are held for purposes such as investment and business promotion. Those securities are exposed to credit risk of the relevant issuer, the risks of fluctuations in interest rates and market prices.

Deposits, call money, etc., that are financial liabilities have interest rate fluctuation risks caused by differences in interest rates and the periods between financial liabilities and financial assets. Financial liabilities also have the funding risk of loss due to inability to raise

funds, because of reasons such as unexpected outflow of funds, and by raising funds at interest rates much higher than the normal rate because of unavoidable reasons; and the market liquidity risk of loss caused by the inability to raise the required funds because of disruption such as a credit crunch in the entire market and by trading at prices greatly disadvantageous compared with the normal price.

(3) Risk management for financial instruments

i. Credit risk management

The Bank measures the risk amount through credit judgments, credit ratings and self-assessments, attaching importance to the public good, safety, growth potential and profitability, and controls the risk on the principle of elimination of concentration on specific customers, in accordance with credit policy (lending standards), which states the basic ideas about lending, the code of conduct and other matters, and with the credit risk management rules, which specify credit risk management methods.

The Bank's credit review division and sales promotion division are separated to ensure independence of each other and stringent credit risk management.

The Bank conducts rigorous self-assessment, which includes audits by the audit division, from the aspect of securing the soundness of the assets. Based on the results, the Bank appropriately writes off bad debts and sets aside reserves.

The Bank has a credit rating system for business loans to understand the true state of companies from both quantitative and qualitative aspects.

To reduce and offset credit risk, the Bank receives collateral and guarantees for lending transactions and offsets loans against deposits. The basic ideas about security are stated in the credit policy, and security assessments, management policies and procedures are set out in the operation manual.

Measurement method and procedures for credit risk amount are stipulated in the operation manual and the risk is measured monthly based on the borrowers' credit rating and other factors. The results are reported to the ALM Council (the board of managing directors).

ii. Market risk management

a. Interest rate risk management

The Bank's interest rate fluctuation risk is managed by ALM. Risk management methodology and procedures are stated in detail in the rules and manuals related to ALM. Present conditions are checked, state of execution is checked and future actions are discussed by the ALM Council, based on the outcome of the deliberations of the ALM Committee.

Risks are monitored using methodology such as basis point value (BPV) and value at risk (VaR), and mainly with gap analyses and interest rate sensitivity analyses, and the results are reported monthly to the ALM Council. As part of ALM, derivatives such as interest rate swap transactions are conducted to hedge interest rate risks.

b. Price fluctuation risk management

Trading and management of investment instruments such as securities are performed in accordance with the investment policy and risk management policy as determined by the board of directors half-yearly. The middle section of the Financial Market Division and the Risk Control Section of the General Planning & Coordinations Division measure market risk for securities investments quantitatively and comprehensively using VaR, etc. The results are reported to the relevant directors, the ALM Council, etc., with the frequency set for each financial instrument to check the state of compliance with the rule.

c. Quantitative information concerning market risk

The principal financial instruments that are subject to interest rate risk and price fluctuation risk, which are the main risk variables affecting the Bank, are loans and bills discounted, securities, deposits and derivative transactions.

The variance-covariance method (holding period: 90 days, confidence interval: 99%, observation period: 250 business days) was used for the calculation of VaR, the market risk volume. The volume of overall market risk (estimated loss) as of March 31, 2019 (consolidated accounts settlement date) and 2018 were ¥27,579 million (\$248,488 thousand) and ¥26,579 million.

The Bank believes that the measurement model estimates market risk with sufficient accuracy because the Bank examines the model by means such as performing backtesting to compare the VaR calculated using the model with the actual profit and loss.

However, VaR measures market risk volume with a certain probability that is calculated statistically based on historical market movements, and therefore VaR may fail to represent risk in the case of exceptionally drastic change in market conditions.

* Holding period for shares purchased for business relationships, which are included in the securities: 125 days.

iii. Liquidity risk management

Sections managing liquidity risks at the Bank are clearly stated in the liquidity risk management rules that stipulate the liquidity risk management procedures, system and so on. The Bank has a management system to secure sufficient liquidity in case of unexpected events by setting liquidity standards for various cases including times of normality, times of concern, and times of emergency.

(4) Supplementary explanation of fair values of financial instruments

Fair value of financial instruments includes market price as well as reasonably determined value where market price is unavailable. The reasonably determined value could differ depending on different conditions and assumptions because calculation of such value is conducted based on certain conditions and assumptions.

2. Fair value of financial instruments

Carrying amount and fair value, as of March 31, 2019 and 2018, and the difference between the values are shown in the table below. Unlisted stocks and others whose fair value is deemed to be extremely difficult to determine are not listed in the table (see Note 2). Accounts considered to be immaterial are omitted.

<March 31, 2019> (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥ 95,037	¥ 95,037	¥ -
(2) Call loans and bills bought	13,995	13,995	-
(3) Securities			
Held-to-maturity bonds	11,280	11,456	176
Other securities	653,385	653,385	-
(4) Loans and bills discounted	1,699,188		
Reserve for possible loan losses (*1)	(8,791)		
	1,690,396	1,711,772	21,376
Total assets	2,464,096	2,485,649	21,552
(1) Deposits	2,212,792	2,212,833	41
(2) Negotiable certificates of deposit	104,121	104,122	0
(3) Payables under securities	29,653	29,653	-
leading transactions			
(4) Borrowed money	16,133	16,174	40
(5) Bonds with stock acquisition rights	11,099	11,028	(70)
Total liabilities	2,373,799	2,373,811	12
Derivative transactions (*2)			
To which hedge accounting is not applied	(584)	(584)	-
To which hedge accounting is applied	(4,019)	(4,019)	-
Total derivatives	¥ (4,603)	¥ (4,603)	¥ -

<March 31, 2019> (Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	\$ 856,275	\$ 856,275	\$ -
(2) Call loans and bills bought	126,100	126,100	-
(3) Securities			
Held-to-maturity bonds	101,637	103,224	1,587
Other securities	5,886,885	5,886,885	-
(4) Loans and bills discounted	15,309,384		
Reserve for possible loan losses (*1)	(79,214)		
	15,230,170	15,422,767	192,596
Total assets	22,201,068	22,395,253	194,184
(1) Deposits	19,936,859	19,937,232	373
(2) Negotiable certificates of deposit	938,118	938,124	5
(3) Payables under securities	267,169	267,169	-
leading transactions			
(4) Borrowed money	145,357	145,726	369
(5) Bonds with stock acquisition rights	100,000	99,363	(637)
Total liabilities	21,387,505	21,387,615	110
Derivative transactions (*2)			
To which hedge accounting is not applied	(5,267)	(5,267)	-
To which hedge accounting is applied	(36,212)	(36,212)	-
Total derivatives	\$ (41,480)	\$ (41,480)	\$ -

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

(*2) Derivative transactions recorded in other assets and other liabilities are presented on a net basis.

<March 31, 2018> (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥ 82,343	¥ 82,343	¥ -
(2) Securities			
Held-to-maturity bonds	9,287	9,402	114
Other securities	713,214	713,214	-
(3) Loans and bills discounted	1,726,334		
Reserve for possible loan losses (*1)	(7,133)		
	1,719,201	1,738,863	19,661
Total assets	2,524,046	2,543,822	19,775
(1) Deposits	2,206,819	2,206,872	53
(2) Negotiable certificates of deposit	114,497	114,497	0
(3) Payables under securities	26,536	26,536	-
leading transactions			
(4) Borrowed money	54,245	54,265	19
(5) Bonds with stock acquisition rights	10,624	10,641	17
Total liabilities	2,412,722	2,412,812	90
Derivative transactions (*2)			
To which hedge accounting is not applied	11	11	-
To which hedge accounting is applied	(3,146)	(3,146)	-
Total derivatives	¥ (3,135)	¥ (3,135)	¥ -

Note 1 Method to calculate fair values of financial instruments

Assets

(1) Cash and due from banks

Concerning due from banks without maturity, the carrying amount is reported as fair value because the fair value is approximately the same as the carrying amount. Concerning due from banks with maturity, the carrying amount is reported as fair value because the remaining periods are as short as less than one year, and the fair value is approximately the same as the carrying amount.

(2) Call loans and bills bought

The carrying amount is reported as fair value for call loans and bills bought because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

(3) Securities

Fair value of stocks is determined based on the exchange price, and that of bonds based on the exchange price or price quoted by the counter party financial institutions. Fair value of investment trusts is determined based on the price publicly available. Fair value of privately placed guaranteed bonds is calculated by discounting the total amount of principal and interest at an interest rate deemed to be applicable to similar bonds by categories based on internal ratings and terms of the bonds.

(4) Loans and bills discounted

Fair value of loans and bills discounted is calculated by categorizing the loans based on the type, internal rating, term (the remaining period or the period between interest rate renewals), and then discounting the total of the principals and interest with a rate expected of a new similar loan. For loans with short remaining periods (less than one year), the carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

For receivables from "legally bankrupt", "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on factors such as present value of expected future cash flow and expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected loan losses at the end of the year, such carrying amount is presented as fair value. Concerning loans whose maturity dates were not set because they were limited to within the values of the collateral offered as security, the carrying amount is reported as fair value because the fair value is expected to be approximately the same as the carrying amount considering expected periods of repayments and the terms of interest rate.

Liabilities

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

Concerning demand deposits, the amounts to be paid if such deposits were withdrawn on the end of the year (book values) are regarded as fair value. Time deposits are separated by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for new deposit-taking. For those with short remaining periods (less than one year), their carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

(3) Payables under securities lending transactions

The carrying amount is reported as fair value for payables under securities lending transactions because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

(4) Borrowed money

Fair value of borrowed money is calculated by discounting the total amount of the principal and interest of such borrowed money classified by the type, and the remaining period at the interest rates considered to be applicable to new similar borrowed money. The fair value of short-term borrowed money with remaining period as of the end of the fiscal year not exceeding one year is based on the carrying amount because the fair value is approximately the same as the carrying amount.

(5) Bonds with stock acquisition rights

Fair value for bonds with stock acquisition rights is determined based on the exchange price.

Derivative transactions

Matters related to derivatives transactions are as stated in Note 24 "Fair Value Information on Derivatives".

Note 2 Financial instruments whose fair value is deemed to be extremely difficult to determine were as follows. These were not included in the Asset, "(3) Securities" in "Fair value of financial instruments".

Category	Carrying amount		
	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Unlisted stocks (*1)(*2)	¥ 1,805	¥ 1,590	\$ 16,264
Investment in partnerships (*3) and others	10,606	8,903	95,564
Total	¥ 12,411	¥ 10,493	\$ 111,829

(*1) Unlisted stocks are not subject to fair value disclosure because of the extreme difficulty in determining their fair values as they are not sold in the market.

(*2) Impairment accounting was applied to unlisted stocks of ¥2 million in the previous consolidated fiscal year.

Impairment accounting was applied to unlisted stocks of ¥188 million (\$1,701 thousand) in this consolidated fiscal year.

(*3) In the case that partnership assets consist of unlisted stocks whose fair value is deemed to be extremely difficult to determine, investment in partnerships is not subject to fair value disclosure.

Note 3 Scheduled redemption amounts of financial assets and securities with maturities

<March 31, 2019> (Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 95,037	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	13,995	-	-	-	-	-
Securities	125,816	84,794	155,346	44,297	102,358	76,114
Held-to-maturity bonds	1,218	3,082	5,407	1,543	30	-
Corporate bonds	1,218	3,082	5,407	1,543	30	-
Other securities with a maturity date	124,598	81,712	149,939	42,753	102,328	76,114
Japanese government bonds	62,343	40,595	43,037	7,295	8,031	31,636
Municipal bonds	8,225	2,871	43,794	5,947	53,190	25,266
Corporate bonds	19,279	27,202	32,566	17,321	8,185	10,753
Other	34,750	11,043	30,540	12,189	32,919	8,458
Loans and bills discounted (*)	411,468	316,949	230,409	153,736	149,642	417,207
Total	¥ 646,319	¥ 401,744	¥ 385,755	¥ 198,033	¥ 252,000	¥ 493,322

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" borrowers, loans to "Virtually bankrupt" borrowers, loans to "Possibly bankrupt" borrowers, amounting to ¥19,774 million (\$178,165 thousand) is not included in the above table.

<March 31, 2019 > (Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	\$ 856,275	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills bought	126,100	-	-	-	-	-
Securities	1,133,587	763,985	1,399,640	399,108	922,230	685,780
Held-to-maturity bonds	10,976	27,769	48,716	13,904	270	-
Corporate bonds	10,976	27,769	48,716	13,904	270	-
Other securities with a maturity date	1,122,610	736,216	1,350,924	385,203	921,959	685,780
Japanese government bonds	561,701	365,755	387,761	65,730	72,364	285,035
Municipal bonds	74,112	25,867	394,581	53,586	479,240	227,648
Corporate bonds	173,701	245,090	293,418	156,063	73,751	96,890
Other	313,095	99,502	275,162	109,823	296,602	76,205
Loans and bills discounted	3,707,259	2,855,660	2,075,943	1,385,137	1,348,253	3,758,963
Total	\$ 5,823,223	\$ 3,619,646	\$ 3,475,584	\$ 1,784,246	\$ 2,270,483	\$ 4,444,743

<March 31, 2018> (Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 82,343	¥ -	¥ -	¥ -	¥ -	¥ -
Securities	109,143	169,307	121,673	96,361	88,696	68,554
Held-to-maturity bonds	1,828	3,914	2,967	577	-	-
Corporate bonds	1,828	3,914	2,967	577	-	-
Other securities with a maturity date	107,314	165,393	118,706	95,784	88,696	68,554
Japanese government bonds	36,423	97,799	42,428	41,682	8,255	32,916
Municipal bonds	36,120	10,357	25,333	12,250	19,297	21,603
Corporate bonds	16,868	36,989	30,752	24,330	15,252	-
Other	17,901	20,247	20,192	17,520	45,890	14,035
Loans and bills discounted (*)	403,781	323,922	252,227	164,436	158,122	407,256
Total	¥ 595,267	¥ 493,230	¥ 373,901	¥ 260,798	¥ 246,818	¥ 475,810

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" borrowers, loans to "Virtually bankrupt" borrowers, loans to "Possibly bankrupt" borrowers, amounting to ¥16,587 million is not included in the above table.

Note 4 Scheduled repayment amounts of bonds, borrowed money and other interest bearing liabilities
<March 31, 2019>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	¥ 2,072,207	¥ 126,077	¥ 14,506	¥ --	¥ --	¥ --
Negotiable certificates of deposit	104,121	--	--	--	--	--
Payable under securities lending transactions	29,653	--	--	--	--	--
Borrowed money	12,335	2,467	1,314	11	4	--
Bonds with stock acquisition right	11,099	--	--	--	--	--
Total	¥ 2,229,416	¥ 128,544	¥ 15,821	¥ 11	¥ 4	¥ --

*Demand deposits are included in "Due in 1 year or less".

<March 31, 2019>

(Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits	\$ 18,670,221	\$ 1,135,933	\$ 130,703	\$ --	\$ --	\$ --
Negotiable certificates of deposit	938,118	--	--	--	--	--
Payable under securities lending transactions	267,169	--	--	--	--	--
Borrowed money	111,137	22,232	11,845	106	36	--
Bonds with stock acquisition right	100,000	--	--	--	--	--
Total	\$ 20,086,646	\$ 1,158,166	\$ 142,549	\$ 106	\$ 36	\$ --

<March 31, 2018>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	¥ 2,066,726	¥ 126,655	¥ 13,436	¥ --	¥ --	¥ --
Negotiable certificates of deposit	114,277	220	--	--	--	--
Payable under securities lending transactions	26,536	--	--	--	--	--
Borrowed money	51,980	1,645	597	11	9	--
Bonds with stock acquisition right	--	10,624	--	--	--	--
Total	¥ 2,259,520	¥ 139,145	¥ 14,034	¥ 11	¥ 9	¥ --

*Demand deposits are included in "Due in 1 year or less".

22. Securities

Trading securities, marketable securities classified as held-to-maturity bonds and other securities at March 31, 2019 and 2018 are summarized as follows:

Trading securities (As of March 31, 2019)	Unrealized holding gain charged to current operations (Millions of yen)	Unrealized holding gain charged to current operations (Thousands of U.S. dollars)	Trading securities (As of March 31, 2018)	Unrealized holding gain charged to current operations (Millions of yen)
	¥ 0	\$ 0		¥ 0

2. Held-to-maturity bonds (As of March 31, 2019)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Fair value	Difference	Carrying Value	Fair value	Difference
Fair value exceeding carrying value	Japanese government bonds	¥ --	¥ --	¥ --	\$ --	\$ --	\$ --
	Municipal bonds	--	--	--	--	--	--
	Short-term bonds	--	--	--	--	--	--
	Corporate bonds	10,594	10,773	178	95,456	97,064	1,608
	Other	--	--	--	--	--	--
	Subtotal	10,594	10,773	178	95,456	97,064	1,608
Fair value not exceeding carrying value	Japanese government bonds	--	--	--	--	--	--
	Municipal bonds	--	--	--	--	--	--
	Short-term bonds	--	--	--	--	--	--
	Corporate bonds	686	683	(2)	6,180	6,160	(20)
	Other	--	--	--	--	--	--
	Subtotal	686	683	(2)	6,180	6,160	(20)
Total		¥ 11,280	¥ 11,456	¥ 176	\$ 101,637	\$ 103,224	\$ 1,587

Held-to-maturity bonds (As of March 31, 2018)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Fair value exceeding carrying value	Japanese government bonds	¥ --	¥ --	¥ --
	Municipal bonds	--	--	--
	Short-term bonds	--	--	--
	Corporate bonds	8,604	8,722	117
	Other	--	--	--
	Subtotal	8,604	8,722	117
Fair value not exceeding carrying value	Japanese government bonds	--	--	--
	Municipal bonds	--	--	--
	Short-term bonds	--	--	--
	Corporate bonds	683	679	(3)
	Other	--	--	--
	Subtotal	683	679	(3)
Total		¥ 9,287	¥ 9,402	¥ 114

3. Other securities (As of March 31, 2019)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Cost	Difference	Carrying value	Cost	Difference
Carrying value exceeding cost	Stocks	¥ 28,382	¥ 13,179	¥ 15,202	\$ 255,718	\$ 118,747	\$ 136,971
	Bonds	436,600	428,881	7,719	3,933,691	3,864,144	69,546
	Japanese government bonds	192,939	188,810	4,129	1,738,349	1,701,147	37,202
	Municipal bonds	139,296	136,630	2,665	1,255,036	1,231,017	24,019
	Short-term bonds	--	--	--	--	--	--
	Corporate bonds	104,364	103,440	923	940,304	931,979	8,324
	Other	96,355	93,279	3,076	868,149	840,432	27,717
	Foreign bonds	44,818	43,567	1,250	403,802	392,538	11,263
	Other	51,537	49,711	1,826	464,347	447,893	16,453
		Subtotal	561,338	535,340	25,997	5,057,559	4,823,323
Carrying value not exceeding cost	Stocks	4,234	4,921	(687)	38,147	44,344	(6,197)
	Bonds	10,944	10,953	(8)	98,612	98,686	(73)
	Japanese government bonds	--	--	--	--	--	--
	Municipal bonds	--	--	--	--	--	--
	Short-term bonds	--	--	--	--	--	--
	Corporate bonds	10,944	10,953	(8)	98,612	98,686	(73)
	Other	83,178	84,942	(1,763)	749,421	765,314	(15,893)
	Foreign bonds	22,717	22,824	(106)	204,683	205,640	(956)
	Other	60,460	62,118	(1,657)	544,738	559,674	(14,936)
		Subtotal	98,357	100,817	(2,459)	886,182	908,346
Total		¥ 659,695	¥ 636,158	¥ 23,537	\$ 5,943,741	\$ 5,731,669	\$ 212,072

Other securities (As of March 31, 2018)

(Millions of yen)

	Type	Carrying value	Cost	Difference
Carrying value exceeding cost	Stocks	¥ 37,224	¥ 18,301	¥ 18,923
	Bonds	435,108	425,879	9,229
	Japanese government bonds	225,951	220,839	5,111
	Municipal bonds	124,962	121,627	3,335
	Short-term bonds	--	--	--
	Corporate bonds	84,194	83,411	782
	Other	58,067	56,340	1,727
	Foreign bonds	29,927	29,716	211
	Other	28,139	26,624	1,515
		Subtotal	530,400	500,520
Carrying value not exceeding cost	Stocks	3,596	3,924	(328)
	Bonds	73,552	74,026	(473)
	Japanese government bonds	33,554	33,938	(384)
	Municipal bonds	--	--	--
	Short-term bonds	--	--	--
	Corporate bonds	39,998	40,087	(88)
	Other	106,078	108,430	(2,352)
	Foreign bonds	49,063	49,939	(875)
Other	57,014	58,491	(1,476)	
	Subtotal	183,227	186,381	(3,153)
Total		¥ 713,628	¥ 686,902	¥ 26,725

4. Held-to-maturity bonds sold during the year ended March 31, 2019 (Millions of yen) (Thousands of U.S. dollars)

	Cost	Proceeds from sales	Gain (loss) on sales	Cost	Proceeds from sales	Gain(loss) on sales
Corporate bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Total	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —

Held-to-maturity bonds sold during the year ended March 31, 2018 (Millions of yen)

	Cost	Proceeds from sales	Gain (loss) on sales
Corporate bonds	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —

5. Other securities sold during the year ended March 31, 2019 (Millions of yen) (Thousands of U.S. dollars)

	Proceeds from Sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 14,716	¥ 2,814	¥ 1,152	\$ 132,592	\$ 25,360	\$ 10,379
Bonds	342,126	3,954	1,762	3,082,495	35,632	15,875
Japanese government bonds	313,126	3,000	1,717	2,821,212	27,030	15,470
Municipal bonds	19,139	949	—	172,447	8,557	—
Short-term bonds	—	—	—	—	—	—
Corporate bonds	9,859	4	44	88,835	44	405
Other	73,432	1,729	2,006	661,610	15,582	18,074
Total	¥ 430,274	¥ 8,499	¥ 4,920	\$ 3,876,698	\$ 76,575	\$ 44,329

Other securities sold during the year ended March 31, 2018 (Millions of yen)

	Proceeds from Sales	Gains on sales	Losses on sales
Stocks	¥ 8,954	¥ 2,270	¥ 108
Bonds	323,337	1,144	449
Japanese government bonds	312,542	1,125	345
Municipal bonds	5,679	19	—
Short-term bonds	—	—	—
Corporate bonds	5,115	—	104
Other	42,958	1,174	697
Total	¥ 375,250	¥ 4,589	¥ 1,256

6. Securities which have readily determinable fair value are devaluated to fair value, and the difference between cost and fair value is treated as loss for the fiscal year if fair value has significantly deteriorated compared with cost and fair value is unlikely to recover up to the acquisition cost. The amount of the impairment loss for the year ended March 31, 2018 was zero. The amount of the impairment loss for the year ended March 31, 2019 was zero. The criteria for determining whether a security's fair value has "significantly deteriorated" is: whether a security whose fair value is 50% or less and whether a security whose fair value exceeds 50% but is 70% or less of the acquisition cost, considering the changes in the quoted market price during a certain period in the past, business performance and other factors.

23. Net Unrealized Holding Gain on Securities Available for Sale

The components of net unrealized holding gain on securities available for sale recorded on the consolidated financial statements at March 31, 2019 and 2018 are as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Valuation Gains (losses)	¥ 23,536	¥ 26,725	\$ 212,059
Other Securities	23,536	26,725	212,059
Other moneys in trust	—	—	—
(△) Deferred tax liabilities	7,156	8,071	64,479
Net unrealized holding gain on securities available for sale (before adjustment based on equivalent amount of shareholdings)	16,379	18,654	147,579
(△) Amount equivalent to non-controlling interests equity	—	—	—
(+) Net unrealized holding gain on securities available for sale owned by companies accounted for using the equity method, the amount equivalent to owners of parent.	—	—	—
Net unrealized holding gain on securities available for sale	¥ 16,379	¥ 18,654	\$ 147,579

24. Fair Value Information on Derivatives

(1) Derivative transactions to which hedge accounting is not applied
Derivative transactions to which hedge accounting is not applied are set forth in the table below. Contract amounts themselves do not reflect the market risks of the derivative transactions.

Interest rate-related transactions

<March 31, 2019> (Millions of yen) (Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Interest rate swaps								
	Receive-fixed/pay-floating	¥ 6,000	¥ 6,000	¥ 42	¥ 42	\$ 54,058	\$ 54,058	\$ 384	\$ 384
	Receive-floating/pay-fixed	27,000	12,000	(617)	(644)	243,265	108,117	(5,563)	(5,810)
Total		—	—	¥ (574)	¥ (602)	—	—	\$ (5,179)	\$(5,426)

1. The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statement of income.
2. The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

Currency-related transactions

<March 31, 2019> (Millions of yen) (Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Forward exchange contracts	Sold	¥ 608	¥ —	¥ (3)	\$ 5,481	\$ —	\$ (35)	\$ (35)
		Bought	586	—	5	5,282	—	49	49
	Currency options	Sold	¥ 1,390	¥ —	¥ (12)	\$ 12,523	\$ —	\$ (111)	\$ (58)
		Bought	1,390	—	12	12,523	—	111	75
Total		—	—	¥ 1	¥ 3	—	—	\$ 14	\$ 30

<March 31, 2018> (Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Forward exchange contracts	Sold	¥ 6,651	¥ —	¥ 10
		Bought	6,310	—	0
	Total	—	—	¥ 11	¥ 11

1. The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statement of income.
2. Fair values are obtained using the discounted cash flow, etc.

Credit derivatives transactions

<March 31, 2019> (Millions of yen) (Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Credit default swaps	Sold	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
		Bought	860	860	(11)	(11)	7,748	7,748	(102)
Total		—	—	¥ (11)	¥ (11)	—	—	\$ (102)	\$ (102)

1. The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statement of income.
2. Fair values are obtained using the discounted cash flow, etc.
3. "Sold" and "Bought" indicate assumption and cession of credit risk, respectively.

(2) Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting is applied are set forth in the table below. Contract amounts themselves below do not represent the market risks of the derivative transactions.

Interest rate-related transactions

<March 31, 2019> (Millions of yen) (Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 50,586	¥ 50,586	¥ (3,901)	\$ 455,771	\$ 455,771	\$ (35,148)
			—	—	—	—	—	—
Exceptional method	Interest rate swaps receive-floating/pay-fixed	Loans	—	—	—	—	—	\$ (35,148)
Total			—	—	¥ (3,901)	—	—	\$ (35,148)

<March 31, 2018> (Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 67,753	¥ 65,753	¥ (3,143)
			—	—	—
Exceptional method	Interest rate swaps receive-floating/pay-fixed	Loans	10,000	—	—
Total			—	—	¥ (3,143)

1. The above transactions apply deferral hedge accounting stipulated in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24 February 13, 2002).
2. The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.
3. Since derivative transactions qualifying for the exceptional method are treated as a unit of loans, those fair values are included in fair values of such loans.

Currency-related transactions

<March 31, 2019> (Millions of yen) (Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Call loans in foreign currency	¥ 20,331	¥ 6,623	¥ (118)	\$ 183,181	\$ 59,672	\$(1,063)
			—	—	—	—	—	—
Total			—	—	¥ (118)	—	—	\$(1,063)

<March 31, 2018>

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Call loans in foreign currency/ Call money in foreign currencies	¥ 7,128	¥ 2,519	¥ (3)
Total		—	—	—	¥ (3)

- The above transactions apply deferral hedge accounting stipulated in "Accounting and auditing for transactions in foreign currencies, etc., in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 25 July 29, 2002).
- The fair value is calculated based on the discounted present value.

25. Retirement Benefit Plans

The Bank and the consolidated subsidiaries have defined-benefit corporation pension funds and lump-sum retirement benefits. Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities. The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet for the Bank's and the consolidated subsidiaries' defined retirement benefit plans:

- (1) The changes on the retirement benefit obligation during the year ended March 31, 2019 and 2018 are as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	¥ 16,723	¥ 16,374	\$ 150,677
Service cost	529	515	4,774
Interest cost	83	97	751
Actuarial gain/loss	628	492	5,660
Retirement benefits paid	(817)	(755)	(7,361)
Prior service cost	—	—	—
Other	—	—	—
Retirement benefit obligation at the end of the year	¥ 17,148	¥ 16,723	\$ 154,502

- (2) The changes in plan assets during the year ended March 31, 2019 and 2018 are as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Plan assets at the beginning of the year	¥ 17,605	¥ 17,268	\$ 158,621
Expected return on plan assets	492	448	4,441
Actuarial gain/loss	(310)	281	(2,797)
Contributions by employers	308	303	2,777
Contributions by employees	58	59	531
Retirement benefits paid	(816)	(756)	(7,360)
Other	—	—	—
Plan assets at the end of the year	¥ 17,338	¥ 17,605	\$ 156,214

- (3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 and 2018 for the bank's and the consolidated subsidiaries' defined benefit plans:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 17,095	¥ 16,675	\$ 154,024
Plan assets at fair value	(17,338)	(17,605)	(156,214)
	(243)	(930)	(2,189)
Unfunded retirement benefit obligation	53	48	478
Net liability for retirement benefits in the consolidated balance sheet	(189)	(881)	(1,711)
Liability for retirement benefits	53	48	478
Assets for retirement benefits	243	930	2,189
Net liability for retirement benefits in consolidated balance sheet	¥ (189)	¥ (881)	\$ (1,711)

- (4) The components of retirement benefit expense for the year ended March 31, 2019 and 2018 are as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Service cost	¥ 471	¥ 455	\$ 4,243
Interest cost	83	97	751
Expected return on plan assets	(492)	(448)	(4,441)
Amortization of actuarial gain/loss cost	(173)	17	(1,560)
Amortization of prior service cost	—	—	—
Other	—	—	—
Retirement benefit expense	¥ (111)	¥ 121	\$ (1,006)

Notes

- Concerning the consolidated subsidiaries that use a simplified method, all of the retirement benefit cost is included in the service cost.
- Service cost does not include the amounts contributed by employees with respect to corporate pension fund plans.

- (5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain and loss	(1,111)	(194)	(10,018)
Other	—	—	—
Total	¥ (1,111)	¥ (194)	\$ (10,018)

- (6) Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gain/loss	(1,271)	(159)	(11,455)
Other	—	—	—
Total	¥ (1,271)	¥ (159)	\$ (11,455)

- (7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 are as follows:

	2019	2018
Bonds	25%	30%
Stocks	31%	33%
General account	29%	28%
Other	15%	9%
Total	100%	100%

Note

The expected long-term return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term return on assets held in each category.

- (8) The assumptions used in accounting for the above plans are as follows:

	2019	2018
1) Discount rate	0.3%	0.5%
2) Expected rate of long-term return on assets	2.8%	2.6%

26. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2019 and 2018 are summarized as follows:

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Deferred tax assets:			
Reserve for possible loan losses	¥ 2,547	¥ 2,107	\$ 22,953
Devaluation on securities	280	240	2,529
Depreciation	679	713	6,122
Net operating loss carryforwards (Note1)	255	461	2,297
Deferred gain (loss) on hedging instruments	1,185	958	10,682
Other	1,619	1,647	14,586
Subtotal: deferred tax assets	6,567	6,129	59,171
Valuation allowance relating to net operating loss carryforwards (Note 1)	(255)	—	(2,297)
Valuation allowance relating to totals of deductible temporary differences, etc.	(872)	—	(7,858)
Valuation allowance	(1,127)	(1,308)	(10,155)
Total: deferred tax assets	5,440	4,821	49,015
Deferred tax liabilities:			
Net unrealized holding gains on securities available for sale	(7,156)	(8,071)	(64,479)
Net defined benefits assets	(74)	(283)	(667)
Other	(149)	(150)	(1,350)
Total: deferred tax liabilities	(7,380)	(8,505)	(66,498)
Net deferred tax assets (liabilities)	¥ (1,940)	¥ (3,684)	\$ (17,482)

Notes

- Amounts of net operating loss carryforwards and deferred tax assets by year of expiration
Current consolidated fiscal year

	(Millions of yen)		
	Net operating loss carryforwards (*)	Valuation allowance	Deferred tax assets
2020	¥ 213	¥ (213)	¥ —
2021	—	—	—
2022	10	(10)	—
2023	8	(8)	—
2024	7	(7)	—
2025 and thereafter	14	(14)	—
Total	¥ 255	¥ (255)	¥ —

	(Thousands U.S. dollars)		
	Net operating loss carryforwards (*)	Valuation allowance	Deferred tax assets
2020	\$ 1,920	\$ (1,920)	\$ —
2021	—	—	—
2022	98	(98)	—
2023	76	(76)	—
2024	71	(71)	—
2025 and thereafter	130	(130)	—
Total	\$ 2,297	\$ (2,297)	\$ —

*Net operating loss carryforwards is the amount multiplied by statutory tax rate.

2. Net deferred tax assets (liabilities) as of March 31, 2019 and 2018 were included in the following accounts in the consolidated balance sheets.

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Deferred tax assets	¥ 355	¥ 289	\$ 3,205
Deferred tax liabilities	(2,296)	(3,973)	(20,687)

For the fiscal year ended March 31, 2018, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate was as follows:

	2019	2018
Statutory tax rate	—	30.50%
Valuation allowance	—	(0.69%)
Non-deductible expenses	—	0.50%
Non-taxable income	—	(0.78%)
Per capita inhabitants' tax rate	—	0.50%
Others	—	(1.37%)
Effective tax rate	—	28.66%

Note: For the fiscal year ended March 31, 2019, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate is not stated as the difference between them is less than 5% of the statutory tax rate.

27. Business Combinations

Common control transactions
Merger of consolidated subsidiary company

- Outline of transaction
 - Name and business of companies in question
 - Acquiring company
Name of company: The Yamagata Bank, Ltd.
Business: Banking
 - Acquired company
Name of company: Yamagin Business Services Ltd.
Business: Banking administration related contracted services
 - Date of merger
July 1, 2018
 - Legal form of corporate merger
Absorption-type merger in which The Yamagata Bank, Ltd. becomes the surviving company, and Yamagin Business Services the non-surviving company.
 - Corporate name after merger
The Yamagata Bank Ltd.
 - Other matters relating to outline of transaction
The wholly-owned subsidiary Yamagin Business Services Ltd. has been absorbed with the aim of improving the management efficiency of the Group and of effectively utilizing the Group's resources.

2. Outline of the implemented accounting treatment

The transaction was treated as a common control transaction, pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

28. Asset Retirement Obligations

Among asset retirement obligations, recorded amounts on the consolidated financial statements

- Summary description of the asset retirement obligations
Obligation to restore to original condition, under leasing agreements for land for operating facilities and for ATMs outside of the bank facilities, obligation to remove toxic substances used at a portion of the operating facilities and the administrative center, due to legal requirements, etc.
- Calculation Method of Amount of Asset Retirement Obligations
The asset retirement obligation amounts are calculated by estimating the period of use to be from 6 years to 30 years from time of acquisition, using a discount rate of 0.0% to 2.0% based on the government bond yields as a reference.

- C. Gains/Losses in total asset retirement obligation

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Balance at beginning of year	¥ 134	¥ 123	\$ 1,213
Increase in amount due to acquisition of tangible fixed assets	0	10	2
Adjustment due to the passage of time	0	0	4
Increase due to change in estimate	34	—	309
Reduction due to performance of asset retirement obligations	—	0	—
Balance at the end of the year	¥ 169	¥ 134	\$ 1,530

29. Segment Information

1. Outline of reportable segments

Reportable segments are components for which separate financial information is available and that are subject to periodic examination by the board of directors to determine the allocation of management resources and assess performances.

The Bank and its consolidated subsidiaries consist of the Bank and 6 consolidated subsidiaries that are engaged in the financial services business that includes mainly banking services as well as leasing services.

Therefore, the reportable segments of the Bank and its consolidated subsidiaries comprise 'Banking' and 'Leasing', which are distinguished by the type of the business.

'Banking' includes deposit taking, lending, investment in securities and exchange services.

'Leasing' represents the lease business of Yamagin Lease Co., Ltd., one of the consolidated subsidiaries.

2. Calculation method of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies in Note 3, "Summary of Significant Accounting Policies", are adopted for the reportable segments.

Reportable segment profit corresponds to ordinary income (net).

Ordinary income arising from intersegment transactions is based on arm's length prices.

3. Information of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Year ended March 31, 2019

(Millions of yen)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	¥ 40,157	¥ 5,747	¥ 45,904	¥ 1,471	¥ 47,376	¥ (22)	¥ 47,354
Intersegment	248	112	360	955	1,316	(1,316)	—
Total	40,406	5,859	46,265	2,427	48,692	(1,338)	47,354
Segment profit	5,079	194	5,273	637	5,911	50	5,962
Segment assets	2,564,397	17,709	2,582,107	12,431	2,594,538	(17,558)	2,576,980
Segment liabilities	2,413,575	14,182	2,427,757	7,730	2,435,488	(15,269)	2,420,219
Other items							
Depreciation	1,260	10	1,271	2	1,274	—	1,274
Interest income	25,592	0	25,593	78	25,671	(165)	25,506
Interest expenses	2,532	60	2,593	30	2,624	(70)	2,554
Increase in tangible fixed assets and intangible fixed assets	1,851	25	1,877	2	1,879	—	1,879

Year ended March 31, 2019

(Thousands of U.S. dollars)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	\$ 361,816	\$ 51,779	\$ 413,595	\$ 13,260	\$ 426,856	\$ (202)	\$ 426,653
Intersegment	2,238	1,010	3,249	8,608	11,857	(11,857)	—
Total	364,054	52,790	416,845	21,868	438,713	(12,060)	426,653
Segment profit	45,764	1,751	47,515	5,746	53,262	458	53,720
Segment assets	23,104,765	159,557	23,264,322	112,003	23,376,326	(158,196)	23,218,129
Segment liabilities	21,745,879	127,784	21,873,663	69,650	21,943,314	(137,574)	21,805,739
Other items							
Depreciation	11,360	98	11,458	25	11,484	—	11,484
Interest income	230,588	2	230,590	707	231,298	(1,492)	229,806
Interest expenses	22,818	547	23,366	277	23,643	(631)	23,012
Increase in tangible fixed assets and intangible fixed assets	16,681	234	16,915	21	16,936	—	16,936

Notes

1. Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.

2. "Other" represents business segments that are not the reportable segments and comprises business support service, credit guarantee service, data processing, credit card business, venture capital business, etc.

3. "Adjustments" are as follows:

(1) "Ordinary income for External customers" is elimination related to provision of reserve for loan losses.

(2) "Adjustments for segment profit" are eliminations of intersegment transactions.

4. "Segment profit" corresponds to ordinary income (net) of Consolidated Statements of Income.

Year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	¥ 35,957	¥ 5,108	¥ 41,065	¥ 1,423	¥ 42,488	¥ —	¥ 42,488
Intersegment	189	114	304	982	1,286	(1,286)	—
Total	36,146	5,222	41,369	2,405	43,775	(1,286)	42,488
Segment profit	6,367	(2)	6,365	640	7,005	133	7,138
Segment assets	2,606,825	15,952	2,622,777	12,824	2,635,601	(17,421)	2,618,179
Segment liabilities	2,455,545	12,549	2,468,095	8,435	2,476,531	(15,794)	2,460,737
Other items							
Depreciation	1,103	15	1,119	3	1,122	—	1,122
Interest income	25,188	0	25,188	84	25,272	(86)	25,186
Interest expenses	2,147	64	2,212	32	2,244	(76)	2,168
Increase in tangible fixed assets and intangible fixed assets	1,692	52	1,745	6	1,751	—	1,751

Notes

1. Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.

2. "Other" represents business segments that are not the reportable segments and comprises business support service, credit guarantee service, data processing, credit card business, venture capital business, etc.

3. "Adjustments" are as follows:

"Adjustments for segment profit" are eliminations of intersegment transactions.

4. "Segment profit (loss)" corresponds to ordinary income (net) of Consolidated Statements of Income.

4. Related information

Information by service

Year ended March 31, 2019

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 18,101	¥ 15,488	¥ 5,731	¥ 8,032	¥ 47,354

Year ended March 31, 2019

(Thousands of U.S. dollars)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	\$ 163,092	\$ 139,550	\$ 51,642	\$ 72,367	\$ 426,653

Information about geographical areas is omitted because the Bank and its consolidated subsidiaries conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

Year ended March 31, 2018

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 18,358	¥ 11,235	¥ 5,109	¥ 7,785	¥ 42,488

5. Information concerning the impairment loss of fixed assets by reportable segment

The amount of the impairment loss for the year ended March 31, 2019 was zero.

Year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other	Total
	Banking	Leasing	Total		
Impairment loss	¥ 72	¥ —	¥ 72	¥ —	¥ 72

30. Related Parties Information

Transactions with Related Parties
Transactions of the Corporation Submitting Consolidated Financial Statements with Related Parties
Directors and Major Stockholders (only in the case of individuals) etc. of the Corporation Submitting Consolidated Financial Statements

Year ended March 31, 2019

(Millions of yen)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned by, directly, 0.01	Credit customer	Loan of funds	38	Loans and bills discounted	39

Year ended March 31, 2019

(Thousands of U.S. dollars)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	315	Sake Manufacturer	Owned by, directly, 0.01	Credit customer	Loan of funds	345	Loans and bills discounted	356

Notes

1. The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. The transaction amount specifies that average balance.
2. A majority of the voting rights of Otokoyama Shuzou Co., Ltd. is owned by Director Gisuke Ohara and his close relatives.

Year ended March 31, 2018

(Millions of yen)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned by, directly, 0.01	Credit customer	Loan of funds	38	Loans and bills discounted	49

Notes

1. The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. The transaction amount specifies that average balance.
2. A majority of the voting rights of Otokoyama Shuzou Co., Ltd. is owned by Director Gisuke Ohara and his close relatives.

31. Amounts Per Share

Amounts per share of net assets, net income and diluted net income, as presented below, are based on the number of stocks outstanding at each balance sheet date and the weighted average number of stocks of common stock outstanding during each year respectively.

	2019 (Yen)	2018	2019 (U.S. dollars)
Net assets	¥ 4,804.85	¥ 4,825.85	\$ 43.29
Net income	¥ 123.36	¥ 153.04	\$ 1.11
Diluted net income	¥ 110.01	¥ 136.52	\$ 0.99

Notes

1. Common shares of the Bank held by the board incentive BIP trust are reported as treasury shares in the consolidated financial statements. The common shares held by the trust are included in the number of treasury shares to be deducted from the total number of outstanding shares at the end of the term when calculating net assets per share. The number of treasury stock as of the end of the consolidated fiscal year deducted in the calculation of net assets per share was 88 thousand (number at end of preceding consolidated fiscal year was 88 thousand).
Additionally, said shares are included in the number of treasury shares to be deducted when calculating the weighted-average number of common shares outstanding for the period, in the calculation of net income per share and diluted net income per share. The weighted average number of treasury shares outstanding for the period deducted in the calculation of current net income per share and diluted current net income per share was 88 thousand (number at end of preceding consolidated fiscal year was 88 thousand).

2. Effective on October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per share information is calculated under the assumption that the stock consolidation had taken effect at the preceding fiscal year.

The basis for the calculation of net income per share for the year ended March 31, 2019 and 2018 are summarized as follows:

	2019 (Millions of yen)	2018	2019 (Thousands of U.S. dollars)
Net income attributable to owners of parent	¥ 4,020	¥ 4,988	\$ 36,224
Amount not attributable to common stock	—	—	—
Net income attributable to owners of parent related to common stock	4,020	4,988	36,224
Weighted average number of stocks of common stock outstanding	32,593 thousand	32,595 thousand	32,593 thousand
Effect of dilutive securities bonds with stock acquisition rights	3,952 thousand	3,944 thousand	3,952 thousand

32. Significant Subsequent Events

There are no applicable matters.

Non-Consolidated Balance Sheet

As of March 31, 2019 and 2018

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Assets			
Cash and due from banks	¥ 95,030	¥ 82,337	\$ 856,212
Call loans	13,995	1,339	126,100
Monetary claims bought	4,760	5,339	42,890
Trading securities	4	4	36
Securities	677,885	733,811	6,107,630
Loans and bills discounted	1,707,716	1,735,529	15,386,223
Foreign exchanges	1,464	941	13,197
Other assets	29,300	19,252	263,991
Tangible fixed assets	14,297	14,752	128,814
Buildings	3,618	3,811	32,602
Land	8,825	9,109	79,514
Leased assets	20	39	184
Construction in process	127	26	1,150
Other tangible fixed assets	1,705	1,765	15,363
Intangible fixed assets	2,765	1,965	24,913
Software	2,559	1,759	23,064
Other intangible fixed assets	205	205	1,848
Prepaid pension cost	1,514	1,089	13,644
Customers' liabilities for acceptances and guarantees	23,602	16,582	212,651
Reserve for possible loan losses	(8,657)	(6,839)	(78,000)
Total assets	¥ 2,563,681	¥ 2,606,108	\$ 23,098,306
Liabilities and Net Assets			
Liabilities			
Deposits	¥ 2,215,161	¥ 2,209,410	\$ 19,958,204
Negotiable certificates of deposit	107,621	117,797	969,653
Call money	—	7,968	—
Payables under securities lending transactions	29,653	26,536	267,169
Borrowed money	10,740	50,863	96,772
Foreign exchanges	61	32	550
Bonds with stock acquisition rights	11,099	10,624	100,000
Other liabilities	11,279	9,959	101,621
Reserve for bonuses to directors	25	25	225
Reserve for stock payments of board incentive plan	77	45	695
Reserve for losses on dormant deposits repayments	163	143	1,470
Reserve for losses on contingencies	249	301	2,248
Deferred tax liabilities	2,565	3,948	23,110
Deferred tax liabilities arising from revaluation of land	1,277	1,308	11,506
Acceptances and guarantees	23,602	16,582	212,651
Total liabilities	¥ 2,413,575	¥ 2,455,545	\$ 21,745,879
Net Assets			
Common stock	¥ 12,008	¥ 12,008	\$ 108,195
Capital surplus	4,932	4,932	44,441
Retained earnings	121,581	119,179	1,095,423
Treasury stock	(3,178)	(3,176)	(28,637)
Total shareholders' equity	135,343	132,944	1,219,422
Net unrealized holding gain on securities available for sale	16,366	18,638	147,457
Deferred gain (loss) on hedging instruments	(2,701)	(2,184)	(24,341)
Revaluation of land	1,097	1,164	9,887
Total	14,762	17,618	133,004
Total net assets	150,105	150,562	1,352,427
Total liabilities and net assets	¥ 2,563,681	¥ 2,606,108	\$ 23,098,306

Non-Consolidated Statements of Income

For the years ended March 31, 2019 and 2018

	2019 (Millions of yen)	2018 (Millions of yen)	2019 (Thousands of U.S. dollars)
Ordinary Income	¥ 40,406	¥ 36,146	\$ 364,054
Interest Income	25,592	25,188	230,588
Interest on loans and discounts	17,640	17,797	158,937
Interest and dividends on securities	7,718	7,216	69,541
Interest on call loans	120	92	1,087
Interest on receivables under resale agreements	(1)	(0)	(11)
Interest on deposits with banks	11	8	101
Other interest	103	73	931
Fees and commissions	6,698	6,618	60,353
Fees and commissions on domestic and foreign exchange	1,585	1,571	14,282
Other fees and commissions	5,113	5,047	46,070
Other operating income	4,228	1,376	38,101
Gains on sales of trading securities	0	0	5
Gains on sales of bonds	4,228	1,376	38,096
Other Income	3,886	2,963	35,012
Recoveries of written off claims	7	7	67
Gains on sales of stocks and other securities	3,504	2,557	31,570
Other	374	397	3,374
Ordinary Expenses	35,326	29,779	318,289
Interest Expenses	2,532	2,147	22,818
Interest on deposits	757	753	6,823
Interest on negotiable certificates of deposit	27	60	244
Interest on call money	33	5	302
Interest on payables under securities lending transactions	659	274	5,943
Interest on borrowings and rediscounts	179	125	1,614
Interest on interest swaps	766	847	6,909
Other interest	108	81	979
Fees and commissions payments	3,037	3,102	27,363
Fees and commissions on domestic and foreign exchanges	351	348	3,164
Other fees and commissions	2,685	2,753	24,198
Other operating expense	4,838	2,013	43,593
Loss on foreign exchange transactions	49	36	449
Loss on sales of bonds	3,500	1,100	31,540
Expenses on derivatives other than for trading or hedging	1,287	875	11,603
General and administrative expenses	20,118	20,716	181,263
Other expenses	4,800	1,799	43,251
Provision of allowance for loan losses	3,102	1,138	27,951
Losses on sales of stocks and other securities	1,282	108	11,551
Losses on devaluation of stocks and other securities	188	1	1,701
Other	227	550	2,046
Ordinary Income (Net)	5,079	6,367	45,764
Extraordinary income	17	0	159
Gain on disposal of non-current assets	8	0	79
Gain on extinguishment of tie-in shares	8	—	79
Other	—	0	—
Extraordinary losses	60	146	545
Loss on disposal of non-current assets	60	73	545
Impairment loss	—	72	—
Income before income taxes	5,036	6,221	45,378
Income taxes-current	1,833	2,356	16,517
Income taxes-deferred	(275)	(410)	(2,478)
Total income taxes	1,558	1,946	14,039
Net income	¥ 3,478	¥ 4,274	\$ 31,339
Amounts per share:	2019	2018	2019
	(yen)	(yen)	(U.S. dollars)
Net income	106.72	131.15	0.96
Net assets	4,605.49	4,619.35	41.49

Note : Effective October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per share information is calculated under the assumption that the stock consolidation had taken effect at the preceding fiscal year.

Corporate Data

Management

(As of June 25, 2019)

President

Kichishige Hasegawa

Senior Managing Directors

Shinichiro Miura

Yoshihiro Ishikawa

Managing Directors

Satoshi Nagai

Kiyohiro Naganuma

Shinya Katsuki

Hiroshi Koya

Directors

Yoshitaka Misawa

Eiji Sato

Takehiro Suzuki

Yutaka Touyama

Izumi Hasegawa

Yumiko Inoue

Junichi Matsuda

Haruhiko Tanno (Full-time Audit and Supervisory Committee Member)

Shinichi Nakayama (Audit and Supervisory Committee Member)

Bin Hamada (Audit and Supervisory Committee Member)

Yasumasa Gomi (Audit and Supervisory Committee Member)

Gisuke Ohara (Audit and Supervisory Committee Member)

Organization

(As of June 25, 2019)

