

ANNUAL REPORT

2019

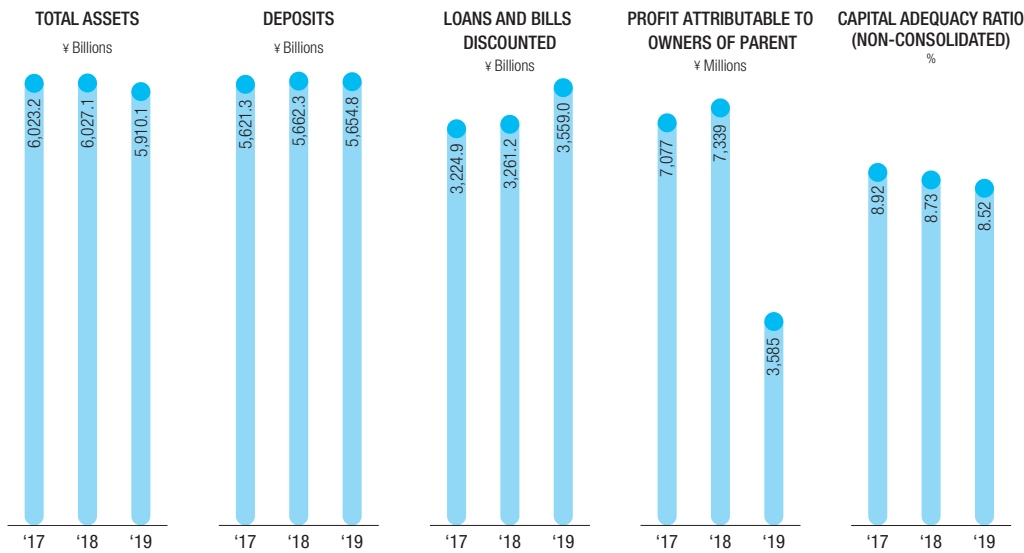
Year Ended March 31, 2019



As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since its establishment in November 1941. In response to the trust placed in us by our customers and the market region we serve, we have been working on our “Toho ‘Healthy Bank, Sound Bank’ Plan,” the medium-term management plan that covers three years from the fiscal year ended March 31, 2019, in order to achieve our long-term vision, “Be Large, Strong, and Powerful, serving the region with passion, and customers with sincerity and caring for people.” We are aggressively addressing our customers’ increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a senior long-term credit rating of “A” from Japan Credit Rating Agency, Ltd. (JCR), one of Japan’s representative rating agencies.



As of March 31, 2019, Toho Bank had total net assets of ¥195.1 billion (US\$1,758 million) and total assets of ¥5,910.1 billion (US\$53,249 million) (both figures on a consolidated basis), 2,136 employees, and a business network composed of 118 branches.



Contents

Message from the President..... 1
 Financial Statements..... 3
 Board of Directors and Auditors/Organization/Network..... 23

Business Development and Results

[Proactive Contribution to Realizing Full Participation in the Region]

Toho Bank has made efforts to provide smooth funding sources and to invest in the revitalization of the industry for reconstruction in the aftermath of the Great East Japan Earthquake and also for the growth and development of the regional society, while proactively participating in reconstruction assistance business.

The Bank regularly held the “Toho ‘Support Entrepreneurs’ Consultation Event” and “Toho Start-up Support Seminar” to provide support for customers who plan to start up new companies and businesses. Also, the Bank provided various products such as the “Toho Home Town Dynamic Engagement Support Private Placement Bond,” from which a portion of issuance fees are donated to organizations such as schools with the aim of regional revitalization, “Support Your Home Town – Welfare type Private Placement Bond” to support the welfare of corporate customers, “Loan with Special Terms of Waiving Principal During Disasters” to fill funding needs for risk management of large-scale earthquake occurrences and business continuity plans, and “ESG & SDGs Contribution-type Loan & Support-type Private Placement Bond” to support customers addressing ESG & SDGs, and worked to support overseas expansion through holding business talks in areas such as China and Thailand.

[Efforts for Regional Revitalization]

The Bank continued to hold “Support Your Home Town – Meeting of Fukushima’s Business Persons in Tokyo” for networking with business persons from Fukushima Prefecture now based in Tokyo and “Support Your Home Town – Fukushima Sake Matsuri” for promoting Fukushima’s local sake, and implemented measures in cooperation with customers and local authorities to address various issues toward regional revitalization.

As part of measures to contribute to the Fukushima Innovation Coast Framework, during June to December 2018, the Bank held a “Proof-of-concept Testing Toward Realizing Cashless Framework” targeting the Hamadori region of Fukushima Prefecture with Mizuho Financial Group, Inc. In addition, in September 2018, the Bank established the “Hometown Industry Advance Fund” in collaboration with the Development Bank of Japan Inc. to focus on business expansion of customers that engage in new industrial fields including medical, robots, renewable energy, and the aerospace industry.

[Promotion of Sales Strategies that Put the Region and Customers First]

In order to ensure responses to the diversifying needs of the region and customers, the Bank has developed sales strategies from a customer viewpoint.

To respond to increasing customer needs for smooth asset succession and inheritance measures, the Bank started the “Testamentary Trust and Inheritance Liquidation Business” as the only bank among the regional banks in Tohoku to engage in such businesses as a bank, and launched the money trusts, “Testamentary Substitute Trust” and “Annual Gift-type Trust” in March 2019.

As measures for customers operating businesses, through expanded efforts in “Sales Based on Proposal of Management Issues,” the Bank is proactively working to solve business challenges faced by customers in areas such as business succession, M&A (mergers and acquisitions by companies), and business matching.

For initiatives on promoting cashless transactions, the Bank participated in the J-Coin Pay smartphone payment service app provided by Mizuho Bank, Ltd., and is making efforts to revitalize regional economies and tap into inbound consumption by visitors from overseas.

Furthermore, the Bank is a member of the TSUBASA Alliance (Member banks: Toho Bank, Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, North Pacific Bank, Hokuetsu Bank, and Musashino Bank). The Bank is making steady progress on initiatives for the sophistication of financial services for customers, including the launch of providing FinTech services under the “TSUBASA FinTech Shared Foundation” (Open API (Note 1)) in October 2018, as well as deliberation on participating in the “TSUBASA Backbone System Unification (Note 2)” as a next-generation backbone system.

(Notes)1. API: Application Programming Interface. A framework that allows external connections to safely retrieve information from banking systems, etc., if banking customers provide consent. Providing specifications, etc., to external businesses such as FinTech companies is referred to as “Open API.”



President
Seishi Kitamura

2. Core banking systems constructed by The Chiba Bank, Ltd., The Daishi Bank, Ltd., The Chugoku Bank, Limited, and IBM Japan Ltd for joint development, operation, and maintenance.

Refers to core banking systems that handle operations including deposits, lending, and domestic exchange.

[Establishing Healthy Corporate Foundations to Win Against a Changing Business Environment]

Focusing on the continuous growth of the Bank, we have made efforts in establishing healthy corporate foundations to win against a changing business environment.

The Bank places emphasis on strengthening our corporate culture as one of the highest priority issues of management. Under the leadership of the management team, the Bank is promoting efforts aimed at efficient and productive operation in a cross-sectoral manner as well as those aimed at a fundamental review of the cost structure.

For initiatives on efficient operation, the Bank made efforts on productivity enhancement by executing measures such as centralization of vouchers at headquarters and digitalization of financial product sales, increasing the efficiency of sales branch operations, leveling out operations by promoting multi-skilled employees, and establishing systems that mutually supplement operations.

For initiatives on review of cost structures, the Bank established a medium-term investment plan for IT and systems and has been proceeding with initiatives aimed at appropriate IT investment by pursuing and reviewing the investment effect of existing systems. In addition, the Bank entered into the “Three Banks Partnership Agreement” with Fukushima Bank, Ltd, and The Daito Bank, Ltd. and launched joint mail center operations in August 2018 following the joint operation of mail cars, making steady progress toward streamlining and increasing efficiency in administrative tasks.

Furthermore, as an initiative to further enhance the governance system, the Bank transitioned to a Company with an Audit and Supervisory Committee in June 2018. After the transition, the Bank established an “Audit and Supervisory Committee,” the majority of which are Outside Directors to strengthen the monitoring functions for execution of operations, and expedited management decision-making by delegating a part of Board of Directors’ authority to Directors.

[Developing Human Resources to Handle Regional and Customer Growth]

To play a role in regional and customer growth, the Bank has actively addressed broad and deep human resource development and career support.

The Bank has been proceeding with initiatives to assist independent growth for employees, such as holding well-developed training programs centered on “TOHO University,” which is systematized as an internal university to support individual career design and building motivation.

Additionally, the Bank is proactively implementing training dispatches to organizations such as major corporations both inside and outside Japan, graduate schools, and government offices. In particular, the number of dispatches to the Regional Banks Association of Japan is one of the highest among regional banks, creating a rich human resource development system.

As these initiatives were highly recognized, the Bank was awarded the “Innovation Award” at the “Good Career Company Awards 2018”

presented by the Director-General for Human Resources Development of the Ministry of Health, Labour and Welfare in October 2018.

[Creating Lively Workplaces Through Drastic Work Style Reforms]
Based on the “management that places importance on people,” the Bank implemented various measures aimed at improving job satisfaction and enhancing the productivity of employees by promoting “Drastic Work Style Reform.”

With morning shift style work that can be started from 6:30 and a comprehensive flextime system, flexible and diverse work styles became possible, increasing efficiency and productivity of operations and promoting work-life balance and self-development of employees through reduction of total work hours.

In March 2019, in light of an increasing interest in bone-marrow transplant and donor registration, in addition to “Donor Leave” that assists employees’ contribution to society, the Bank established “Family Relief Leave” to support the health of employees and their families, including supporting families who have received various diagnoses by doctors, etc., in addition to infertility treatment.

As these initiatives were highly recognized, the Bank received the “Awards for Enterprises and Workplaces with Pleasant Working Environments and High Productivity ‘Shining Initiatives Award’ (award presented by Director of Employment Development Department)” from the Ministry of Health, Labour and Welfare in January 2019, and the “New Diversity Management Selection 100” from the Ministry of Economy, Trade and Industry in March 2019. Furthermore, the Bank has been certified as a “2019 Certified Health & Productivity Management Outstanding Organization (White 500)” by the Certified Health & Productivity Management Outstanding Organizations Recognition Program held by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

Development of Environmental Preservation and Corporate Social Responsibility (CSR) Activities

The Bank has promoted environmental preservation and corporate social responsibility (CSR) activities, aiming for a society that enables sustainable development.

[Environment]

The Bank performed “Toho Minna-no Morizukuri” tree planting activities, which have been held for ten years. In addition, the Bank donated a part of its investment management fee that it received from a natural environment preservation fund to the Oze Preservation Foundation.

[Society]

As an effort to provide financial education support, the Bank held the “Regional Finance Course” in Fukushima University, which was organized by the Bank, the Fukushima prefectural tournament for “Economics Koshien,” a national quiz tournament in financial economics for high school students, and the 11th “TOHO Money School for Parents and Children,” designed for elementary school students.

As regional sports promotion activities, the Bank has been continuously holding athletic sports classes by the members of the Bank’s track and field club.

Also, the Bank provided operational support to the “Panda House,” a housing facility for children in disease recovery and their caring families, and sent a volunteer team to the Mabi-area in Kurashiki City, Okayama Prefecture that suffered massive damage during the Western Japan Heavy Rain Disaster. The Bank also gifted assistance goods and monetary donations to areas affected by natural disasters that occurred throughout Japan, wishing for recovery and reconstruction at the earliest possible time.

As a result of these efforts, the business results and business volumes for the fiscal year ended March 31, 2019, are as described below.

Summary of Business Results

[Deposits, Negotiable Certificates of Deposits, etc.]

Individual and institutional deposits continued to increase steadily. However, due to a significant decrease in public deposits backed by progress on reconstruction-related public works, deposits decreased by ¥33.8 billion and the balance at the end of the fiscal year was ¥5,195.9 billion. Also, total deposits, including negotiable certificates of deposits, decreased by ¥6.2 billion during the fiscal year and the balance at the end of the fiscal year was ¥5,670.1 billion.

Assets on deposit excluding deposits increased by ¥3.6 billion and the balance at the end of the fiscal year was ¥450.2 billion, due to an increase of life insurance.

Balance of total assets on deposit which is based on the sum of total deposits and assets on deposit decreased by ¥2.6 billion during the fiscal year and the balance at the end of the fiscal year was ¥6,120.3 billion.

[Overview of Non-consolidated Accounts for the Fiscal Year Ended March 31, 2019]

Non-consolidated operating income increased by ¥1,606 million from the previous fiscal year to ¥66,098 million due mainly to increases in interest on loans and discounts, fees and commissions, and gain on sales of securities, amid a financial environment with ultra-low interest rates.

Non-consolidated operating expenses increased by ¥5,807 million from the previous fiscal year to ¥60,136 million due mainly to increases in loss on sales of securities and credit provisions.

As a result, non-consolidated ordinary income decreased by ¥4.2 billion from the previous fiscal year to ¥5,961 million.

Additionally, non-consolidated net income decreased by ¥3,016 million from the previous fiscal year to ¥4,066 million in line with the decrease in non-consolidated ordinary income.

[Overview of Consolidated Accounts for the Fiscal Year Ended March 31, 2019]

Operating income increased by ¥1,891 million from the previous fiscal year to ¥72,497 million due mainly to increases in interest on loans and discounts, fees and commissions, and gains related to securities, etc., amid a financial environment with ultra-low interest rates.

Operating expenses increased by ¥7,121 million from the previous fiscal year to ¥66,707 million due mainly to increases in expenses related to securities, etc. and credit provisions.

As a result, ordinary income decreased by ¥5,229 million from the previous fiscal year to ¥5,790 million. Additionally, total comprehensive income attributable to shareholders of the parent decreased by ¥3,754 million from the previous fiscal year to ¥3,585 million in line with the decrease in ordinary income.

Matters to Address

In Fukushima Prefecture, Toho Bank’s principal operational base, some people are not able to return home yet even after eight years have passed since the Great East Japan Earthquake and the nuclear accident.

On the other hand, an environment for further growth is nearing completion, driven mainly by new industrial promotion through the Innovation Coast Framework and the gradual opening of the Tohoku-Chuo Expressway.

Under these circumstances, the environment surrounding the finance industry is undergoing significant change, highlighted by continued monetary easing policies such as negative interest rate policies, market contraction due to a shrinking population, rapid development of financial IT, and participation of different industries. To seize the opportunities this change will bring and create growth and development for the Bank, it will be necessary to sincerely grasp regional issues and customer needs with speed.

Under this recognition, the Bank has defined its long-term vision of “Enrich the region and provide prosperity for customers through our growth: Bigger, stronger, sturdier.” To realize this vision, we have formulated the new “Toho ‘Healthy Bank, Sound Bank’ Plan” medium-term management plan that covers the three years from the fiscal year ended March 31, 2019. Under this plan, the Bank will aim for realizing sustainable growth alongside the region.

Furthermore, in order to respond to expectations from our customers, the region, and shareholders, we will further enhance our compliance structure and corporate governance system and undertake group-wide initiatives to increase corporate value.

August 2019

北村 清士
S. Kitamura

Seishi Kitamura
President

Consolidated Balance Sheets

As of March 31, 2019 and 2018

Millions of Yen
Thousands of
U.S. Dollars (Note 3)

	2019	2018	2019
Assets:			
Cash and due from banks (Notes 16 and 21).....	¥1,605,608	¥1,417,119	\$14,466,247
Monetary claims bought.....	13,521	13,584	121,823
Trading account securities (Notes 21 and 22).....	21	875	192
Money held in trust (Note 23).....	6,950	13,714	62,618
Securities (Notes 6, 10, 21 and 22).....	570,566	1,195,709	5,140,701
Loans and bills discounted (Notes 4, 7, 21 and 27).....	3,559,016	3,261,214	32,066,097
Foreign exchanges.....	1,025	749	9,240
Lease receivables and investment assets (Note 20).....	10,469	8,897	94,332
Other assets (Notes 6, 21 and 24).....	102,942	75,573	927,497
Tangible fixed assets (Note 8).....	39,284	39,933	353,949
Intangible fixed assets.....	3,118	2,490	28,098
Deferred tax assets (Note 17).....	7,221	3,078	65,068
Customers' liabilities for acceptances and guarantees (Note 5).....	6,330	6,337	57,040
Allowance for loan losses (Note 21).....	(15,925)	(12,123)	(143,482)
Total assets	¥5,910,153	¥6,027,154	\$53,249,424
Liabilities:			
Deposits (Notes 6 and 21).....	¥5,654,812	¥5,662,327	\$50,948,850
Call money and bills sold.....	3,329	16,998	30,000
Payables under securities lending transactions (Note 6).....	7,477	81,956	67,372
Borrowed money (Notes 6, 9 and 29).....	2,004	23,957	18,057
Foreign exchanges.....	127	178	1,148
Borrowed money from trust account (Note 11).....	37	—	336
Other liabilities (Notes 21 and 24).....	29,742	25,362	267,972
Net defined benefit liability (Note 18).....	6,733	5,629	60,668
Provision for reimbursement of deposits.....	741	756	6,680
Provision for contingent loss.....	367	401	3,307
Provision for customer point program.....	160	170	1,449
Reserve under special laws.....	0	0	1
Deferred tax liabilities (Note 17).....	286	205	2,579
Deferred tax liabilities for land revaluation (Note 17).....	2,874	2,904	25,896
Acceptances and guarantees (Note 5).....	6,330	6,337	57,040
Total liabilities	5,715,026	5,827,186	51,491,363
Commitments and contingent liabilities (Note 7)			
Net Assets (Note 15):			
Capital stock.....	23,519	23,519	211,904
Capital surplus.....	13,653	13,653	123,015
Retained earnings.....	151,640	150,009	1,366,249
Treasury stock.....	(145)	(145)	(1,312)
Shareholders' equity.....	188,667	187,036	1,699,856
Valuation difference on available-for-sale securities (Note 22).....	9,877	15,501	88,991
Revaluation reserve for land (Note 2(f)).....	543	604	4,895
Remeasurements of defined benefit plans (Note 18).....	(3,960)	(3,174)	(35,682)
Total accumulated other comprehensive income.....	6,460	12,931	58,204
Total net assets (Note 19).....	195,127	199,968	1,758,060
Total liabilities and net assets	¥5,910,153	¥6,027,154	\$53,249,424

See notes to consolidated financial statements.

◆ Consolidated Statements of Income

For the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
Income:			
Interest income:			
Interest on loans and discounts	¥28,765	¥28,655	\$259,167
Interest and dividends on securities	8,032	10,889	72,368
Other interest income	989	994	8,919
Fees and commissions income	16,626	15,784	149,804
Other operating income	13,119	10,432	118,201
Other income (Note 13)	5,056	4,020	45,561
Total income	72,590	70,776	654,023
Expenses:			
Interest expenses:			
Interest on deposits	677	774	6,102
Interest on borrowings and rediscounts	370	477	3,337
Other interest expenses	1,100	1,387	9,918
Fees and commissions expenses	5,558	5,514	50,082
Other operating expenses	12,335	9,634	111,141
General and administrative expenses (Note 12)	37,714	39,083	339,796
Other expenses (Note 14)	9,236	3,133	83,217
Total expenses	66,993	60,006	603,597
Profit before income taxes	5,596	10,770	50,426
Income taxes (Note 17):			
Current	3,370	3,219	30,367
Deferred	(1,358)	210	(12,243)
Total	2,011	3,430	18,124
Profit	3,585	7,339	32,301
Profit attributable to owners of parent (Note 19)	¥ 3,585	¥ 7,339	\$ 32,301

See notes to consolidated financial statements.

◆ Consolidated Statements of Comprehensive Income

For the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
Profit	¥ 3,585	¥ 7,339	\$ 32,301
Other comprehensive income (Note 25):			
Valuation difference on available-for-sale securities	(5,624)	(4,403)	(50,672)
Deferred gains or losses on hedges	—	2,071	—
Remeasurements of defined benefit plans, net of tax (Note 18)	(785)	818	(7,081)
Total other comprehensive income	(6,410)	(1,513)	(57,753)
Comprehensive income	¥(2,824)	¥ 5,825	\$(25,451)
Total comprehensive income attributable to:			
Owners of parent	¥(2,824)	¥ 5,825	\$(25,451)

See notes to consolidated financial statements.

◆ Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2019 and 2018

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2017	¥23,519	¥13,653	¥144,484	¥(144)	¥181,512
Changes of items during the year.....					
Dividends from retained earnings.....			(2,016)		(2,016)
Profit attributable to owners of parent			7,339		7,339
Acquisition of treasury stock.....				(0)	(0)
Reversal of land revaluation excess, net of tax			201		201
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	5,524	(0)	5,524
BALANCE, April 1, 2018	¥23,519	¥13,653	¥150,009	¥(145)	¥187,036
Changes of items during the year					
Dividends from retained earnings.....			(2,016)		(2,016)
Profit attributable to owners of parent			3,585		3,585
Acquisition of treasury stock.....				(0)	(0)
Disposal of treasury stock		0		0	0
Reversal of land revaluation excess, net of tax			61		61
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	0	1,630	(0)	1,630
BALANCE, March 31, 2019	¥23,519	¥13,653	¥151,640	¥(145)	¥188,667

	Millions of Yen					Total net assets
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
BALANCE, April 1, 2017	¥19,905	¥(2,071)	¥ 806	¥(3,993)	¥14,647	¥196,159
Changes of items during the year.....						
Dividends from retained earnings.....						(2,016)
Profit attributable to owners of parent						7,339
Acquisition of treasury stock.....						(0)
Reversal of land revaluation excess, net of tax						201
Net changes of items other than stockholders' equity during year	(4,403)	2,071	(201)	818	(1,715)	(1,715)
Total changes of items during the year	(4,403)	2,071	(201)	818	(1,715)	3,808
BALANCE, April 1, 2018	¥15,501	¥ —	¥ 604	¥(3,174)	¥12,931	¥199,968
Changes of items during the year						
Dividends from retained earnings.....						(2,016)
Profit attributable to owners of parent						3,585
Acquisition of treasury stock.....						(0)
Disposal of treasury stock						0
Reversal of land revaluation excess, net of tax						61
Net changes of items other than stockholders' equity during year	(5,624)	—	(61)	(785)	(6,471)	(6,471)
Total changes of items during the year	(5,624)	—	(61)	(785)	(6,471)	(4,841)
BALANCE, March 31, 2019	¥ 9,877	¥ —	¥ 543	¥(3,960)	¥ 6,460	¥195,127

Thousands of U.S. Dollars (Note 3)

Shareholders' equity

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2018	\$211,904	\$123,015	\$1,351,560	\$(1,310)	\$1,685,168
Changes of items during the year					
Dividends from retained earnings.....			(18,167)		(18,167)
Profit attributable to owners of parent			32,301		32,301
Acquisition of treasury stock.....				(1)	(1)
Disposal of treasury stock		0		0	0
Reversal of land revaluation excess, net of tax			555		555
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	0	14,689	(1)	14,687
BALANCE, March 31, 2019	\$211,904	\$123,015	\$1,366,249	\$(1,312)	\$1,699,856

Thousands of U.S. Dollars (Note 3)

Accumulated other comprehensive income

	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
BALANCE, April 1, 2018	\$139,664	\$ —	\$5,450	\$(28,601)	\$116,513	\$1,801,681
Changes of items during the year						
Dividends from retained earnings.....						(18,167)
Profit attributable to owners of parent						32,301
Acquisition of treasury stock.....						(1)
Disposal of treasury stock						0
Reversal of land revaluation excess, net of tax						555
Net changes of items other than stockholders' equity during year	(50,672)	—	(555)	(7,081)	(58,308)	(58,308)
Total changes of items during the year	(50,672)	—	(555)	(7,081)	(58,308)	(43,620)
BALANCE, March 31, 2019	\$ 88,991	\$ —	\$4,895	\$(35,682)	\$ 58,204	\$1,758,060

◆ Consolidated Statements of Cash Flows

For the years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
Cash flows from operating activities			
Profit before income taxes.....	¥ 5,596	¥ 10,770	\$ 50,426
Depreciation expense.....	2,624	2,397	23,646
Impairment loss.....	195	303	1,762
Increase (decrease) in allowance for loan losses.....	3,801	(62)	34,248
Increase (decrease) in net defined benefit liability.....	1,104	(839)	9,949
Decrease in provision for directors' retirement benefits.....	—	(35)	—
Increase (decrease) in provision for reimbursement of deposits.....	(14)	68	(133)
Increase (decrease) in provision for contingent loss.....	(34)	2	(307)
Increase (decrease) in provision for customer point program.....	(9)	1	(89)
Interest income.....	(37,787)	(40,539)	(340,455)
Interest expenses.....	2,148	2,639	19,358
Gain on securities.....	(1,588)	(947)	(14,307)
(Gain) loss on money held in trust.....	222	(308)	2,002
(Gain) loss on foreign exchange.....	(2)	3	(20)
Loss on sale of fixed assets.....	21	43	189
Net (increase) decrease in trading account securities.....	854	(726)	7,698
Net increase in loans and bills discounted.....	(297,801)	(36,216)	(2,683,137)
Net decrease in deposits.....	(35,048)	(7,187)	(315,781)
Net increase in negotiable certificates of deposit.....	27,533	48,195	248,076
Net decrease in borrowed money (excluding subordinated borrowings).....	(5,153)	(645)	(46,428)
Net (increase) decrease in due from banks other than BOJ.....	(9,934)	6,857	(89,506)
Net decrease in call loans and bills bought.....	63	3,263	574
Net decrease in call money and bills sold.....	(13,668)	(6,561)	(123,152)
Net decrease in payables under securities lending transactions.....	(74,479)	(21,289)	(671,043)
Net (increase) decrease in foreign exchange assets.....	(276)	284	(2,488)
Net increase (decrease) in foreign exchange liabilities.....	(51)	45	(459)
Net increase in lease receivables and investment assets.....	(1,572)	(1,272)	(14,165)
Net increase in borrowed money from trust account.....	37	—	336
Interest received.....	38,766	40,614	349,275
Interest paid.....	(2,320)	(2,668)	(20,905)
All other operating activities.....	(16,074)	(29,608)	(144,827)
Sub-total.....	(412,845)	(33,418)	(3,719,663)
Income taxes paid, net.....	(3,498)	(1,222)	(31,520)
Net cash used in operating activities.....	(416,343)	(34,640)	(3,751,184)
Cash flows from investing activities			
Purchase of equity and other securities.....	(149,088)	(134,113)	(1,343,264)
Proceeds from sales of equity and other securities.....	549,369	178,662	4,949,724
Proceeds from maturities of securities.....	209,098	272,409	1,883,944
Increase in money held in trust.....	(500)	(5,450)	(4,504)
Decrease in money held in trust.....	7,008	4,600	63,148
Expenditures for tangible fixed assets.....	(1,148)	(2,072)	(10,346)
Proceeds from sales of tangible fixed assets.....	221	171	1,995
Expenditures for intangible fixed assets.....	(1,238)	(865)	(11,158)
Proceeds from sales of intangible fixed assets.....	0	—	5
Net cash provided by investing activities.....	613,724	313,341	5,529,543
Cash flows from financing activities			
Repayments of subordinated borrowings.....	(16,800)	(9,800)	(151,364)
Dividends paid.....	(2,016)	(2,016)	(18,167)
Repayment of lease obligations.....	(10)	—	(93)
Purchase of treasury stock.....	(0)	(0)	(1)
Proceeds from sales of treasury stock.....	0	—	0
Net cash used in financing activities.....	(18,826)	(11,817)	(169,627)
Effect of exchange rate changes in cash and cash equivalents.....	2	(3)	20
Net increase in cash and cash equivalents.....	178,555	266,880	1,608,751
Cash and cash equivalents at beginning of fiscal year.....	1,416,427	1,149,546	12,761,753
Cash and cash equivalents at end of fiscal year (Note 16).....	¥1,594,982	¥1,416,427	\$14,370,505

See notes to consolidated financial statements.

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by the Group in accordance with accounting principles generally accepted in Japan which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan.

For the convenience of readers outside Japan, certain items presented in the Japanese original financial statements have been reclassified and rearranged. In addition, certain prior year amounts have been reclassified for consistency with the current year presentation.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(1) Scope of consolidation

The number of consolidated subsidiaries and unconsolidated subsidiaries as of March 31, 2019 and 2018 is as follows:

	2019	2018
Number of consolidated subsidiaries:	7	7
Number of unconsolidated subsidiaries:	2	2

The unconsolidated subsidiaries are excluded from the scope of consolidation since their exclusions do not preclude reasonable judgment on the Group's financial position and financial performance in terms of their assets, net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiaries and affiliates not accounted for by the equity method as of March 31, 2019 and 2018 is as follows:

	2019	2018
Number of affiliates accounted for by the equity method	1	—
Number of unconsolidated subsidiaries not accounted for by the equity method	2	2
Number of affiliates not accounted for by the equity method	1	1

One affiliate is included in the scope of equity method from the fiscal year ended March 31, 2019, following its formation.

The unconsolidated subsidiaries and affiliates not accounted for by the equity method are excluded from the scope of equity method since their exclusions do not have material effects on the consolidated financial statements in terms of their net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(3) Closing date of the consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are in principle stated at fair value at the end of the year or, if the fair value is considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except leased assets) is computed under the straight-line method. The estimated useful lives of assets are as follows:

Buildings: 6–50 years

Others: 3–20 years

(2) Depreciation of intangible fixed assets (except leased assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of 5–7 years, as set out by the Group.

(3) Depreciation of leased assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

In accordance with the Act on Revaluation of Land enacted on March 31, 1998 (the "Act"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation."

The amount of excess of the revalued carrying amount over the fair value of the lands revalued as of March 31, 2019 and 2018 pursuant to Article 10 of the Act was ¥8,075 million and ¥8,662 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided as described below.

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible, a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Audit Department.

The allowance for loan losses of consolidated subsidiaries is made as follows: for general loans, a reserve is provided in the amount deemed necessary based on historical loan loss experience and for doubtful loans and other specified loans, a reserve is provided based on the individual collectability of specific claims.

(h) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(i) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(j) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward points which are granted when they use co-branded credit cards issued by the Group.

(k) Reserve under special laws

The reserve under special laws is provided as cash collateral for financial products transactions for consolidated subsidiaries which engage in the securities business. The reserve is calculated in accordance with the provisions set forth in Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business, etc., to compensate for a loss incurred in an accident in relation to agency transactions of exchange derivatives.

(l) Method for accounting for retirement benefits

The retirement benefit obligation is attributed to each period on a benefit formula basis. Amortization of prior service cost and actuarial gain or loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years from the year when incurred which is within the average remaining service period of active employees.

Actuarial gain or loss is amortized using the straight-line method over a period of 10 years from the year following the year when incurred which is within the average remaining service period of active employees.

For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries apply the simplified method (the "simplified method") where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

(m) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date. In addition, assets and liabilities of certain consolidated subsidiaries are translated at the exchange rates prevailing at the respective balance sheet dates of these subsidiaries.

(n) Leases

(Lessor)

Finance lease transactions that do not transfer ownership with commencement dates prior to the fiscal years beginning on April 1, 2008, are accounted for in accordance with "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30, 2007) and Paragraph 81 of "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 25, 2011). Lease investment assets at the initial year of application of this accounting standard are valued at their appropriate book value of tangible fixed assets (net of accumulated depreciation) as of March 31, 2008.

In addition, the total amount equivalent to interest over the remaining term after the application of this accounting standard is allocated over the lease terms by the straight-line method.

(o) Income and expenses

Income and expenses associated with finance lease transactions are recognized as sales and cost of sales at the time of receiving the lease fee.

(p) Method of hedge accounting

(1) Interest rate risks

Deferred hedge accounting is adopted for hedges carried out to control interest rate risk arising from financial assets and liabilities, as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, February 13, 2002). Regarding the hedge which is intended to offset the effects of market fluctuations, hedge effectiveness between hedged items (such as deposits and loans and bills discounted) and hedging instruments (such as interest rate swaps) are assessed individually. Hedge effectiveness is considered to be high as the major terms between designated hedged items and hedging instruments are almost the same, thus substituting for evaluation of hedge effectiveness. The effectiveness is also assessed by verifying the correlation of the interest rates.

The Bank applies the special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets (the "special treatment") and liabilities whereby interest is recognized on an accrual basis.

(2) Currency risks

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

(q) Statements of cash flows

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(r) Consumption taxes

National and local consumption taxes of the Bank and its consolidated subsidiaries are accounted for using the tax-excluded method whereby transactions are recorded exclusive of those consumption taxes.

(s) New accounting pronouncements

"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

This is a comprehensive standard on revenue recognition. Revenue will be recognized based on the following 5 steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations under the contract.

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

(2) Application date

The Bank will apply these accounting standards from the beginning of the year ending March 31, 2022.

(3) The impact from the adoption of the accounting standards

The Bank is currently assessing the impact of these standards on the consolidated financial statements.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥110.99 = U.S. \$1.00, the exchange rate prevailing on March 31, 2019. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2019 and 2018 included the following loans:

March 31	Millions of Yen	
	2019	2018
Loans to borrowers in bankruptcy.....	¥ 2,328	¥ 3,454
Delinquent loans	25,307	23,212
Loans past due 3 months or more.....	758	324
Restructured loans	3,177	624
Total.....	¥31,572	¥27,615

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Order for Enforcement of the Corporation Tax Act.

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.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans are loans, other than loans to borrowers in bankruptcy, delinquent loans or loans past due 3 months or more, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥6,368 million and ¥7,081 million as of March 31, 2019 and 2018, respectively.

5. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account "Customers' liabilities for acceptances and guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

6. Pledged Assets

Assets pledged as collateral as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen	
	2019	2018
Pledged assets:		
Securities	¥46,344	¥200,468
Total pledged assets.....	¥46,344	¥200,468
Liabilities covered by pledged assets:		
Deposits	¥36,207	¥ 31,005
Payables under securities lending transactions.....	7,477	81,956
Borrowed money	—	5,400
Total liabilities covered by pledged assets	¥43,685	¥118,362

In addition to the above, Securities in the amount of ¥6,484 million and ¥45,922 million, and Other assets in the amount of ¥85,287 million and ¥62,626 million were pledged as collateral in connection with exchange settlements and derivatives, etc. as of March 31, 2019 and 2018, respectively.

Security deposits in the amount of ¥975 million and ¥787 million, and cash collateral for financial products transactions in the amount of ¥1,902 million and ¥175 million, were included in Other assets as of March 31, 2019 and 2018, respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiaries are required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiaries. The unused amount related to such facilities/contracts stood at ¥988,696 million and ¥932,878 million as of March 31, 2019 and 2018, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥853,596 million and ¥814,653 million as of March 31, 2019 and 2018, respectively.

Most of these agreements expire without the clients having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiaries demand collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiaries regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets was ¥52,756 million and ¥51,856 million, and advanced depreciation on Tangible fixed assets was ¥1,015 million and ¥1,015 million as of March 31, 2019 and 2018, respectively.

9. Borrowed Money

Borrowed money includes borrowings made under special conditions under which repayment is subordinated to other classes of debt. The amount of the subordinated borrowings totaled nil and ¥16,800 million as of March 31, 2019 and 2018, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act totaled ¥73,347 million and ¥56,675 million as of March 31, 2019 and 2018, respectively.

11. Borrowed Money from Trust Account

Borrowed money from trust account totaled ¥37 million and nil as of March 31, 2019 and 2018, respectively.

12. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2019 and 2018 principally consisted of the following:

	Millions of Yen	
	2019	2018
March 31		
Salaries and allowances	¥16,148	¥16,554
Net pension cost.....	1,281	1,571

13. Other Income

Other income for the years ended March 31, 2019 and 2018 principally consisted of the following:

	Millions of Yen	
	2019	2018
March 31		
Gain on sales of stocks and other securities	¥3,408	¥ 1,425
Gain on recoveries of written off loans.....	0	1
Subsidy income	81	—
Gain on disposal of fixed assets	11	11
Compensation income.....	—	158

Compensation income was the compensation for damage from Tokyo Electric Power Company Holdings, Inc. since the value of depreciable assets and residential land reduced due to the accident at Fukushima Daiichi Nuclear Power Station and Fukushima Daini Nuclear Power Station.

14. Other Expenses

Other expenses for the years ended March 31, 2019 and 2018 principally consisted of the following:

	Millions of Yen	
	2019	2018
March 31		
Loss on disposal of fixed assets	¥ 86	¥ 116
Loss on impairment of fixed assets	195	303
Transfer to cash collateral for financial products transactions...	0	0
Provision of allowance for loan losses.....	7,421	1,556
Write-off of loans	38	31

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the years ended March 31, 2019 and 2018:

(Millions of Yen)

Area	Purpose of use	Type	Losses	
			2019	2018
Fukushima Area	Branch premises	Land	¥ 73	¥279
		Building	39	12
		Other	—	0
	Idle assets	Land	56	9
		Building	5	1
Outside Fukushima Area	Branch premises	Building	20	—
			¥195	¥303

The Bank uses for recognition of loss on impairment the estimated unrecoverable amount in its branch premises, company housings and idle assets, grouped based on individual branch unit (however, group of branches where the connection between income and expenditure is mutually complementary are identified as a group unit), which is the smallest unit of grouping used in revenue management.

In addition, each idle asset is treated as independent unit.

The recoverable amount of an asset group is calculated based on net realizable value. The net realizable value is principally based on real estate appraisals where net realizable value of immaterial real estate is determined by deducting the estimated costs of disposal from the amount calculated based on the index appropriately reflecting the market price such as land tax assessment.

15. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2019 and 2018 were summarized as follows:

	(Thousand Shares)			
	Number of Shares as of April 1, 2018	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2019
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	442	0	0	442

(*) Increase in the number of Treasury stock by 0 thousand shares is a result of acquisition of odd-lot shares.

Decrease in the number of Treasury stock by 0 thousand shares is a result of sales of odd-lot shares.

	(Thousand Shares)			
	Number of Shares as of April 1, 2017	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2018
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	440	1	—	442

(*) Increase in the number of Treasury stock by 1 thousand shares is a result of acquisition of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2019 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 22, 2018	Common Stock	1,008	¥4.00	March 31, 2018	June 25, 2018
Board of Directors on November 9, 2018	Common Stock	1,008	¥4.00	September 30, 2018	December 5, 2018

Detailed information about cash dividends paid during the year ended March 31, 2018 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2017	Common Stock	1,008	¥4.00	March 31, 2017	June 27, 2017
Board of Directors on November 9, 2017	Common Stock	1,008	¥4.00	September 30, 2017	December 5, 2017

Dividends with record dates on or before March 31, 2019 and effective dates on or after April 1, 2019 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 21, 2019	Common Stock	1,008	Retained Earnings	¥4.00	March 31, 2019	June 24, 2019

Dividends with record dates on or before March 31, 2018 and effective dates on or after April 1, 2018 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 22, 2018	Common Stock	1,008	Retained Earnings	¥4.00	March 31, 2018	June 25, 2018

16. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets as of March 31, 2019 and 2018, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

March 31	Millions of Yen	
	2019	2018
Cash and due from banks	¥1,605,608	¥1,417,119
Ordinary due from banks	(10,356)	(382)
Other	(269)	(310)
Cash and cash equivalents	¥1,594,982	¥1,416,427

17. Deferred Income Taxes

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

March 31	Millions of Yen	
	2019	2018
Deferred tax assets:		
Allowance for loan losses.....	¥ 3,780	¥ 2,219
Net defined benefit liability.....	4,694	4,430
Valuation difference on available-for-sale securities.....	17	5
Depreciation	868	915
Revaluation reserve for land.....	1,845	1,847
Others	3,590	3,400
Subtotal deferred tax assets.....	14,797	12,819
Valuation allowance for future deductible temporary difference	(3,512)	(3,242)
Subtotal valuation allowance	(3,512)	(3,242)
Total deferred tax assets.....	11,285	9,577
Deferred tax liabilities:		
Valuation difference on available-for-sale securities.....	(4,311)	(6,697)
Revaluation reserve for land.....	(2,874)	(2,904)
Others	(38)	(7)
Total deferred tax liabilities.....	(7,224)	(9,608)
Net deferred tax assets (liabilities)	¥ 4,061	¥ (31)

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet as of March 31, 2019 and 2018.

March 31	Millions of Yen	
	2019	2018
Deferred tax assets	¥7,221	¥3,078
Deferred tax liabilities	286	205
Deferred tax liabilities for land revaluation	2,874	2,904

The following summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2019 and 2018:

Year ended March 31	2019	2018
Statutory tax rate.....	30.1%	30.3%
Non-deductible expenses.....	1.7	1.0
Elimination of dividends received from consolidated subsidiaries ...	8.8	5.2
Non-taxable income	(10.3)	(6.0)
Per capita inhabitant taxes.....	0.7	0.3
Valuation allowance.....	4.2	(0.7)
Reduction of year-end deferred tax assets due to tax rate changes ...	—	0.4
Others	0.7	1.3
Effective tax rate	35.9%	31.8%

18. Retirement Benefits

The Bank and its consolidated subsidiaries have a corporate pension fund plan and a lump-sum retirement payment plan (transferred from the welfare pension fund system on October 1, 2004) as defined benefit plans. For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries have adopted the simplified method where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

Retirement benefits in the corporate pension fund plan and the lump-sum retirement payment plan are calculated based on points.

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans.

The Bank has set up retirement benefit trusts for lump-sum retirement payment plan from the end of year ended March 31, 2015.

A. Defined benefit plans (including those of the consolidated subsidiaries applying the simplified method)

(i) Change in retirement benefit obligation

March 31	Millions of Yen	
	2019	2018
Balance at beginning of the year	¥38,399	¥38,148
Service cost.....	888	882
Interest cost.....	253	288
Actuarial loss	1,050	392
Benefit paid	(1,455)	(1,310)
Others	(1)	(2)
Balance at end of the year	¥39,134	¥38,399

(ii) Change in plan assets

March 31	Millions of Yen	
	2019	2018
Balance at beginning of the year	¥32,770	¥31,679
Expected return on plan assets	655	634
Actuarial gain (loss).....	(957)	409
Employer contributions	734	739
Benefit paid	(884)	(807)
Others	82	115
Balance at end of the year	¥32,401	¥32,770

(iii) Retirement benefit obligation and plan assets at end of the year and reconciliation to net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

March 31	Millions of Yen	
	2019	2018
Funded retirement benefit obligation	¥ 39,020	¥ 38,294
Plan assets	(32,401)	(32,770)
	6,619	5,523
Unfunded retirement benefit obligation	113	105
Amount of liability, net of asset, recognized in consolidated balance sheet.....	6,733	5,629
Net defined benefit liability.....	6,733	5,629
Amount of liability, net of asset, recognized in consolidated balance sheet.....	¥ 6,733	¥ 5,629

(iv) Net pension cost and its breakdown

March 31	Millions of Yen	
	2019	2018
Service cost.....	¥ 888	¥ 882
Interest cost	253	288
Expected return on plan assets	(655)	(634)
Amortization of actuarial loss	884	1,154
Others	(88)	(120)
Net pension cost	¥1,281	¥1,571

(v) Remeasurements of defined benefit plans in other comprehensive income

The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2019	2018
Actuarial gain.....	¥(1,124)	¥1,171
Total.....	¥(1,124)	¥1,171

(vi) Remeasurements of defined benefit plans in accumulated other comprehensive income

The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2019	2018
Unrecognized actuarial gain	¥5,665	¥4,541
Total.....	¥5,665	¥4,541

(vii) Plan assets

(a) Percentage by major category of plans assets was as follows:

	2019	2018
General account of life insurance companies	30%	30%
Bonds	31%	28%
Equities	29%	32%
Cash and due from banks.....	3%	5%
Others.....	7%	5%
Total.....	100%	100%

Retirement benefit trusts established for lump-sum retirement payment plan account for 27% and 27% of total plan assets for the years ended March 31, 2019 and 2018, respectively.

(b) Basis of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Group considers the current and projected plan asset allocations, as well as current and future long-term rate of returns expected from various categories of the plan assets.

(viii) Actuarial assumptions

Actuarial assumptions as of March 31, 2019 and 2018 were as follows:

	2019	2018
Discount rate	0.0%–0.8%	0.0%–1.1%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate of corporate pension fund plan	1.0%–2.2%	1.0%–2.2%
Expected salary increase rate of lump-sum retirement payment plan	1.0%–3.6%	1.0%–3.6%

B. Defined contribution pension plans

Contributions to be paid to defined contribution pension plans were ¥162 million and ¥158 million for the years ended March 31, 2019 and 2018, respectively.

19. Per Share Information

Net assets per share as of March 31, 2019 and 2018 and basic earnings per share for the years ended March 31, 2019 and 2018 were as follows:

As of March 31	Yen	
	2019	2018
Net assets per share	¥774.13	¥793.34
Basic earnings per share	14.22	29.11

Note 1: The bases for the computation of net assets per share are set out below.

As of or year ended March 31	Millions of Yen / Thousands of Shares	
	2019	2018
Total net assets.....	¥195,127	¥199,968
Net assets related to common stock.....	195,127	199,968
Number of common stock used to calculate net assets per share	252,057	252,057

Note 2: The bases for the computation of basic earnings per share are set out below.

Year ended March 31	Millions of Yen / Thousands of Shares	
	2019	2018
Profit attributable to owners of parent.....	¥ 3,585	¥ 7,339
Profit attributable to common shareholders of parent.....	3,585	7,339
Weighted average number of common stock during the year.....	252,057	252,058

20. Leases Transactions

(Lessee)

(a) Finance lease transactions not subject to transfer of ownership

(1) Description of leased assets

Fixed assets used as branch premises.

(2) Depreciation method for the leased assets

Depreciation method for the leased assets is described in “2. Summary of Significant Accounting Policies, (e) Depreciation of fixed assets.”

(Lessor)

(a) Breakdown of lease investment assets

As of March 31	Millions of Yen	
	2019	2018
Lease receivables.....	¥11,442	¥9,741
Residual value.....	230	202
Equivalent amount of maintenance cost.....	(429)	(385)
Unearned interest income.....	(774)	(659)
Lease investment assets.....	¥10,469	¥8,897

The scheduled collection of lease receivables related to lease investment assets subsequent to March 31, 2019 and 2018

As of March 31	Millions of Yen	
	2019	2018
Due within 1 year or less.....	¥ 3,263	¥2,953
Due in 1 year to 2 years.....	2,692	2,387
Due in 2 years to 3 years.....	2,255	1,811
Due in 3 years to 4 years.....	1,660	1,367
Due in 4 years to 5 years.....	955	810
Due after 5 years.....	615	409
Total.....	¥11,442	¥9,741

21. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. In addition, the Group engages in interest rate-, currency-, and bond-related transactions as derivative transactions which include transactions for the purpose of hedging and transactions for the purpose other than hedging.

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

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as a part of its ALM operations to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM policies are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. As of March 31, 2019 and 2018, the Group's market risk quantity (estimated loss) in total is ¥31,285 million and ¥50,344 million, respectively. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts a backtest to compare the actual income to VaR calculated by the model in order to verify the model. As a result of the backtest conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments

The fair value of financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of these amounts is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2019 and 2018 for each financial instrument category were provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

March 31, 2019	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥1,605,608	¥1,605,608	¥ —
(2) Trading account securities	21	21	—
(3) Securities:			
Available-for-sale securities	556,776	556,776	—
(4) Loans and bills discounted.....	3,559,016		
Allowance for loan losses (*1)	(15,689)		
	3,543,326	3,589,173	45,847
Total assets	¥5,705,733	¥5,751,580	¥45,847
(1) Deposits	¥5,188,699	¥5,188,756	¥ 57
(2) Negotiable certificates of deposits	466,113	466,113	0
Total liabilities	¥5,654,812	¥5,654,870	¥ 57
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ 1,002	¥ 1,002	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ 1,002	¥ 1,002	¥ —

March 31, 2018	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥1,417,119	¥1,417,119	¥ —
(2) Trading account securities	875	875	—
(3) Securities:			
Available-for-sale securities	1,182,783	1,182,783	—
(4) Loans and bills discounted.....	3,261,214		
Allowance for loan losses (*1)	(12,008)		
	3,249,206	3,283,048	33,842
Total assets	¥5,849,984	¥5,883,827	¥33,842
(1) Deposits	¥5,223,747	¥5,223,852	¥ 104
(2) Negotiable certificates of deposits	438,579	438,579	0
Total liabilities	¥5,662,327	¥5,662,432	¥ 104
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ 1,565	¥ 1,565	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ 1,565	¥ 1,565	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.

Net credit/debit arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date. In addition, those that are due within one year are stated at the book value, which approximates fair value.

(2) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(3) Securities

Equity shares are stated at prices quoted in applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. Investments in associations, if the fair value of assets held by such associations is obtainable, are stated at fair value on a pro rata basis in proportion of the Group's interests held in such associations' net assets. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

(4) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments. For loans extended to bankrupt, effectively bankrupt, potentially bankrupt and other such borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no stated maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

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

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others,

deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

Derivative transactions

Interest rate swaps, currency swaps, foreign exchange forward contracts and currency options are stated at the prices at exchanges or at prices computed from their discounted present values, among others. The acquisition price is recorded as the fair value of earthquake derivatives.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (3) Available-for-sale securities."

March 31	Millions of Yen	
	2019	2018
(i) Non-listed shares (*1) (*2).....	¥ 2,061	¥ 2,108
(ii) Investments in associations (*3).....	11,728	10,816
Total.....	¥13,790	¥12,925

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.

(*2) There was no loss on impairment for the year ended March 31, 2018. Impairment loss on non-listed shares in the amount of ¥43 million was posted for the year ended March 31, 2019.

(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, if the fair values of such assets, including real estate, are extremely difficult to determine.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2019 and 2018

March 31, 2019	Millions of Yen						
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years	
Due from banks	¥1,562,018	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:.....	131,820	127,360	111,050	19,936	26,980	645	
Available-for-sale securities with maturity	131,820	127,360	111,050	19,936	26,980	645	
National government bonds thereof.....	38,038	58,807	57,878	2,087	—	—	
Local government bonds thereof.....	43,720	15,372	6,484	4,115	10,168	—	
Corporate bonds thereof	31,777	35,447	45,055	8,254	7,217	—	
Loans (*).....	1,042,217	640,838	482,892	349,732	387,882	563,384	
Total.....	¥2,736,056	¥768,198	¥593,942	¥369,669	¥414,862	¥564,029	

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥27,636 million, loans with no stated maturities of ¥64,632 million were not included.

March 31, 2018	Millions of Yen						
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years	
Due from banks	¥1,369,898	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:.....	249,514	252,137	247,781	125,645	105,699	45,936	
Available-for-sale securities with maturity	249,514	252,137	247,781	125,645	105,699	45,936	
National government bonds thereof.....	78,299	38,137	158,161	93,566	37,100	45,828	
Local government bonds thereof.....	73,301	55,564	7,971	4,430	8,077	—	
Corporate bonds thereof	80,075	118,610	40,482	16,649	8,314	—	
Loans (*).....	752,948	580,151	469,808	333,022	358,607	680,670	
Total.....	¥2,372,361	¥832,288	¥717,590	¥458,668	¥464,307	¥726,607	

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥26,667 million, loans with no stated maturities of ¥59,339 million were not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2019 and 2018

March 31, 2019	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits (*).....	¥5,007,639	¥153,630	¥27,410	¥9	¥9	¥—
Negotiable certificates of deposit	465,982	130	—	—	—	—
Total.....	¥5,473,622	¥153,761	¥27,410	¥9	¥9	¥—

(*) Demand deposits are disclosed under "Due within 1 year or less."

March 31, 2018	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits (*).....	¥5,031,516	¥167,575	¥24,628	¥16	¥10	¥—
Negotiable certificates of deposit	438,549	30	—	—	—	—
Total.....	¥5,470,066	¥167,605	¥24,628	¥16	¥10	¥—

(*) Demand deposits are disclosed under "Due within 1 year or less."

22. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

March 31	Millions of Yen	
	2019	2018
Realized gain included in earnings.....	¥0	¥(0)

(b) Held-to-maturity securities

None

(c) Available-for-sale securities

March 31, 2019	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 27,710	¥ 16,696	¥11,014
Bonds:	345,975	340,429	5,545
National government.....	153,653	150,126	3,527
Local government.....	78,861	78,098	762
Corporate.....	113,460	112,205	1,254
Other.....	70,270	67,704	2,565
Sub-total	443,956	424,831	19,125
Securities with their carrying amount below their acquisition cost:			
Corporate stock	9,076	11,338	(2,262)
Bonds:	18,451	18,515	(64)
National government.....	3,158	3,195	(36)
Local government.....	1,000	1,000	—
Corporate.....	14,292	14,320	(28)
Other.....	85,292	88,056	(2,764)
Sub-total	112,819	117,911	(5,091)
Total	¥556,776	¥542,742	¥14,033

March 31, 2018	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 40,731	¥ 23,760	¥16,971
Bonds:	787,421	774,200	13,220
National government.....	402,070	391,398	10,672
Local government.....	141,420	140,385	1,034
Corporate.....	243,930	242,416	1,513
Other.....	73,630	72,132	1,498
Sub-total	901,783	870,093	31,690
Securities with their carrying amount below their acquisition cost:			
Corporate stock	4,705	5,394	(688)
Bonds:	77,149	77,854	(704)
National government.....	49,023	49,613	(590)
Local government.....	7,924	7,951	(27)
Corporate.....	20,201	20,289	(87)
Other.....	199,145	207,392	(8,246)
Sub-total	280,999	290,640	(9,640)
Total	¥1,182,783	¥1,160,733	¥22,050

(d) Available-for-sale securities sold

March 31, 2019	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock.....	¥ 6,629	¥2,616	¥ 115
Bonds:.....	404,577	5,478	1,179
National government.....	318,682	5,311	1,162
Corporate.....	85,894	166	17
Other.....	153,864	1,337	5,858
Total	¥565,071	¥9,433	¥7,153

March 31, 2018	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock.....	¥ 3,439	¥ 857	¥ —
Bonds:.....	104,951	4,178	3,620
National government.....	103,550	4,178	3,620
Corporate.....	1,400	0	—
Other.....	69,979	861	1,101
Total	¥178,371	¥5,896	¥4,721

(e) Securities for which the holding-purpose category has changed

None

(f) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

There was no loss on impairment for the years ended March 31, 2018. Impairment loss in the amount of ¥49 million (Corporate bond of ¥49 million) was posted for the year ended March 31, 2019.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated year, or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair values.

(g) Valuation difference on available-for-sale securities

March 31, 2019	Millions of Yen
Unrealized gain before income tax effect.....	¥14,033
Available-for-sale securities.....	14,033
Less: deferred tax liabilities	4,156
Unrealized gain before adjustment.....	9,877
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	—
Valuation difference on available-for-sale securities.....	¥9,877

March 31, 2018	Millions of Yen
Unrealized gain before income tax effect.....	¥22,050
Available-for-sale securities.....	22,050
Less: deferred tax liabilities	6,548
Unrealized gain before adjustment.....	15,501
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	—
Valuation difference on available-for-sale securities.....	¥15,501

(h) Investments in unconsolidated subsidiaries and affiliates

Securities in the Assets section included investments in unconsolidated subsidiaries and affiliates of ¥1,326 million and ¥891 million as of March 31, 2019 and 2018, respectively.

(i) Unsecured loaned securities

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of nil and ¥44,626 million as of March 31, 2019 and 2018, respectively, were included in National government bonds.

23. Money held in trust

Money held in trust as of March 31, 2019 and 2018 consisted of the following:

(a) Money held in trust for trading purpose

March 31	Millions of Yen	
	2019	2018
Carrying amount	¥—	¥6,864
Realized gain/(loss) included in earnings.....	—	—

(b) Money held in trust for held-to-maturity

None

(c) Other money held in trust

March 31	Millions of Yen	
	2019	2018
Carrying amount	¥6,950	¥6,850
Acquisition cost.....	6,950	6,850
Net unrealized gain/(loss).....	—	—
Gross unrealized gain	—	—
Gross unrealized loss.....	—	—

24. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31	Millions of Yen					
	2019		2018			
	Contract Amounts		Contract Amounts		Fair Value	
	Total	Over 1 Year	Total	Over 1 Year	Total	Over 1 Year
Over-the-counter transactions:						
Interest-rate swaps:						
Receivable fixed/payable floating	¥50,387	¥49,407	¥2,804	¥6,504	¥6,197	¥126
Receivable floating/payable fixed	50,387	49,407	(1,886)	6,504	6,197	(40)
Receivable floating/payable floating	—	—	—	—	—	—
			¥ 917			¥ 86

Currency derivatives

March 31	Millions of Yen					
	2019		2018			
	Contract Amounts		Contract Amounts		Fair Value	
	Total	Over 1 Year	Total	Over 1 Year	Total	Over 1 Year
Over-the-counter transactions:						
Currency swap	¥17,277	¥15,078	¥ 20	¥15,977	¥9,993	¥ 9
Forward exchange contracts:						
Sold	58,028	9,497	286	53,405	—	1,415
Bought	24,022	—	(211)	15,289	—	54
Currency option:						
Sold	1,260	—	(8)	—	—	—
Bought	1,260	—	8	—	—	—
			¥ 96			¥1,478

Others

March 31	Millions of Yen					
	2019		2018			
	Contract Amounts		Contract Amounts		Fair Value	
	Total	Over 1 Year	Total	Over 1 Year	Total	Over 1 Year
Over-the-counter transactions:						
Earthquake derivatives						
Sold	2,625	—	(37)	—	—	—
Bought	2,625	—	37	—	—	—
			—			—

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31	Millions of Yen								
	Hedged items	2019		2018		Available-for-sale securities (Debt securities)	Loans to borrowers		
		Contract Amounts	Fair Value	Contract Amounts	Fair Value				
	Total	Over 1 Year	Total	Over 1 Year	Total	Over 1 Year			
Principle method:									
Interest-rate swaps:									
Receivable floating/payable fixed.....	¥ —	¥—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Special treatment for interest rate swaps:									
Interest-rate swaps:									
Receivable floating/payable fixed.....									
			¥3,787	¥—	(Note3)	¥15,636	¥3,787	(Note3)	

- Notes: 1. Hedge accounting is carried out by specifically associating hedged items with hedging instruments or through deferred hedging in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).
2. Market values of exchange-traded transactions are based on closing prices on the Tokyo Financial Exchange Inc., etc. Market values of over-the-counter transactions are based on discounted cash flow method, option pricing models, etc.
3. As interest swaps subject to the special treatment are accounted for in combination with the hedged loans to borrowers, their fair values are included in fair values of such hedged loans in "21. Financial Instruments and Related Disclosure."

25. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen	
	2019	2018
Valuation difference on available-for-sale securities:		
Losses recognized during the year	¥(5,633)	¥(1,057)
Reclassification adjustment to net income	(2,386)	(5,223)
Amount before tax effect	(8,019)	(6,280)
Tax effect	2,395	1,876
Valuation difference on available-for-sale securities	(5,624)	(4,403)
Deferred gains or losses on hedges		
Gains (losses) recognized during the year	—	(543)
Reclassification adjustment to net income	—	3,506
Amount before tax effect	—	2,963
Tax effect	—	(891)
Deferred gains or losses on hedges	—	2,071
Remeasurements of defined benefit plans:		
Gains (losses) recognized during the year	(2,008)	16
Reclassification adjustment to net income	884	1,154
Amount before tax effect	(1,124)	1,171
Tax effect	338	(352)
Remeasurements of defined benefit plans	(785)	818
Total other comprehensive income	¥(6,410)	¥(1,513)

26. Segment Information

(a) Segment information

1. Outline of reportable segments

The reportable segments of the Group are those units for which discrete financial information can be obtained and which are regularly examined by the Board of Directors in order to decide how to allocate management resources and to evaluate the operating results.

The Group, comprised of the Bank and its seven subsidiaries, provides financing services with a focus on banking, securities, leasing, credit card and credit guaranteeing. The Bank is categorized under the reportable segment "Banking," which consists of money transfer business, lending business, foreign exchange business and their associated businesses.

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

Accounting treatment for reportable segments is consistent with those described in "2. Summary of Significant Accounting Policies."

Segment profit is based on ordinary profit.

Ordinary income from internal transactions is based on transaction prices between third parties.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

	Millions of Yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income:					
From external customers.....	¥ 65,099	¥ 7,392	¥ 72,492	¥ 4	¥ 72,497
From internal transactions.....	998	3,000	3,999	(3,999)	—
Total	¥ 66,098	¥10,393	¥ 76,491	¥ (3,994)	¥ 72,497
Segment profit.....	¥ 5,961	¥ 1,459	¥ 7,420	¥ (1,630)	¥ 5,790
Segment assets	¥5,899,960	¥40,254	¥5,940,214	¥(30,060)	¥5,910,153
Segment liabilities	¥5,709,773	¥23,390	¥5,733,163	¥(18,137)	¥5,715,026
Other:					
Depreciation expense	¥ 2,362	¥ 191	¥ 2,554	¥ 69	¥ 2,624
Interest income.....	38,459	987	39,447	(1,660)	37,787
Interest expense	2,141	35	2,177	(28)	2,148
Increase in tangible and intangible fixed assets	2,670	61	2,732	28	2,760

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of leasing, credit card and credit guaranteeing.

3. Adjustments are as follows:

(a) Adjustments in ordinary income from external customers of ¥4 million include adjustments of interest on securities held by consolidated subsidiaries and income from application of the equity method.

(b) Adjustments in segment profit of ¥(1,630) million include elimination of intersegment transactions of ¥(1,631) million.

(c) Adjustments in segment assets of ¥(30,060) million are elimination of intersegment transactions.

(d) Adjustments in segment liabilities of ¥(18,137) million are elimination of intersegment transactions.

(e) Adjustments in depreciation expense of ¥69 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.

(f) Adjustments in interest income of ¥(1,660) million are elimination of intersegment transactions.

(g) Adjustments in interest expense of ¥(28) million are elimination of intersegment transactions.

(h) Adjustments in increase in tangible and intangible fixed assets of ¥28 million are the acquisition cost of the leased assets acquired in leasing segment ("Other") under the contract with other segments.

4. Segment profit is calculated by adjusting the ordinary profit in the consolidated statements of income.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

Year ended March 31, 2018	Millions of Yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income:					
From external customers.....	¥ 63,312	¥ 7,292	¥ 70,605	¥ 0	¥ 70,605
From internal transactions.....	1,179	3,071	4,251	(4,251)	—
Total	¥ 64,491	¥10,364	¥ 74,856	¥ (4,251)	¥ 70,605
Segment profit.....	¥ 10,162	¥ 2,685	¥ 12,848	¥ (1,828)	¥ 11,019
Segment assets	¥6,017,487	¥37,150	¥6,054,638	¥(27,483)	¥6,027,154
Segment liabilities	¥5,823,588	¥19,926	¥5,843,515	¥(16,329)	¥5,827,186
Other:					
Depreciation expense.....	¥ 2,106	¥ 206	¥ 2,313	¥ 83	¥ 2,397
Interest income.....	41,325	1,103	42,429	(1,889)	40,539
Interest expense	2,632	35	2,667	(28)	2,639
Increase in tangible and intangible fixed assets	2,857	14	2,871	67	2,938

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of leasing, credit card and credit guaranteeing.

3. Adjustments are as follows:

(a) Adjustments in ordinary income from external customers of ¥0 million are adjustments of interest on securities held by consolidated subsidiaries.

(b) Adjustments in segment profit of ¥(1,828) million include elimination of intersegment transactions of ¥(1,859) million.

(c) Adjustments in segment assets of ¥(27,483) million are elimination of intersegment transactions.

(d) Adjustments in segment liabilities of ¥(16,329) million are elimination of intersegment transactions.

(e) Adjustments in depreciation expense of ¥83 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.

(f) Adjustments in interest income of ¥(1,889) million are elimination of intersegment transactions.

(g) Adjustments in interest expense of ¥(28) million are elimination of intersegment transactions.

(h) Adjustments in increase in tangible and intangible fixed assets of ¥67 million are the acquisition cost of the leased assets acquired in leasing segment ("Other") under the contract with other segments.

4. Segment profit is calculated by adjusting the ordinary profit in the consolidated statements of income.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2019 and 2018 was as follows:

Year ended March 31, 2019	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥28,718	¥17,465	¥ 16,626	¥ 9,686	¥72,497

Year ended March 31, 2018	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥28,614	¥16,785	¥15,784	¥9,420	¥70,605

Note: Ordinary income is stated in lieu of sales of general enterprises.

2. Geographical information

(i) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2019 and 2018, therefore geographical income information is not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2019 and 2018, therefore geographical tangible fixed assets information is not disclosed.

3. Major customer information

Ordinary income from no customer exceeded 10% of total income on the consolidated statements of income for the years ended March 31, 2019 and 2018, therefore major customer information is not disclosed.

(c) Information on impairment of fixed assets for each reportable segment:

Year ended March 31, 2019	Millions of Yen		
	Reportable segment	Other	Total
	Banking		
Impairment loss	¥195	¥—	¥195

Year ended March 31, 2018	Millions of Yen		
	Reportable segment	Other	Total
	Banking		
Impairment loss	¥290	¥13	¥303

(d) Information on amortization of goodwill and its remaining balance for each reportable segment:

None

(e) Information related to gain on negative goodwill for each reportable segment:

None

27. Related Party Transactions

Related party transactions for the year ended March 31, 2019

(a) Transactions between the Bank and related parties

Type	Name	Capital stock (¥million)	Voting share ownership (%)	Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2019 (¥million)
Executive officer and close family members holding majority of voting rights	Aizu Shuzo Co., Ltd.	¥60	—	Customer with credit limit	Funding of loans	(Average balance) ¥172	—	¥—

Note: The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transactions for the year ended March 31, 2018

(a) Transactions between the Bank and related parties

Type	Name	Capital stock (¥million)	Voting share ownership (%)	Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2018 (¥million)
Executive officer and close family members holding majority of voting rights	Aizu Shuzo Co., Ltd.	¥60	—	Customer with credit limit	Funding of loans	(Average balance) ¥157	Loans and bills discounted	¥178

Note: The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

28. Subsequent Events

None

29. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2018 (Millions of Yen)	Balance as of March 31, 2019 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥23,957	¥2,004	0.34	—
Loans payable	23,957	2,004	0.34	From April 2019 to November 2024
Lease obligation:				
Due within 1 year or less	—	12	—	
Due after 1 year	—	350	—	June 2048

Notes: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2019.

2. The average interest rates of lease obligations are not stated because lease obligations are recorded in the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease fee.

3. The repayment schedule of loans payable for five years subsequent to March 31, 2019, is summarized as follows:

	Millions of Yen				
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Loans payable	¥627	¥477	¥366	¥306	¥186
Lease obligation	¥ 12	¥ 12	¥ 12	¥ 12	¥ 12

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of borrowing and similar instruments includes only "Borrowed money" and "Other liabilities" in "Liabilities" of the consolidated balance sheets.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the year ended March 31, 2019 are equal to or less than one percent of the total of liabilities and net assets as of then.



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakuchō, Chiyodoku,
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

The Board of Directors
The Toho Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Toho Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of 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 Toho Bank, Ltd. and its consolidated subsidiaries as of 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 3.

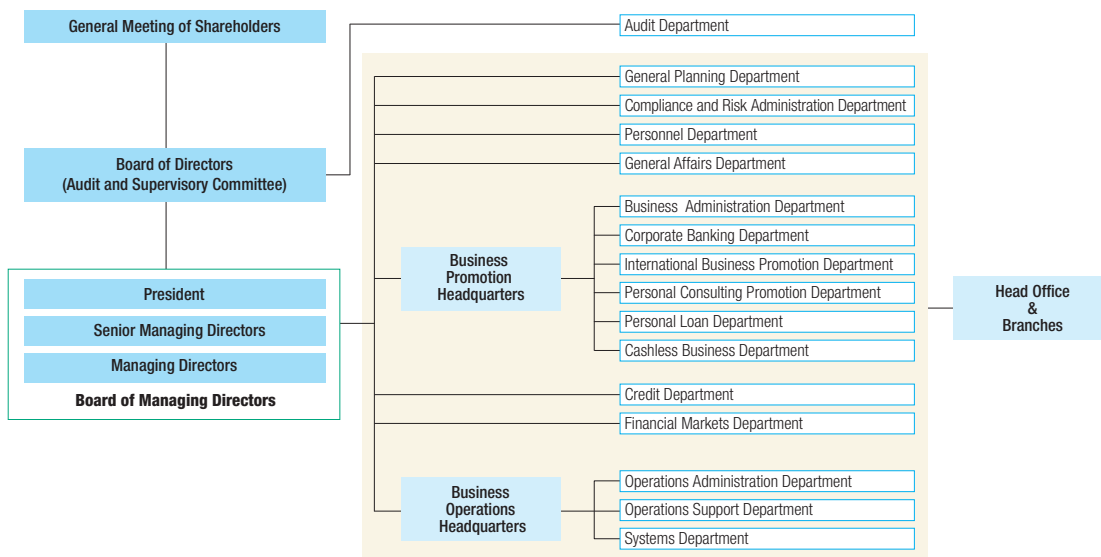
Ernst & Young ShinNihon LLC

June 18, 2019
Tokyo, Japan

◆ Board of Directors and Auditors

President: Seishi Kitamura	Senior Managing Directors: Seiji Takeuchi Minoru Sato	Managing Directors: Michio Sakai Hideho Suto Takayuki Ishii Kiichi Yokoyama	Directors: Shintaro Taguchi (Outside) Hayao Watanabe (Outside)	Directors Audit and Supervisory Committee Member: Shinsuke Tanno Masayuki Sakaji Keiichi Akagi (Outside) Toru Hara (Outside) Takashi Fujiwara (Outside) Asao Aono (Outside)
--------------------------------------	--	--	---	--

◆ Organization



◆ Network

SUBSIDIARIES AND AFFILIATES

Name	Line of Business	Established in	Capital (Millions of yen)	Bank's Share in Capital (%)
Toho Securities Co., Ltd.	Securities	2015	3,000	100
The Toho Lease Co., Ltd.	Leasing	1985	60	50.0
The Toho Card Co., Ltd.	Credit card	1985	30	50.0
The Toho Credit Service Co., Ltd.	Credit card	1990	30	50.0
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	110	50.0
The Toho Information System Co., Ltd.	Calculation operations and Developing software	1983	60	39.6
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100

HEADQUARTERS

3-25, Ohmachi, Fukushima 960-8633, Japan
 Phone: 81-24-523-3131
 Facsimile: 81-24-524-1583
 SWIFT: TOHOJPJT

(As of June 30, 2018)



THE TOHO BANK, LTD.

HEAD OFFICE

3-25, Ohmachi, Fukushima 960-8633, Japan Phone: 81-24-523-3131

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