2020

INTEGRATED REPORT
(ANNUAL REPORT)

HOKKOKU BANK
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2020

HOKKOKU BANK

CONTENTS

FORWARD-LOOKING STATEMENTS

This integrated report contains certain forward-looking statements about Hokkoku Bank's future, including outlooks, plans, forecasts, results, etc. All such forward-looking statements are the result of judgments predicated upon information available to the Bank at the time of the Integrated Report's publication. Unknown risks and uncertainties in the future may cause actual results to differ significantly from any projections presented in the Bank's Integrated Report. Such risks and uncertainties include, but are not limited to, economic conditions in which the Bank must do business, pressures from competitive activities, changes in laws and/or regulations, development of new products and elimination of old ones, and fluctuation of exchange rates.

BANK PROFILE

Name of the Bank	The Hokkoku Bank, Ltd.
Securities Code	8363 (First Section, Tokyo Stock Exchange)
Location of Headquarters	2-12-6 Hirooka, Kanazawa, Ishikawa, Japan
Foundation Date	December 18, 1943
Common Stock	¥26,673 million (Amounts less than one million yen have been rounded down.)
Number of Branches	105 branches (including 1 station) 2 overseas representative offices (Shanghai, Bangkok) 9 money plazas
Number of Employees	1,759 (excluding temporary staff, business staff and locally employed staff overseas)
Number of Outstanding Shares	29,110 thousand shares
Number of Shareholders	9,167
Capital Adequacy Ratio	10.30% (Consolidated/Global Standard)

Rating	A- (S&P) A+ (R&I)
Total Assets	¥5,082.1 billion
Loans	¥2,617.9 billion
Deposits	¥3,712.6 billion (including NCD)

Consolidated Subsidiaries

<Leasing business>
The Hokkoku General Leasing Co., Ltd.

<Credit card business>
The Hokkoku Credit Service Co., Ltd.

<Credit guarantee business>
The Hokkoku Credit Guarantee Co., Ltd.

<Corporate revitalization fund business and centralized accounting business for subsidiaries>
The Hokkoku Management, Ltd.

<Debt management and collection business>
The Hokkoku Servicer, Ltd.

<Development, operation and maintenance of information systems>
The Digital Value, Ltd

As of March 31, 2020

Moving beyond regional commercial banks to become part of the next generation of integrated regional companies

Develop new business models, and continue to create new value for everyone in the region.

Shuji Tsuemura
President &
Chief Executive Officer
Representative Director

Our corporate philosophy and brand

The Hokkoku Bank will celebrate its 77th anniversary in December this year. Our history has seen us overcome numerous challenges, including post-war turmoil, the Japanese economic miracle, the collapse of the asset price bubble and the 2008 financial crisis. This was made possible by our long-standing relationships based on mutual trust and we are deeply grateful to all of our business partners, shareholders, employees, and other stakeholders. Our corporate philosophy is "Trust – a bridge to a fruitful regional future. Enrich interaction and growth in the region ". In other words, the Hokkoku Bank exists to act for the benefit of people and the world, enriching the lives of individuals and society as a whole. This philosophy is part of our brand, which goes beyond an individual and guides the values underlying how each of our executives and employees thinks, communicates and makes decision. This year marks the beginning of a new decade, and although time does not stand still, we will carry on the tradition of this philosophy and brand as we continue to move forward with purpose.

Accelerating investment in people and systems to develop a new business model

The situation for financial institutions is growing more challenging year by year as the negative interest rates set by the Bank of Japan in 2016 continue to apply and IT-based startups known as FinTech companies have entered the finance sector. The economy has also been severely impacted by the effects of the novel coronavirus (COVID-19) pandemic, and financial institutions are facing the most difficult period since World War II. Many financial institutions, including industry heavyweights, are evolving rapidly, by reducing the number of branches and employees, shifting to digitized services, and transitioning from offering full banking services at all branches to having branches with specialized functions or designated for use by personal banking customers. There has also been an increase in various types of business partnerships and mergers.

The Hokkoku Bank announced that it would move away from offering full banking services at all branches from the year 2000 in order to increase the efficiency of branches and employees . This can be evidenced from the decrease in the number of branches from 150 to 100 and reduction in the number of employees from 2,600 to 1,700. We have reduced costs by nearly 30% over the last 20 years while steadily increasing our number of business clients, and balances of 3 trillion yen for loans and 4 trillion yen for deposits are now in sight. However, regional financial institutions are no longer living in the age where volume is everything. We are entering an era where distinctive differentiation, such as service, productivity, and profitability, are key. The dramatic changes that have taken place over the past 20 years are shown by the fact that the most profitable period in our history came two years ago, with consolidated profits of over 10 billion yen after tax in the fiscal year ended March 31, 2018, during a period of negative interest rates.

Over the last two years, we have heard from many investors who say that they appreciate the past reforms implemented by Hokkoku Bank but are concerned that we may be at risk of levelling off.

Our response is Communication x Collaboration x Innovation 2024, the medium-term business plan that we announced last fall. Property costs have been increasing since 2018 due to continuing large-scale investment in IT. “Digital” is a word that keeps coming up at the moment in connection with the transition to paperless and remote working. At Hokkoku Bank, we completed the transition to a paperless system for internal documents about seven years ago and the use of official ink seals is only necessary when required by law. Similarly, we encouraged and implemented telecommuting ever since. From August this year, we plan to completely renew our internal infrastructure to make working easier and further improve productivity. We are looking to build a new business model fit for the 21st century by investing in IT and making use of revolutionary digital technology to rebuild elements of the business from the ground up, including our work process, communication methods and decision-making structures. Using digital technology to revolutionize our HR practices is the essence of DX, or digital transformation, which has become a hot topic in recent times. Some say that this bold investment is motivated by a desire to compete with the FinTech companies, and that is certainly true. However, we are taking a medium to long-term approach to guarantee a swift response to customer needs based on our philosophy and brand. Customers have numerous requirements—indeed, it is no exaggeration to say that a hundred different people need a hundred different solutions. Providing quality service at low cost while meeting this wide range of needs would be impossible without cutting-edge technology. Of course, it is also necessary to cover more fine-tuned services that emphasize meeting customers’ needs through real face-to-face dialogue. From this point of view, the use of IT to support administrative tasks in order to reduce the costs and labour hours required for back office work is indispensable.

While investing in systems is important, investing in our employees is even more crucial in order to ensure that we continue to be a sound, customer-centric company. We believe that helping employees to find job satisfaction and achievement in their work is directly linked to providing services that satisfy our customers. On average, our employees leave work at 6pm each day, work two to three hours of overtime per month and take 15 days of paid leave each year. In addition to implementing measures as a responsible employer, we also value lifelong learning as a central pillar of our employees’ development. This lifelong learning does not simply mean training that is carried out at ten-year intervals after joining the bank or after reaching 50 years of age. Rather, it means that we formulate programmes with affiliated external institutions, including online universities and higher learning institutions, to create an environment in which our people can continue to learn and develop, in addition to the internal training related directly to banking that we provide to our employees after they join us. This training for continuous professional development is what lifelong learning means to us at Hokkoku Bank.

Decentralization, risk management, and improved compliance

Hokkoku Bank’s corporate ideology states that decision-making authority should be given to professional members of staff who interact with our customers and are familiar with their needs. This goes beyond simply expanding authority over lending to frontline employees. In addition to ensuring customer satisfaction through precise, rapid decision making, each sales office and sales headquarters formulates its own strategies, action plans, implements internal evaluations of business results and key performance indicators autonomously in a manner that best suits the characteristics of the region in which it operates. The key intent here is decentralization. This operational system must be supported by having a team of professionals who can take ownership of their work.

On the other hand, improvements to risk management and compliance systems are managed centrally, as is the case with the previously-mentioned system strategy.

In terms of risk management, we focus on responding to risk caused by cyber security issues and natural disasters. It has been noted that not only has the number of cyber attacks increased considerably in the lead-up to the Tokyo Olympic and Paralympic Games, the methods employed have become more diverse and sophisticated. Moreover, as risk associated with

natural disasters grows in Japan year after year, measures in response to the long term-effects of COVID-19 cannot be neglected.

In the previous fiscal year, a highly regrettable incident involving one of our employees took place, the first in 13 years. We would like to extend our most sincere apologies to all customers, shareholders and other counterparties who have been affected. All of our executives and employees deeply regret this event and will implement measures to prevent similar incidents from occurring in the future.

We believe that professional sales operations and development of consulting have great advantages not only for customers but for the entire region. Successful consulting helps us to earn the trust of our customers and build stronger relationships. This is something to be celebrated and shows the true value of relationship management. However, although in an ideal world it would not be the case, there is an undeniable risk of familiarity leading to collusion and giving rise to small lapses in compliance awareness. There is no doubt that personal connections and networks have been the starting point for business expansion and innovation since time immemorial. Awareness of compliance both within Japan and around the world has completely changed compared to the situation five or ten years ago. In recent years, barriers have become higher and higher, and many countries are even stricter than Japan. Ethics can be a double-edged sword if international standards are not strictly adhered to. Life experience, morality, and ethics form the basis of professionalism in business. To this end, we continue to create thorough systems within our bank.

Moving beyond regional commercial banks to become part of the next generation of integrated regional companies

As a regional financial institution, we believe that deposits, loans and payments will continue to be the core and main driver of our business. We also expect that this area of business will continue to be strongly affected by advancements in technology and the entry of new competitors into the market. There is a constant need for disruptive innovation centered on sustainability. We are often asked how we can compete with FinTech companies, but to us the answer is clear. It is our belief that we should become a FinTech company ourselves, in addition to collaborating with a range of FinTech companies in the future.

Although regional financial institutions have been powered only by this main driver until now, secondary drivers will become even more potent moving forward. At Hokkoku Bank, we use this term to refer to our activities as a corporate consulting company, a personal IFA (independent financial advisor) consulting company, a card company, a leasing company, a systems company, a trading company, an e-commerce site and crowdfunding management company, a temporary employment agency, an investment management company, a BPO (business process outsourcing) company, a collection agency, and an equity fund company. This business eco system centered on disruptive innovation.

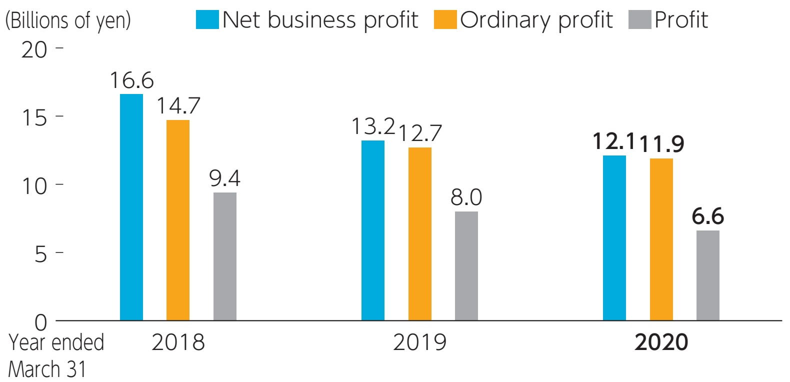
Our new business model is based on improving the performance of these two drivers while contributing further to the revitalization of the regional economy. This approach represents a shift from being a regional commercial bank to becoming part of the next generation of integrated regional companies. We have implemented major reforms and innovations based on a ten-year timeframe. Rather than being closed off or exclusionary, we continue to engage in dialogue with companies and people, collaborating with an open mind in order to develop and refine this new business model over the next five to ten years.

At Hokkoku Bank, we have an in-depth understanding of changes in society and customer needs and strive to create innovation through communication and collaboration. All of our executives and employees are working together to grow as a sustainable business while continuing to provide a strong value proposition to all members of society. We appreciate your continued support.

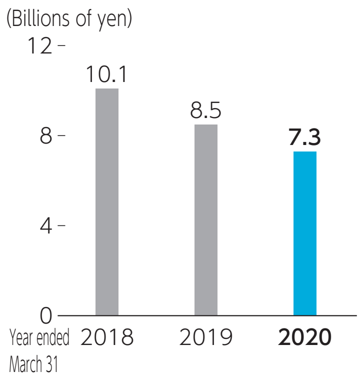
Financial Highlights

Income (Non-consolidated/Consolidated)

Net business profit/Ordinary profit/Profit (Non-consolidated)

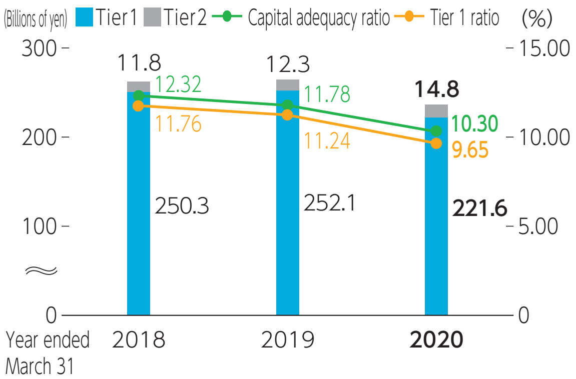


Profit (Consolidated)

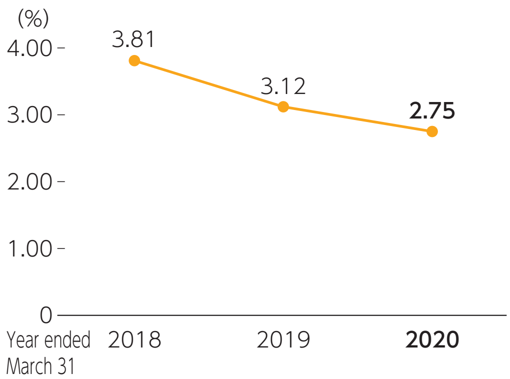


Capital adequacy ratio (Consolidated) /ROE (Non-consolidated)

Capital adequacy ratio (Consolidated)

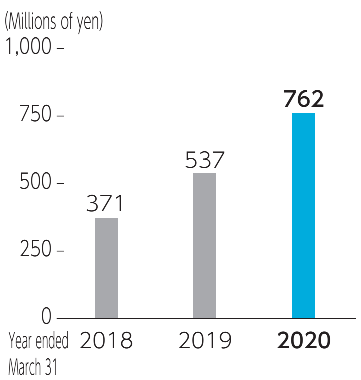


ROE (Non-consolidated)

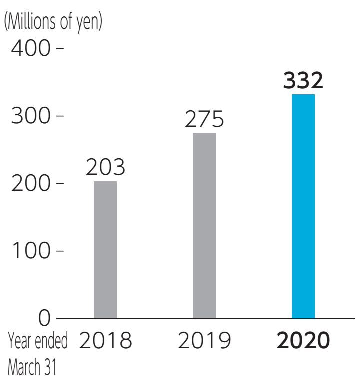


Income from new business (Non-consolidated)

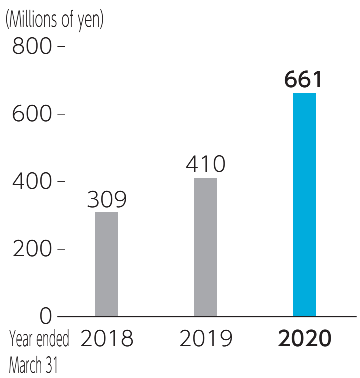
Income from bank cards business



Income from leasing business



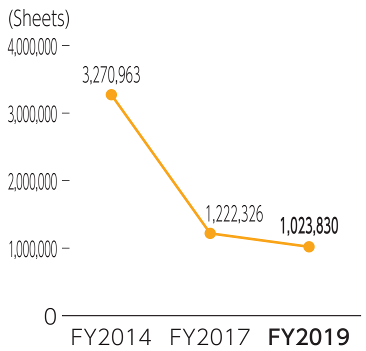
Income from consultation services



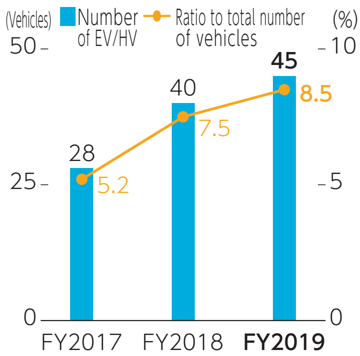
Non-financial Highlights

Environment

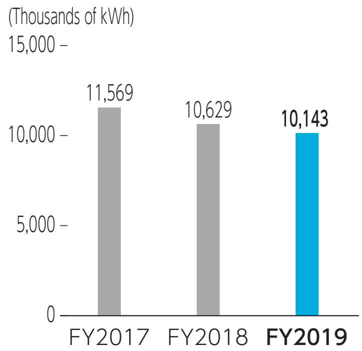
Paper use (Copy paper, etc.)



Ratio of EV/HV

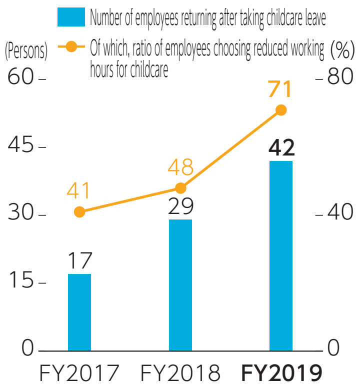


Electricity consumption

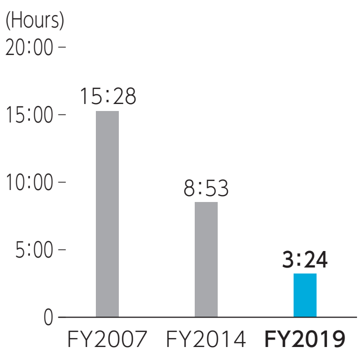


Social

Number of employees returning after taking childcare leave/Of which, ratio of employees choosing reduced working hours for childcare

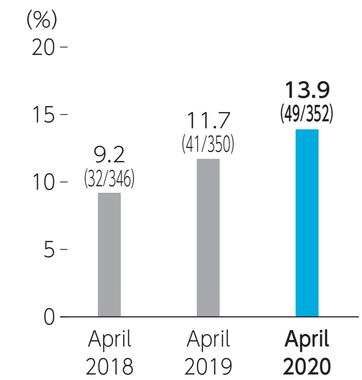


Monthly overtime hours per person



Ratio of female managers

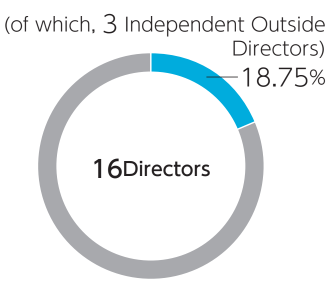
(Number of female managers/Total number of managers)



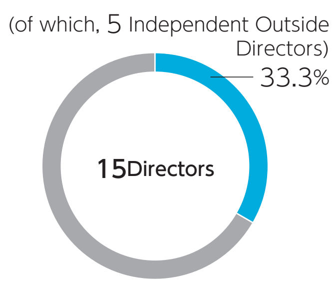
Governance

Ratio of Independent Outside Directors

(June 2015)



(June 2020)



Ratio of female Directors

2015: 1 person (8.2%)

2020: 2 person (13.3%)

Value creation process

Hokkoku Bank will achieve its management philosophy as a “next-generation integrated regional company,” and work to create value for the region together with its stakeholders by utilizing its unique strengths cultivated thus far, and creating innovation through communication and collaboration.

Business environment surrounding regional economies

- Market contraction due to falling population
- Population outflow to metropolitan areas, aging population and labor shortage
- Issues regarding the successors of small and medium-sized enterprises
- Necessity to respond to globalization
- Diversifying values

Hokkoku Bank’s unique strengths

Trusted and beloved bank

Maintain an overwhelming share in the region by building a stable customer base centered around the customers’ trust we have earned since our establishment

Slim operating structure

Continuous initiatives over 20 years to achieve strategic streamlining and productivity enhancement such as branch consolidation and transition to paperless environment

Highly effective consulting

Wide-ranging consulting that responds to customers’ needs based on the know-how we have developed and accumulated thus far

Employees

Professional employees that can continuously strive for the development of the region and for their own personal growth

Business model

1st engine of growth

-Sustaining Innovation-

- Settlement business
- Credit business
- Banking business

2nd engine of growth

-Disruptive Innovation-

- Corporate consulting company function
- Individual consulting company function
- Leasing company function
- Credit card company function
- Systems company function
- E-commerce site company function
- Temporary employment agency function
- Investment management PE company function
- Collection agency function
- BPO (business process outsourcing) company function

Business promotion from the viewpoint of the

Initiatives to accelerate promotion

Digital transformation ×

Implementation of initiatives in compliance with the basic CSR policy

- Financial services that meet the needs of the times
- Able to provide support into the future
- Committed to local communities

Foundation to support value creation, Strengthening

– Vision for Hokkoku Bank –

Moving beyond the next generation of regional commercial banks to
become part of the next generation of integrated regional companies

①With customer centric thinking,
②We provide high added value in the medium to long term
③To turn the local community into a quality region

Medium-term business plan
(April 2018 to March 2024)

Communication
×
Collaboration
×
Innovation
2024

customer's journey

Project system & PMO × Agile working style

Realization of corporate philosophy

Trust — a bridge to a fruitful regional future
Enrich interaction and growth in the region

Hokkoku Bank's brand

The Hokkoku Bank exists to act for the benefit of people and the world, enriching the lives of individuals and society as a whole.

Value creation for the region

Local communities
Contribute to the improvement of quality of the entire region

Customers
Provide various added value

Shareholders and investors
Increase shareholder value

Employees
Diverse and rewarding working styles

of corporate governance and the risk & compliance system

Growth strategy aimed at the value creation process – Medium-term business plan

Vision for Hokkoku Bank

Next generation of regional commercial bank ▶ **Next generation of integrated regional company**

1. With customer centric thinking,
2. We provide high added value in the medium to long term
3. To turn the local community into a quality region

Hokkoku Bank aims to transcend from being a regional commercial bank to becoming the "next generation of integrated regional company." We have implemented major reforms and innovations based on a ten-year timeframe. To develop and refine this new business model over the next five to ten years, through constant customer-centric awareness and actions, we will provide high added value in the medium to long term as we work to increase the quality of not only our bank, but also of the entire local community.

Overview of the Medium-term business plan

Given the recent changes in the management environment and the competitive environment, Hokkoku Bank has made certain revisions to the Medium-term business plan "Communication × Collaboration × Innovation 2021" (plan period: April 2018 to March 2021) formulated in March 2018. In November 2019, Hokkoku Bank formulated and released the new Medium-term business plan for the period through March 2024, "Communication × Collaboration × Innovation 2024" (plan period: April 2018 to March 2024).

Communication × Collaboration × Innovation 2024

Period: April 2018 to March 2024

Concept: Contribute to attain region-wide innovation through customer-oriented approach via extensive communication and collaboration, both within the Bank as well as with our community.

Basic policy: Continue with our traditional banking services, such as bank deposits, lending, currency exchange and settlement, while strengthening our new initiatives of recent years, namely bank cards, leasing, consultation services.

*The name, concept, and basic policy are carried over from the previous Medium-term business plan.

Management benchmarks and targets, and progress

Item	FY2018 Actual result	FY2019 Actual result	FY2023 Medium-term business plan target
Ordinary profit (consolidated)	¥14.1 billion	¥13.1 billion	¥16.0 billion
Profit (consolidated)	¥8.5 billion	¥7.3 billion	¥10.0 billion
Income from new business (non-consolidated) <bank cards, leasing, consultation services>	¥1.2 billion	¥1.7 billion	¥4.0 billion
OHR (non-consolidated)	68.1%	70.8%	60% - 65%
ROE (non-consolidated)	3.1%	2.7%	4.0%

*The targets for FY2023 were newly formulated at the time of the revisions
*OHR: expense ratio, the ratio of general and administrative expenses versus gross profit

Medium to long term benchmarks

OHR (non-consolidated)	Medium-term business plan target: 60% - 65% 50% in the medium to long term
ROE (non-consolidated)	Medium-term business plan target: 4.0% 5% or more in the medium to long term

Background behind revisions to previous Medium-term business plan

With the prolonged uncertainty over the recovery in interest revenue due to the declining population and negative interest rate policy, in addition to traditional banking operation such as bank deposits, lending, and currency exchange, Hokkoku Bank has launched bank cards, leasing, and consultation services as new revenue bases, proactively working to reform its business model.
Against this backdrop, in recent years, in addition to credit risk materializing due to the increased uncertainty in the global economy and deteriorating business sentiment, intensifying competition with different industries and the accelerating evolution of IT and systems has led to dramatic changes in the world.
As such, we believe that it is essential to promote the use of IT technology starting with the cloud and to preemptively implement various policies with new thinking. This led us to make the current revisions without waiting for the end of the Medium-term business plan.

Financial institutions face an unprecedentedly challenging business environment

▶ Conditions have changed greatly since the formulation of the Medium-term business plan (March 2018)

Prolonged negative interest rates

- Negative interest rates have persisted for longer than ever

▶ There has been no stop in the decline in net interest income

Uncertainty regarding the global economy, deterioration in economic sentiment

- There is concern over the materialization of credit risk

Accelerating evolution of systems

- Building strategies centered on cloud technology and systems is essential

To build an even more resilient operating structure, it is essential that we revise our Medium-term business plan and formulate a new Medium-term business plan!

Overview of our key strategies based on the Medium-term business plan following revisions

Consultation services

- Establish new models including branch consultation systems
  - ▶ Begin real rollout of branch consultation
- Enhance overseas consultation
  - ▶ Plan the opening of the Ho Chi Minh City Representative Office

Leasing business

- Develop a stronger business framework that provides an optimal mixture of financing and leasing services
  - ▶ Enhance the Group operating system by establishing an Oversight Division

Cashless, bank cards business

- Enhance regional productivity based on the bank cards business
  - ▶ Increase the number of debit card members and further enhance card affiliated stores

Sales strategy

- Use IT to analyze customer data and diversify points of customer contact
  - ▶ Evaluate integrated information management using xRM

System strategy

- Internalizing and moving systems to clouds
  - ▶ Establishment of information systems subsidiary Digital Value Co, Ltd.
  - ▶ Integrating sub-systems, starting internalization

Next generation of internet banking

- Enhancing digital banking through cloud banking
  - ▶ Launched service for individuals in September 2019
  - ▶ Developing service for corporates

HR strategy

- Professional employees' development
  - ▶ Reviewing the personnel development system

Capital adequacy ratio, ROE

- Maintenance of capital adequacy ratio
- Enhancing ROE by reducing equity
  - ▶ Examination of each capital policy
  - ▶ Purchased treasury stock in October 2019

Digital transformation × Project system & PMO × Agile working style

Digital transformation	Project system & PMO	Agile working style
• Using IT to transform people, organizations, and local communities in a positive direction	• Dialogue-style discussions and decision making on a project by project basis • Internal and external collaboration	• Organizational climate suited to discussion • Accelerating value creation through collective knowledge

Digital transformation

Business transformation fueled by system strategy and digital transformation

As the environment surrounding the local economy changes drastically and customer needs continue to diversify, it is essential to meet the needs of our customers with a high level of service at a low cost and in a timely manner. Over the past 20 years, the Bank has taken various measures to appropriately respond to the changing times. Since 2000, the Bank has introduced an area sales system and started consolidation of branches to improve the efficiency of its operations while enhancing customer service. The Bank has taken zero-based initiatives to improve operational efficiency and has reduced costs by consolidating the organizational structure of the head office, reducing the number of required documents and reviewing the examination system to simplify loan operations, as well as through thorough reforms of cost awareness and by reducing back-office administration.
In order to respond to the still rapidly changing environment, we will accelerate our efforts for digital transformation, continued on the following page.

2000～

- Introduction of area sales system
- Start of branch consolidation
- Establishment of a call center

2007

- Simplification of operating office operations
- Centralization of headquarters
- Establishment of System Department (for strategic system investment)

2009

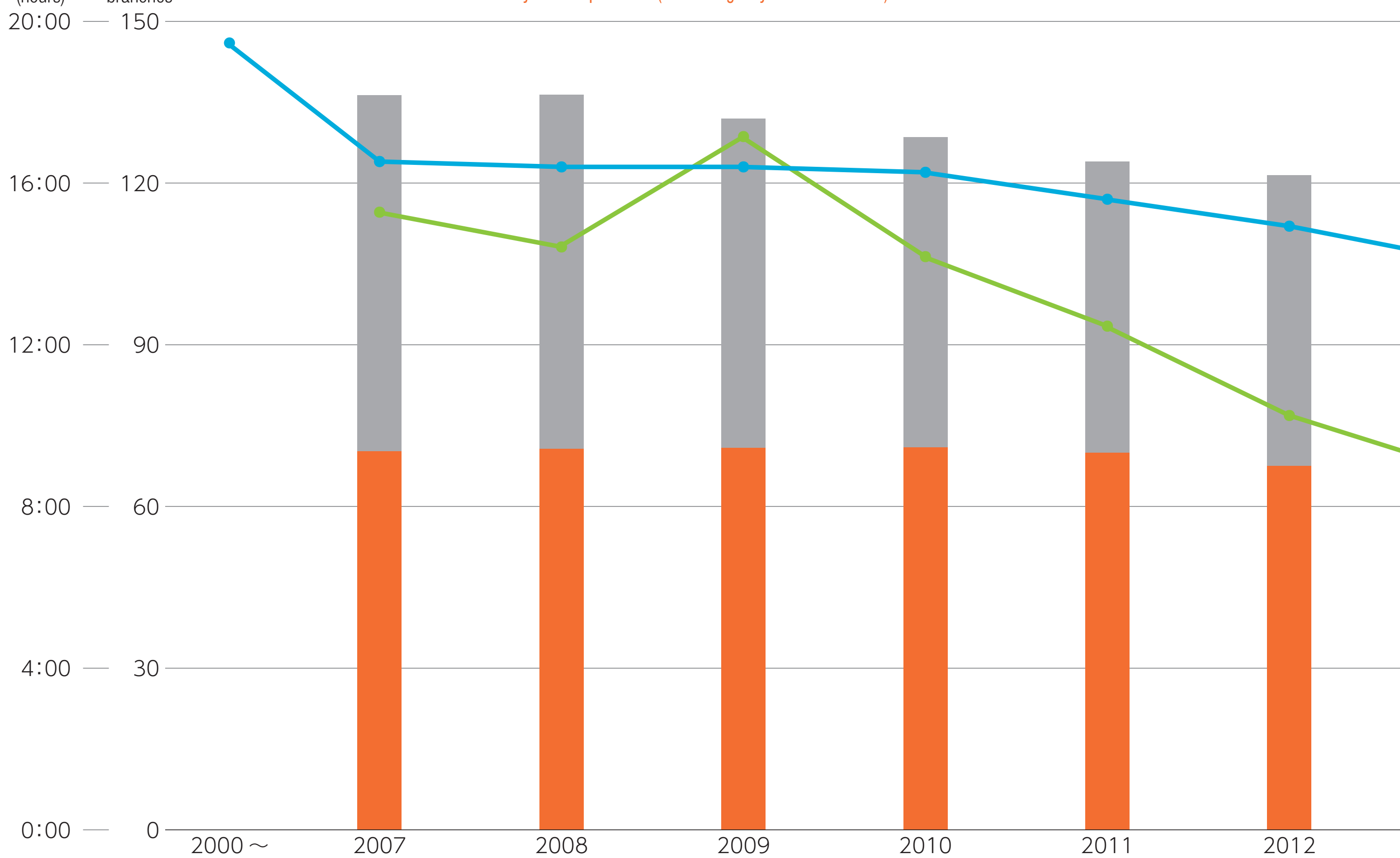
- Integration of the General Affairs Department into the Planning Department (for strategical reduction of property costs)

2010

- Introduction of a credit limit system (strategic credit initiatives, timely responses)
- Reduction of loan operations
- Centralization of headquarters

2011

- Introduction of groupware



Further accelerate reform through digital transformation

2012
- Start of sales of financial products on tablets
- Credit Department BPR
- Systematization
- Abolition of loan officers in operating offices

2013
- Reconstruction of IT infrastructure
- Introduction of Surface (Microsoft) terminals
- Consolidation of the Personnel Department into the Planning Department (integration of corporate planning and HR strategy)
- Abolition of the Examination Department
- Consolidation of loan and sales operations to the Operational Department

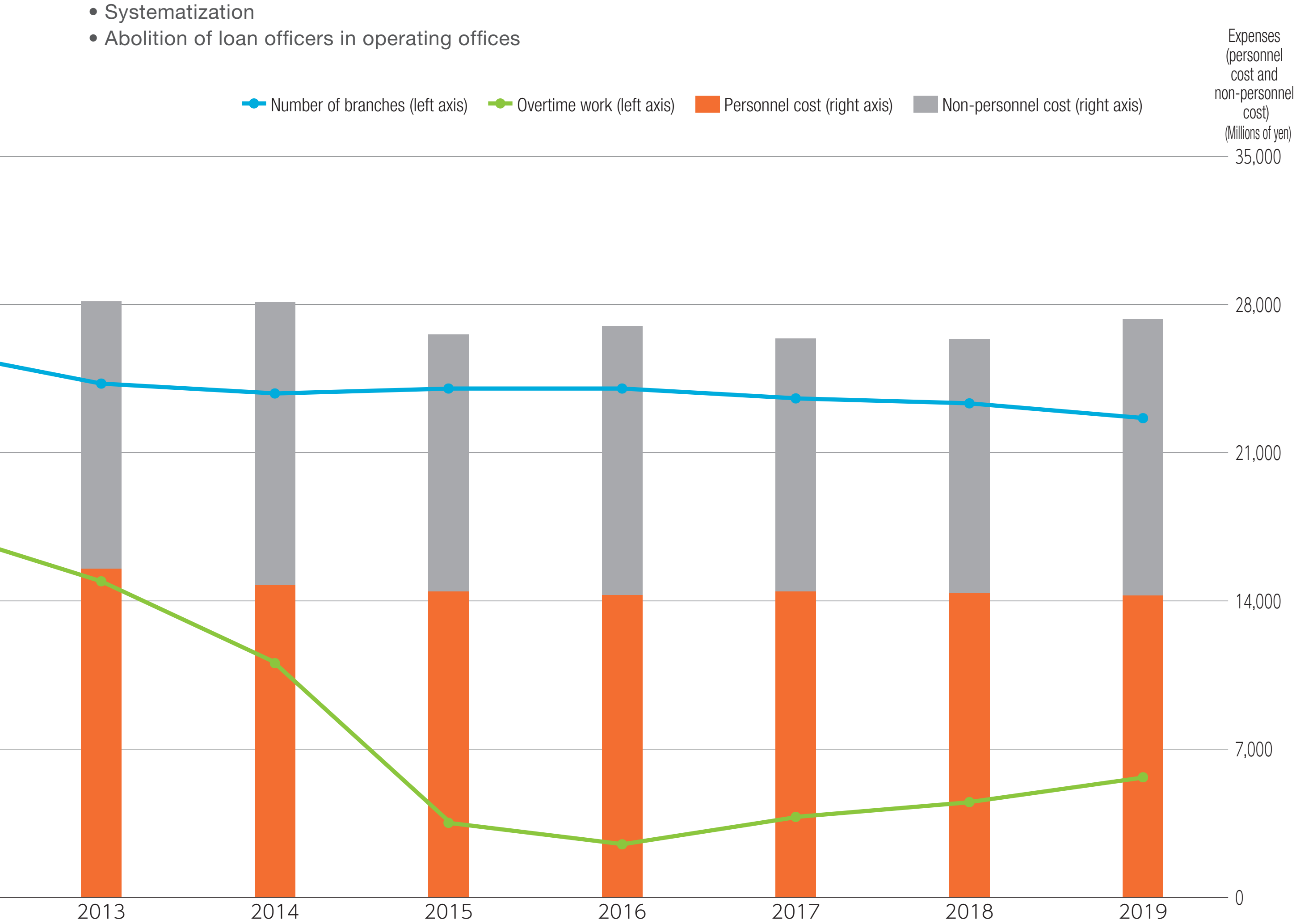
2014
- Relocation of new headquarters

2015
- Migration of the bank settlement systems

2016
- Distribution of Surface and smartphones terminals to all employees

2017
- Introduction of corporate mass strategy

2019
- Announcement of introducing cloud services for bank settlement systems
- Established Digital Value Co, Ltd.
- Release of the Hokkoku Cloud Banking (individual user version)



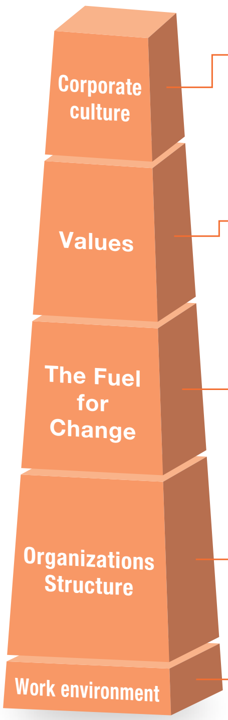
Construction of a New Business Model Through DX and System Strategies

Focusing on the DX strategy (digital transformation) and system strategy is essential in order for Hokkoku Bank to become a “next generation of integrated regional company.” Without the use of digital technology, the Bank would not be able to meet the various needs of its customers at a high level. We are actively working to build a business model that is appropriate for the next generation in order to accurately meet the needs of our customers and realize the corporate philosophy and the Hokkoku Bank brand.

Digital Transformation at Hokkoku Bank

Hokkoku Bank’s vision of digital transformation is not only about the use of technology, but also about fundamentally digitally transforming the Bank itself, including the way it works in a broader definition (such as decision-making processes, authority, decision-making standards, organizational culture, etc.).

Hokkoku Bank’s Vision of Digital Transformation = **Not only use technology as a strategy, but also transform people and organizations and continue to transform communities for the better** ➡ Realization of the Hokkoku Bank brand



Organizational climate suited to discussion	Dialogue-style discussions and decision making on a project by project basis ➡ Based on the assumption of **delegating** (transfer of authority) authority from leaders to members Internal and external collaboration ➡ Accelerating value creation through **collective knowledge** **Agile organization**

Customer first policy	Customer’s journey
• Share values with customers • Balance between the interests of customers and the Bank’s interests • Act in the best interest of customers (with TPO in mind)	• Customer-driven services and personalization • Simplify and accelerate customer processes • Improve the value provided and customer success

Employees	IT and Digitalization
Work one feels motivated to do, diversity, professionalism, roles over hierarchy Leveraging the ideas of others and contributing to the success of others	Cloud-first and mobile-first, cost reduction, security, data utilization, digital marketing, next generation sales model

Management	**Supportive leader** ➡ Meet the needs of our members and contribute to their success

Employee examinations	Performance evaluation
Feedback from 1-on-1 meetings Promoting collaboration	Organizations that share best practices, organizations that learn Encouragement of collaboration

Psychological safety	An atmosphere where one can freely voice his or her thoughts and feelings ➡ **Based on the assumption of collaboration**

Project System & PMO and Agile Working Style

Digital transformation and IT modernization are a major reform project involving not only the System Department, but all employees, and requires close collaboration between Sales, Planning, and System Departments to work in an agile manner through discussions.

For example, in the case of the introduction of a new customer management system in the Sales Department, cross-departmental projects are organized and discussions are repeated in the Sales Department, Planning Department, Administrative Department and System Department.

*PMO (Project Management Office): a department or structural system that provides cross-sectional support for individual project management in a company or organization.

System Strategy

Hokkoku Bank considers the system strategy to be a trigger for its business strategy. Our true objective is to continuously provide value to our customers from a customer journey perspective, with a focus on all of speed, performance and security, and to improve the quality of not only Hokkoku Bank, but also the entire local community.

Hokkoku Bank's Vision

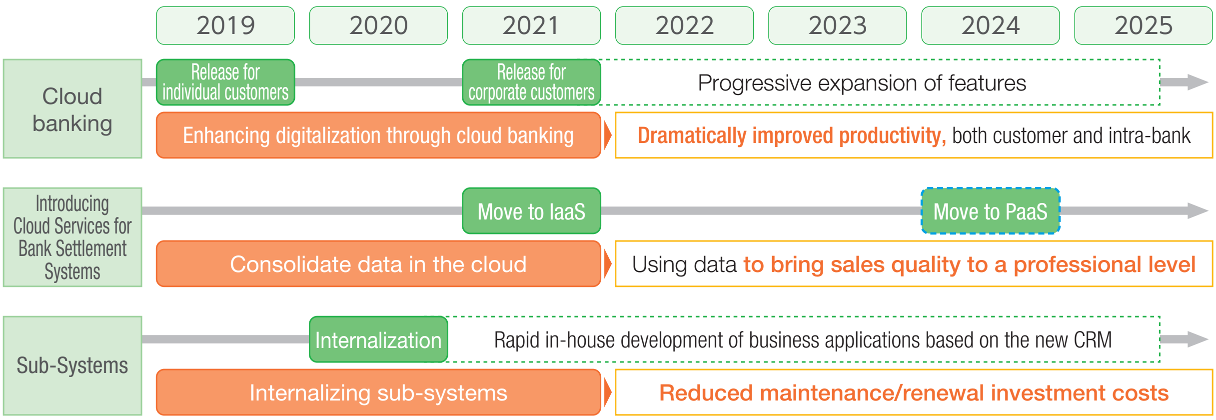
Course of action
- System-led management strategy
- IT investments for internal systems, as well as for customer systems

Final goal
- Build a data linkage ecosystem involving local communities
- Create highly convenient new services by providing BaaS

We aim to further evolve in a manner that facilitates our ongoing contribution to regional development while posting sound profits amid a challenging environment.

In FY2021, the Bank will release internet banking (cloud banking) for corporate customers. This can cover most of the transactions of physical stores and will aim for 100% coverage in the future. The system is operated in the public cloud, which enables us to respond to changing customer needs in a timely manner and at low cost. Through a series of system strategies, we will also promote the internalization of subsystems to reduce the total cost and invest resources in strategic development.

• Transition of strategic systems to cloud services – Enhancing sales and reducing costs using information technology –



TOPICS

Digital Value Co, Ltd. was established in November 2019 to strengthen the system development capabilities of Hokkoku Bank Group and to secure advanced IT personnel.

Digital Value Co, Ltd.

UNISYS

- Promote introducing IaaS and PaaS for bank settlement systems
- Promote building of data utilization infrastructures
- Upgrade the API linkage function (bidirectional)

FIXER

- Support for in-house production of new Internet banking system
- Develop functions such as web appointments

ABOUT ISHIKAWA PREFECTURE

(Summary)
Located in the middle of the Japanese Islands, Ishikawa Prefecture is a narrow territory extending from south-west to north-east along the coast and protruding towards the Sea of Japan. Ishikawa Prefecture contains altogether 19 municipalities (11 cities and 8 towns) and her prefectural office locates at “Kanazawa City.”

Due to the high accessibility to the urban areas through the well-developed transportation networks such as railways, airports and expressways, Ishikawa Prefecture is located in almost the same distance from each of the three major metropolitan areas of Japan. On top of that, the opening of the railway “Hokuriku Shinkansen” in March 2015 has greatly improved the accessibility from Ishikawa Prefecture to the Tokyo metropolitan area.

(Industrial advantage)
Ishikawa Prefecture embraces manufacturing industries such as machinery and textile industries as well as the tourist industry.
Ishikawa Prefecture accumulates various internationally competitive machinery manufacturers such as construction machinery, textile machinery and machining tools manufacturers, etc. Also, there are a lot of co-operative enterprises which provide support to the abovementioned manufacturers from various fields ranging from machine processing, welding, casting to forging. As the manufacturers possess unique techniques, there is a considerable number of “niche top enterprises” which account for the greatest market shares throughout Japan in specific fields (niche markets).
With regard to the textile industry, Ishikawa Prefecture is renowned as one of the largest synthetic textile manufacturing centers in the world which performs yarn processing such as twisted yarn, dyeing processing, sewing and manufactures woven fabrics and knitted products, etc.

In addition, the well-known “Kanazawa castle town” attracts a substantial number of international and domestic visitors.
Historical streets and buildings remain and the town is filled with elegant, traditional culture.

(Logistics hub for export)
Ishikawa Prefecture allows transport of container freights to all over the world including Asia, North America and Europe. Further, the fluent logistics is ensured by the regular shipment of international freight to Europe and America. Having a consolidated logistics foundation which connects herself with various countries from Asia to worldwide, Ishikawa Prefecture continues to develop as the center of exchange of “People/ Things” in the Hokuriku Region.

The Bank’s Basic Approach to Corporate Governance

In order to realize our corporate philosophy and to achieve the ideas and action goals in the medium-term management plan, the Bank is working to build a corporate governance structure in the belief that it is important to maintain a harmonious relationship with stakeholders, including shareholders, further improve management transparency and reinforce management that strictly observes compliance. In order to further enhance the corporate governance system and further increase the corporate value of the Bank, the Bank has partially revised its Articles of Incorporation at the 107th Annual General Meeting of Shareholders held on June 26, 2015 and transitioned to an Audit and Supervisory Committee structure. With the establishment of the Audit and Supervisory Committee, the directors who are members of the Audit and Supervisory Committee (including a number of outside Directors) are given voting rights on the Board of Directors, thus enhancing the audit and supervisory functions of the Bank.

In addition, we will continue to actively engage in IR activities to promote a broader understanding of our corporate governance initiatives, and with the aim of becoming a more transparent and open company, we will strive to disclose information more clearly on our website and in our integrated report.

Major Initiatives for Improving Corporate Governance

2006
Introduction of executive officer system

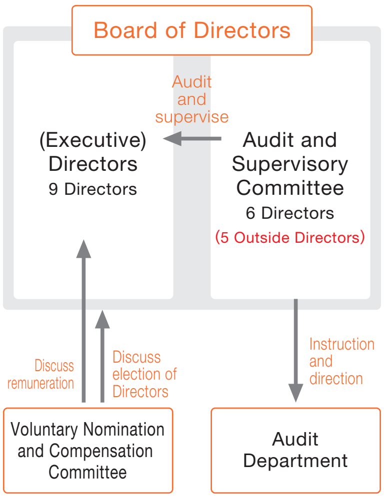
2015
Transition to an Audit and Supervisory Committee structure
Election of Outside Directors
Establishment of an Voluntary Nomination and Compensation Committee

2016
Introduction of a system for evaluating the effectiveness of the Board of Directors

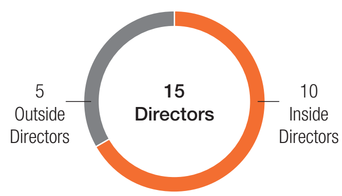
Overview of the Corporate Governance Structure

Some business execution decision-making assigned to directors

Aim for constructive discussion of management strategy at the Board of Directors

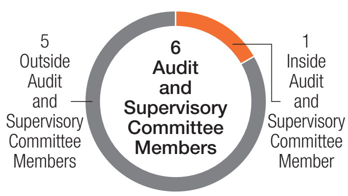


Directors and Board of Directors



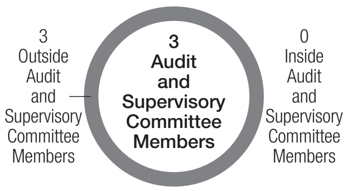
Maximum number of Directors stipulated in Articles of Incorporation	21 or less
Term of office stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	President

Audit and Supervisory Committee Members and Audit and Supervisory Committee



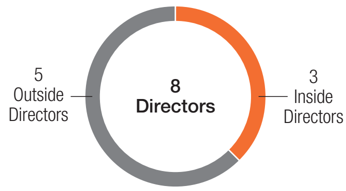
Maximum number of Audit and Supervisory Committee Members stipulated in Articles of Incorporation	6 or less

Business Advisory Committee



Number of members according to regulations	5 or less

Nomination and Compensation Committee



Chair	One of the Inside Directors (Elected by resolution of the Board of Directors)

Board of Directors and Audit and Supervisory Committee

As of June 30, 2020

Chairman
(Representative Director)
Hideaki Hamasaki

President & Chief Executive Officer
(Representative Director)
Shuji Tsuemura

Managing Director
(Representative Director, General Manager of Head Office Sales Department)
Kazuya Nakamura

Managing Director
(General Manager of Management Administration Department and Legal Office)
Koichi Nakada

Managing Director
(General Manager of General Planning Department)
Nobuhiro Torigoe

Managing Director
(General Manager of Capital Market Department)
Yuji Kakuchi

Director
(General Manager of Branch Management Department and Public Institution Business Office)
Toshiyuki Konishi

Director
(General Manager of Credit Department)
Akira Nishita

Director
(General Manager of Consulting Department)
Takayasu Tada

Director
Audit and Supervisory Committee Member
Hidehiro Yamamoto

Director
(Outside) Audit and Supervisory Committee Member
Shigeru Nishii

Director
(Outside) Audit and Supervisory Committee Member
Masako Osuna

Director
(Outside) Audit and Supervisory Committee Member
Tadashi Ohnishi

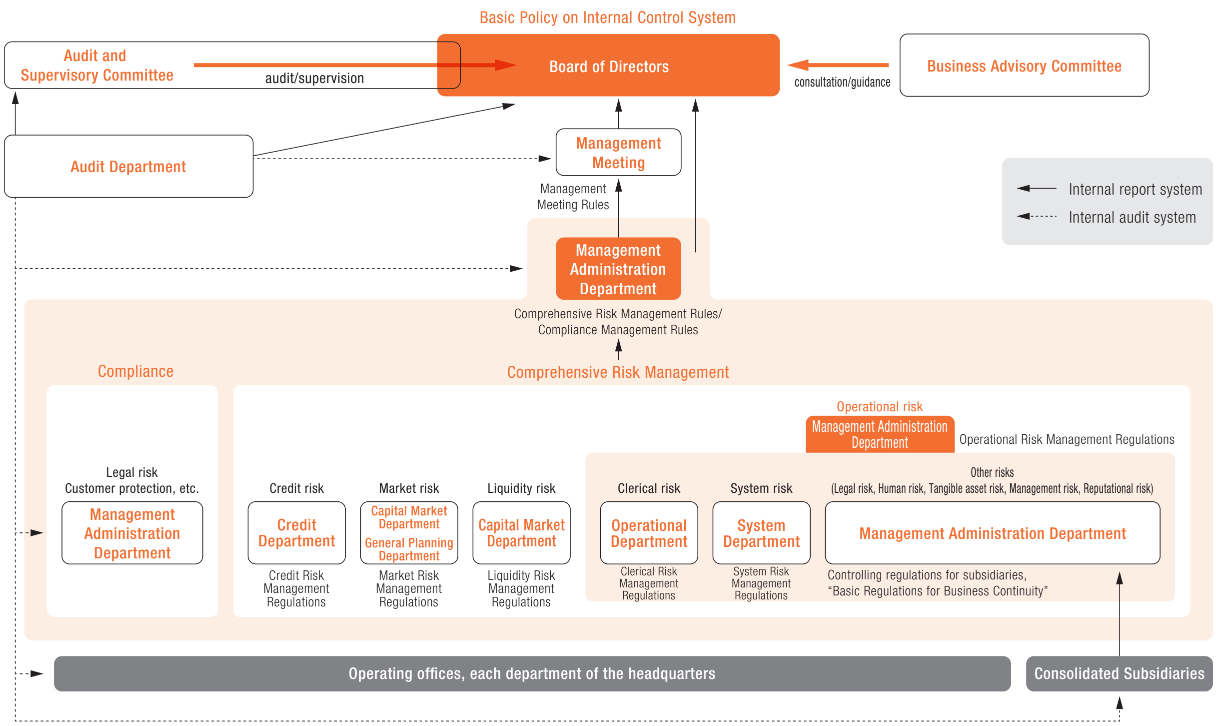
Director
(Outside) Audit and Supervisory Committee Member
Shuji Yamashita

Director
(Outside) Audit and Supervisory Committee Member
Takako Ishihara

Executive Officer

- Susumu Taniguchi (General Manager of Komatsu Area and Komatsu Branch Manager)
- Hirokatsu Yamada (General Manager of Overseas Business Strategy Department)
- Kenya Tatsuno (Fukui Branch Manager)
- Daisuke Nakaso (General Manager of Central Komatsu Area and Komatsu Chuo Branch Manager)
- Takeshi Igawa (General Manager of Operations Department and Information Systems Department)
- Shoichi Kashimi (Toyama Branch Manager)
- Tatsuo Shintani (General Manager of Nanao Area and Nanao Branch Manager)
- Tomohiko Kikuzawa (General Manager of Marketing Department)
- Harushige Sanbonmatsu (General Manager of Takaoka Area and Takaoka Branch Manager)
- Yoshiro Komatsu (General Manager of Mattou Area and Mattou Branch Manager)
- Yutaka Hosono (Osaka Branch Manager)

The Diagram of Corporate Governance



Evaluation of the Effectiveness of the Board of Directors

The Bank appoints individuals to its Board of Directors who have experience as operating office managers and as general managers and officers in various departments of the Bank's headquarters, and who have a high level of insight and management skills for the Bank's overall management. Directors who are from within the Bank have appropriate knowledge of finance and accounting due to their industry. Outside Directors are appointed as human resources who have a high degree of expertise, such as experience running a business company, working overseas, or being a lawyer, and with consideration for gender diversity. The above ensures the diversity of the Board of Directors.
Directors, who are Audit and Supervisory Committee Members, are selected from among the Directors with internal experience and appropriate knowledge of finance and accounting.
In order to enhance the effectiveness of the Bank's Board of Directors, the Bank conducts a questionnaire survey on the effectiveness of the Board of Directors through the Directors themselves, which is analyzed and evaluated by the Board of Directors. Based on the analysis and evaluation of the Board of Directors, the Board of Directors strives to improve its function by making voluntary improvements to enhance its swift decision making and oversight functions.

Support System for Outside Directors

- The Bank ensures that a support system is in place to provide outside Directors with prior explanations and supplementary materials on important bills of the Board of Directors.
- The Bank ensures that a system is in place to assign assistants to the Audit and Supervisory Committee Members to provide support to the outside Audit and Supervisory Committee Members.

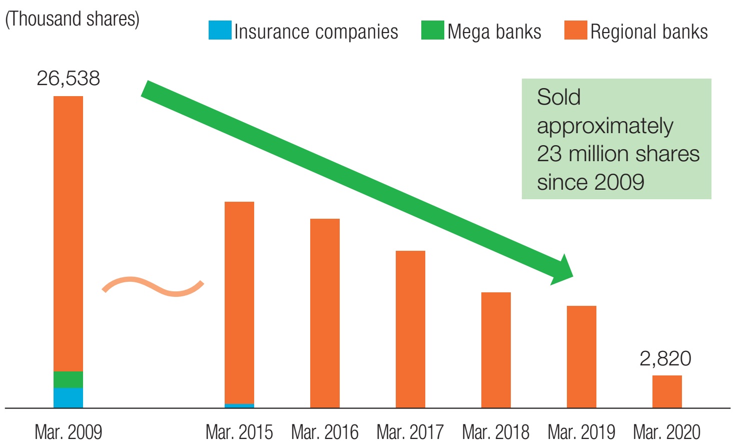
Response to Cross-Shareholdings

We are already working to reduce cross-shareholdings (cross-held shares). In FY2019, we will amend the "Policy on Cross-Shareholdings of Shares in Listed Companies" to engage in dialogue with investee companies with a view to further eliminate cross-holding.

Policy on Cross-Shareholdings of Shares in Listed Companies

For cross-shareholdings of shares in listed companies, our basic policy is to hold shares in listed companies only when holding shares of a listed company will facilitate and strengthen business alliances and transactions with the listed company and, in turn, lead to an increase in the corporate value of both the Bank and the listed company.
As a general rule, we will reduce the size of our cross-shareholdings that are not in line with this policy, and hold dialogues with the investee companies as needed.

Trends in the number of cross-held shares (Financial institutions)



Internal Audit System

The Bank has established the Audit Department as a dedicated internal audit department to enhance and strengthen its internal control system. The Audit Department, which is independent from the business management and administration departments, examines the appropriateness and effectiveness of the Bank's internal control system to ensure the soundness of the Bank's business operations and assets, and reports the results of the audit to the Board of Directors and the Audit and Supervisory Committee on a regular basis. The Internal Audit Department also provides advice and guidance on improving the internal control system as necessary.

Initiatives for Risk Management System

We have put in place an information collection system to accurately grasp and analyze the diverse and complex risks surrounding the banking business and we are working to strengthen the risk management system to manage and control risks appropriately.

Basic Policy and Operating Structure for Risk Management

As business opportunities for financial institutions grow as a result of advances with financial deregulation, internationalization and the relaxation of regulations, the risks associated with the banking business become more diverse and complex. For banking management henceforth, it is important to accurately manage risk based on the principle of self-responsibility, while securing adequate income commensurate with that risk.
The Bank has laid out the basic matters relating to risk management under its "Comprehensive Risk Management Rules," whereby each management department undertakes adequate risk management based on detailed "Risk Management Regulations," while the Management Administration Department comprehensively manages overall risk in its role as the supervisory body. "Comprehensive Risk Management" matters are periodically reported to the Board of Directors subsequent to the discussion of quantitative risk, nonquantitative risk and credit risk by the Management Meeting.

Comprehensive Risk Management System

The Bank conducts risk measurement using the universally applied index VaR when assessing credit risks of loans, and market risks of market related products and banking accounts (interest risk and price fluctuation risks). The Bank formulates comprehensive risk management guidelines every six months for these quantifiable risks, and based on these guidelines, the Bank decides on a capital allocation budget and manages performance values to ensure the risk control is conducted effectively. The comprehensive risk, which includes operational risk,(*) is compared with owned capital based on Tier 1 capital such as common shares. By making this comparison, risk management can be carried out in a way that ensures capital adequacy. Furthermore, in order to evaluate financial soundness, the Bank conducts stress tests using assumptions of sudden change in the financial situation or unforeseen circumstances. The Bank also conducts evaluation of risk appetite using the stress basis during the regular formulation of comprehensive budgets.

* Operational risk is a generic term referring to such risks as clerical risks, system risks, and other risks (legal risk, human risk, tangible asset risk, management risk, reputational risk).

VaR (value at risk)

VaR (value at risk) is a method of statistically measuring the maximum amount of loss that could occur in the future from a managed asset currently held based on data of a fixed period in the past. The Bank uses a confidence level of 99.9%, a holding period of 120 days (1 year for credit risk), and a measurement period of 720 days. The Bank considers the correlation of the risk factors within the market risk. The Bank also regularly performs back tests to test the validity of the VaR calculation method.

Stress Test

A stress test is a simulation to ascertain the amount of loss based on worst-case scenarios such as a sudden rise in interest rates, a sudden fall in market prices, a rise in the default rate, or a fall in market liquidity.

Basic Policy on Managing Various Risks

Credit Risk Management

The Credit Risk Management Department is independent of the sales-related departments and is responsible for credit concentration risk management and credit portfolio management, which are performed by industry and by borrower. In addition, in order to quantify risk as part of our comprehensive risk management, we use the Monte Carlo simulation method to measure the maximum amount of loss (VaR) and manage the results by performing comparisons to allocated capital. When we perform credit management at the individual level, we rigorously examine credit ratings, collateral, use of funds, and repayment plans, ensuring adequate examination is given to each area, while at the same time providing support to individual companies for management improvement and rehabilitation. For companies that are bankrupt or practically insolvent, we perform credit management and revenue collection.

Market Risk Management

We reflect market risk in the Bank's management by having the Management Meeting make forecasts of the economy and interest-rate environment and discuss and examine ways to limit market risk to an acceptable level while increasing profits. In addition to quantifying risks using VaR as part of the its Comprehensive Risk Management, the Bank also comprehensively determines risk based on a framework including unrealized gains/losses on securities, duration management (current maturity), 10 BPV (0.1% interest rate fluctuation) and interest rate risk in the banking book (IRRBB).

Liquidity Risk Management

The Bank strives to maintain market liquidity and stable cash flows to counter liquidity risk. In addition to maintaining sufficient liquidity reserves of assets that can be converted into cash in a short period of time, we constantly monitor various factors that affect liquidity risk to ensure our full preparedness to respond to unforeseen circumstances.

Clerical Risk Management

In order to ensure accurate and speedy clerical processing, we are striving to improve the clerical processing skills of each employee through various measures including group training, web-based training, and on-site guidance by the QC team.
In addition, we are working to unify and strengthen the management of our clerical management system by digitizing reports on clerical risks and creating a database.

System Risk Management

The Bank has established a security policy as a basic policy for the protection of information assets, and has taken all possible safety measures. We have also established procedures for dealing with system failures and rules for the prevention of computer crimes and accidents, and are complying with them. We have also taken appropriate measures to protect personal information, including the introduction of encryption software on computers located on the Bank's internal network (which is blocked from the outside world). In addition, we have established a crisis management system and are developing training for the system to ensure that we can quickly continue operations in the event of a system failure, using such countermeasures as creating redundancy and encrypting our backbone lines and building a backup system, and we are taking all possible measures to deal with system risks. In addition, we have a dedicated Computer Security Incident Response Team (CSIRT) to deal with the increasing threat of cyberattacks in recent years.

Basic Policy on Business Continuity

1. Purpose

As a regional financial institution, the Bank is working to enhance and strengthen its risk management system by putting in place a business continuity system. The purpose of this policy is to establish the basic concept of the business continuity system for the Bank and the Group as a whole, based on the Basic Policy for Internal Control ("Basic Policy on Internal Control System") and disseminate understanding of the plan throughout the entire organization.

2. Basic Concept of Management

In an emergency situation, we will minimize its impact on operations, restore operations swiftly and efficiently, and maintain a certain level of business continuity, while paying attention to the following points.

(i) Ensure the safety of our customers, officers, employees and other related parties.
(ii) Achieve continuity of operations and early recovery to assist in sustaining local economic activity while minimizing the impact on financial settlement systems.
(iii) Minimize the loss of opportunities due to the suspension of operations.
(iv) Build the necessary system to ensure the effectiveness of the above, and provide training for that system.

3. Potential Emergency Situations

Emergency situations for which contingencies are planned include disasters, novel influenza pandemics, system failures, cyberattacks, and reputational damage.

4. Priority Tasks and Recovery Targets

As a bank that provides financial services with a high degree of public good, we will select operations that need to be prioritized as part of the recovery process and concentrate our management resources on those operations to ensure that economic activities essential for society are not disrupted. For operations given priority during a period of restoration, we set a target period or target time for restoration and work to meet those targets.

5. Rules and Regulations

In line with this policy, we have established "Basic Regulations for Business Continuity" for the purpose of clarifying the arrangements and we have established subordinate regulations, taking steps to ensure that all employees are aware of them.

6. Continuous Improvement

We will conduct training on a regular basis pursuant to the Business Continuity Plan and while evaluating the extent of adoption and the acquired proficiency of such response behaviors among the Bank's officers and employees, we will regularly review the effectiveness of the training. In addition, to enhance the Bank's capability of ensuring business continuity in response to changes in the external environment and diversification of operations, we will update the rules and other procedures for business continuity as necessary.

Response to the novel coronavirus disease (COVID-19)
https://www.hokkokubank.co.jp/company/csr/covid-19/

CONSOLIDATED BALANCE SHEETS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	As of March 31		
	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets:			
Cash and due from banks (Notes 7 and 11)	**¥ 1,389,813**	¥ 1,221,400	**$ 12,770,501**
Monetary claims bought	**3,411**	3,614	**31,345**
Trading account securities (Note 8)	**111**	90	**1,021**
Money held in trusts (Note 9)	**13,519**	13,523	**124,226**
Securities (Notes 7, 8 and 13)	**990,091**	1,088,790	**9,097,597**
Loans and bills discounted (Notes 6 and 7)	**2,599,328**	2,567,333	**23,884,302**
Foreign exchanges	**13,106**	9,508	**120,431**
Lease receivables and investment in leased assets (Note 17)	**36,532**	33,335	**335,685**
Other assets (Note 13)	**33,804**	69,257	**310,620**
Tangible fixed assets (Notes 10 and 12)	**31,414**	32,804	**288,656**
Intangible fixed assets	**11,122**	10,097	**102,197**
Deferred tax assets (Note 21)	**2,666**	166	**24,504**
Customers' liabilities for acceptances and guarantees	**18,476**	17,197	**169,776**
Reserve for possible loan losses	**(46,131)**	(37,893)	**(423,890)**
Total assets	**¥ 5,097,268**	¥ 5,029,226	**$ 46,836,977**
Liabilities:			
Deposits (Notes 7 and 13)	**3,634,904**	3,538,022	**33,399,838**
Negotiable certificates of deposit (Note 7)	**65,062**	63,914	**597,835**
Call money and bills sold (Notes 7 and 13)	**981,819**	847,399	**9,021,592**
Payables under repurchase agreements (Notes 7 and 13)	**–**	31,206	**–**
Guarantee deposit received under securities lending transactions (Notes 7 and 13)	**93,634**	204,703	**860,377**
Borrowed money (Note 14)	**1,033**	2,398	**9,493**
Foreign exchanges	**12**	14	**113**
Borrowed money from trust account	**129**	90	**1,187**
Other liabilities	**42,495**	21,853	**390,471**
Reserve for bonuses	**789**	796	**7,257**
Net defined benefit liability (Note 22)	**14,796**	14,586	**135,962**
Reserve for directors' retirement benefits	**28**	31	**262**
Reserve for management board benefit trust	**559**	530	**5,139**
Reserve for reimbursement of deposits	**235**	281	**2,161**
Reserve for loss on refund of interest	**55**	43	**506**
Reserve for customer service points	**258**	122	**2,374**
Deferred tax liabilities (Note 21)	**711**	13,188	**6,537**
Deferred tax liability arising from revaluation of land (Note 10)	**1,499**	1,630	**13,779**
Acceptances and guarantees	**18,476**	17,197	**169,776**
Total liabilities	**¥ 4,856,502**	¥ 4,758,010	**$ 44,624,666**
Net assets:			
Common stock	**26,673**	26,673	**245,097**
Capital surplus	**13,053**	12,854	**119,944**
Retained earnings	**174,603**	169,267	**1,604,370**
Treasury stock	**(4,064)**	(920)	**(37,345)**
Total shareholders' equity (Note 16)	**210,266**	207,876	**1,932,066**
Net unrealized gains on available-for-sale securities (Note 8)	**24,954**	56,553	**229,302**
Net deferred losses on hedging instruments	**(16)**	(1)	**(153)**
Land revaluation surplus (Note 10)	**1,980**	2,189	**18,199**
Remeasurements of defined benefit plans (Note 22)	**(3,593)**	(3,287)	**(33,019)**
Total accumulated other comprehensive income	**23,325**	55,452	**214,329**
Non-controlling interests	**7,173**	7,886	**65,914**
Total net assets	**240,765**	271,215	**2,212,310**
Total liabilities and net assets	**¥ 5,097,268**	¥ 5,029,226	**$ 46,836,977**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Year ended March 31		
	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Income			
Interest income on:	**¥ 37,082**	¥ 40,229	**$ 340,740**
Interest on loans and discounts	**26,251**	26,478	**241,211**
Interest and dividends on securities	**10,412**	13,344	**95,678**
Other interest income	**419**	406	**3,851**
Trust fees	**0**	0	**0**
Fees and commissions	**10,485**	9,929	**96,346**
Other operating income	**19,555**	12,932	**179,691**
Other income	**7,616**	4,039	**69,984**
Total income	**74,740**	67,130	**686,763**
Expenses			
Interest expenses on:	**2,098**	4,554	**19,284**
Deposits	**309**	350	**2,844**
Borrowings and rediscounts	**436**	848	**4,013**
Interest on payables under repurchase agreements	**165**	2,414	**1,516**
Other	**1,187**	941	**10,910**
Fees and commissions	**3,567**	3,219	**32,776**
Other operating expenses	**11,855**	10,409	**108,936**
General and administrative expenses (Note 18)	**31,499**	30,579	**289,434**
Other expenses (Note 19)	**13,692**	4,918	**125,811**
Total expenses	**62,712**	53,681	**576,244**
Profit before income taxes	**12,027**	13,449	**110,519**
Income taxes (Note 21):			
Current	**5,735**	4,374	**52,697**
Deferred	**(1,222)**	135	**(11,229)**
	4,512	4,510	**41,468**
Profit	**7,514**	8,939	**69,051**
Profit attributable to non-controlling interests	**204**	355	**1,881**
Profit attributable to owners of parent	**¥ 7,310**	¥ 8,583	**$ 67,169**

	2020	2019	**2020**
	(Yen)		(U.S. dollars) (Note 2)
Amounts per share (Note 24)			
Net assets	**¥ 8,361.39**	¥ 9,106.33	**$ 76.82**
Profit	**255.60**	296.83	**2.34**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Year ended March 31		
	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Profit	**¥ 7,514**	¥ 8,939	**$ 69,051**
Other comprehensive income (Note 20)			
Net unrealized gains (losses) on available-for-sale securities	**(31,798)**	(4,328)	**(292,188)**
Net deferred gains (losses) on hedging instruments	**(15)**	0	**(138)**
Remeasurements of defined benefit plans (Note 22)	**(305)**	457	**(2,809)**
Total other comprehensive income	**(32,119)**	(3,870)	**(295,136)**
Comprehensive income	**¥ (24,604)**	¥ 5,068	**$ (226,085)**
Total comprehensive income attributable to:			
Owners of the parent	**¥ (24,608)**	¥ 4,832	**$ (226,122)**
Non-controlling interests	**4**	236	**37**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2018	¥ 26,673	¥ 12,854	¥ 167,344	¥ (5,138)	¥ 201,734
Cash dividends	–	–	(2,619)	–	(2,619)
Profit attributable to owners of parent	–	–	8,583	–	8,583
Transfer from retained earnings to capital surplus	–	4,222	(4,222)	–	–
Purchase of treasury stock	–	–	–	(4)	(4)
Cancellation of treasury stock		(4,222)	–	4,222	–
Reversal of land revaluation surplus	–	–	181	–	181
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	–	1,923	4,217	6,141
Balance at March 31, 2019	26,673	12,854	169,267	(920)	207,876
Cash dividends	**–**	**–**	**(2,182)**	**–**	**(2,182)**
Profit attributable to owners of parent	**–**	**–**	**7,310**	**–**	**7,310**
Transfer from retained earnings to capital surplus	**–**	**0**	**(0)**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**(3,203)**	**(3,203)**
Disposal of treasury stock		**(0)**	**–**	**58**	**58**
Reversal of land revaluation surplus	**–**	**–**	**208**	**–**	**208**
Purchase of shares of consolidated subsidiaries	**–**	**199**	**–**	**–**	**199**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Total changes during the year	**–**	**199**	**5,335**	**(3,144)**	**2,390**
Balance at March 31, 2020	**¥ 26,673**	**¥ 13,053**	**¥ 174,603**	**¥ (4,064)**	**¥ 210,266**

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation surplus	Remeasure-ments of defined benefit plans	Total Accumulated other comprehen-sive income	Non-controlling interests	Total net assets
Balance at March 31, 2018	¥ 60,762	¥ (2)	¥ 2,371	¥ (3,745)	¥ 59,386	¥ 7,656	¥ 268,777
Cash dividends	–	–	–	–	–	–	(2,619)
Profit attributable to owners of parent	–	–	–	–	–	–	8,583
Transfer from retained earnings to capital surplus	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	–	–	(4)
Cancellation of treasury stock	–	–	–	–	–	–	–
Reversal of land revaluation surplus	–	–	–	–	–	–	181
Net changes in items other than shareholders' equity	(4,209)	0	(181)	457	(3,933)	230	(3,703)
Total changes during the year	(4,209)	0	(181)	457	(3,933)	230	2,438
Balance at March 31, 2019	56,553	(1)	2,189	(3,287)	55,452	7,886	271,215
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(2,182)**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**–**	**7,310**
Transfer from retained earnings to capital surplus	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(3,203)**
Disposal of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**58**
Reversal of land revaluation surplus	**–**	**–**	**–**	**–**	**–**	**–**	**208**
Purchase of shares of consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**199**
Net changes in items other than shareholders' equity	**(31,598)**	**(15)**	**(208)**	**(305)**	**(32,127)**	**(713)**	**(32,840)**
Total changes during the year	**(31,598)**	**(15)**	**(208)**	**(305)**	**(32,127)**	**(713)**	**(30,449)**
Balance at March 31, 2020	**¥ 24,954**	**¥ (16)**	**¥ 1,980**	**¥ (3,593)**	**¥ 23,325**	**¥ 7,173**	**¥ 240,765**

See accompanying notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2019	$ 245,097	$ 118,113	$ 1,555,342	$ (8,454)	$ 1,910,099
Cash dividends	**–**	**–**	**(20,055)**	**–**	**(20,055)**
Profit attributable to owners of parent	**–**	**–**	**67,169**	**–**	**67,169**
Transfer from retained earnings to capital surplus	**–**	**1**	**(1)**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**(29,432)**	**(29,432)**
Disposal of treasury stock	**–**	**(1)**	**–**	**541**	**539**
Reversal of land revaluation surplus	**–**	**–**	**1,915**	**–**	**1,915**
Purchase of shares of consolidated subsidiaries	**–**	**1,830**	**–**	**–**	**1,830**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Total changes during the year	**–**	**1,830**	**49,027**	**(28,890)**	**21,966**
Balance at March 31, 2020	**$ 245,097**	**$ 119,944**	**$ 1,604,370**	**$ (37,345)**	**$ 1,932,066**

	Thousands of U.S. dollars (Note 2)						
	Accumulated other comprehensive income						
	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation surplus	Remeasure-ments of defined benefit plans	Total Accumulated other Comprehen-sive income	Non-controlling interests	Total net assets
Balance at March 31, 2019	$ 519,646	$ (15)	$ 20,115	$ (30,209)	$ 509,536	$ 72,467	$ 2,492,104
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(20,055)**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**–**	**67,169**
Transfer from retained earnings to capital surplus	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(29,432)**
Disposal of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**539**
Reversal of land revaluation surplus	**–**	**–**	**–**	**–**	**–**	**–**	**1,915**
Purchase of shares of consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**1,830**
Net changes in items other than shareholders' equity	**(290,344)**	**(138)**	**(1,915)**	**(2,809)**	**(295,207)**	**(6,553)**	**(301,760)**
Total changes during the year	**(290,344)**	**(138)**	**(1,915)**	**(2,809)**	**(295,207)**	**(6,553)**	**(279,793)**
Balance at March 31, 2020	**$ 229,302**	**$ (153)**	**$ 18,199**	**$ (33,019)**	**$ 214,329**	**$ 65,914**	**$ 2,212,310**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Year ended March 31		
	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities			
Profit before income taxes	**¥ 12,027**	¥ 13,449	**$ 110,519**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**4,297**	3,992	**39,483**
Losses on impairment	**949**	566	**8,721**
Increase (decrease) in reserve for possible loan losses	**8,238**	1,119	**75,698**
Increase (decrease) in reserve for bonuses	**(6)**	(9)	**(61)**
Increase (decrease) in net defined benefit liability	**210**	(652)	**1,932**
Increase (decrease) in directors' retirement benefits	**(2)**	4	**(26)**
Increase (decrease) in reserve for management board benefit trust	**28**	76	**266**
Increase (decrease) in reserve for reimbursement of deposits	**(46)**	17	**(424)**
Increase (decrease) in reserve for losses on refund of interest	**11**	(16)	**108**
Increase (decrease) in reserve for customer service points	**136**	(16)	**1,250**
Accrued interest and dividend income	**(37,082)**	(40,229)	**(340,740)**
Accrued interest expenses	**2,098**	4,554	**19,284**
Losses (gains) on investment securities, net	**(9,928)**	(2,752)	**(91,226)**
Losses (gains) on money trusts	**3**	7	**36**
Foreign exchange losses (gains), net	**3,737**	(6,526)	**34,343**
Losses (gains) on disposal of fixed assets	**(43)**	(24)	**(397)**
Decrease (increase) in loans and bills discounted	**(31,995)**	(165,219)	**(293,994)**
Increase (decrease) in deposits	**98,030**	162,453	**900,763**
Decrease (increase) in due from banks (exclusive of the Bank of Japan)	**(2,200)**	(966)	**(20,221)**
Decrease (increase) in call loans and others	**202**	54,585	**1,864**
Increase (decrease) in call money and others	**133,055**	148,850	**1,222,598**
Increase (decrease) in payables under repurchase agreements	**(31,206)**	(62,621)	**(286,749)**
Increase (decrease) in guarantee deposit received under securities lending transactions	**(111,068)**	6,784	**(1,020,567)**
Decrease (increase) in trading account assets	**(20)**	77	**(189)**
Decrease (increase) in foreign exchange assets	**(3,597)**	2,454	**(33,060)**
Increase (decrease) in foreign exchange liabilities	**(2)**	6	**(20)**
Decrease (increase) in lease receivables and investment in leased assets	**(3,505)**	(4,186)	**(32,207)**
Decrease (increase) in cash collateral paid for financial instruments	**37,084**	8,118	**340,757**
Increase (decrease) in borrowed money from trust account	**39**	90	**360**
Interest and dividends received	**27,700**	26,929	**254,530**
Interest paid	**(2,217)**	(4,681)	**(20,376)**
Other, net	**20,141**	(970)	**185,074**
Subtotal	**115,069**	145,263	**1,057,331**
Income taxes paid, net of refund	**(4,375)**	(4,659)	**(40,203)**
Net cash provided by (used in) operating activities	**110,694**	140,604	**1,017,128**
Cash flows from investing activities			
Purchases of securities	**(853,296)**	(491,010)	**(7,840,638)**
Proceeds from sales of securities	**852,237**	395,753	**7,830,906**
Proceeds from redemption of investment securities	**54,339**	71,483	**499,309**
Interests and dividends received on investments	**12,240**	14,849	**112,470**
Purchases of tangible fixed assets	**(1,089)**	(955)	**(10,011)**
Purchases of intangible fixed assets	**(3,378)**	(3,015)	**(31,043)**
Proceeds from sales of tangible fixed assets	**317**	574	**2,920**
Net cash provided by (used in) investing activities	**61,370**	(12,320)	**563,912**
Cash flows from financing activities			
Cash dividends paid	**(2,180)**	(2,616)	**(20,036)**
Cash dividends paid to non-controlling interests	**(5)**	(5)	**(55)**
Purchases of treasury stock	**(3,203)**	(4)	**(29,432)**
Proceeds from sales of treasury stock	**58**	—	**539**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(521)**	—	**(4,788)**
Net cash provided by (used in) financing activities	**(5,852)**	(2,627)	**(53,772)**
Effect of exchange rate changes on cash and cash equivalents	**(9)**	4	**(87)**
Net increase (decrease) in cash and cash equivalents	**166,203**	125,661	**1,527,181**
Cash and cash equivalents at beginning of year	**1,216,250**	1,090,589	**11,175,693**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**9**	—	**82**
Cash and cash equivalents at end of year (Note 11)	**¥ 1,382,462**	¥ 1,216,250	**$ 12,702,957**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

1. Basis of Presentation

The accompanying consolidated financial statements of The Hokkoku Bank, Ltd. (the "Bank") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information. As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. U.S. Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥108.83 = U.S. $1.00, the rate of exchange in effect on March 31, 2020 has been used in conversion. The conversion should not be construed as a meaning that yen could be converted into U.S. dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its six subsidiaries at March 31, 2020 and five subsidiaries at March 31, 2019. All significant inter-company accounts and transactions have been eliminated in consolidation.

Digital Value Co, Ltd., a newly established subsidiary, is included in the scope of consolidation from the year ended March 31, 2020.

Ishikawa Small Business Revitalization Fund Investment Limited Liability Partnership and Ishikawa Small Business Revitalization No. 2 Fund Investment Limited Liability Partnership are not consolidated, nor accounted for under the equity method, since the materiality in terms of assets, share of its income and its retained earnings are less important and its non-consolidation will not prevent reasonable judgments regarding the Group's financial position and operating results.

Ishikawa Small Business Revitalization Fund Investment Limited Liability Partnership has been liquidated and the liquidation procedure was completed on April 10, 2020.

b. Trading account securities

Trading account securities are stated at fair value at end of year, and the related cost of sales is determined by the moving average method.

c. Securities

Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving average method. Stocks in unconsolidated subsidiaries which are not accounted for by the equity method are stated at cost using the moving average method.

Available-for-sale securities are stated in principle at fair value based on the market value as of year-end (cost of securities sold is calculated using the moving average method). However, those securities whose fair value is extremely difficult to determine are stated at cost using the moving average method.

The net unrealized gains or losses on available-for-sale securities are included directly in net assets.

Securities invested as assets in trust in separately managed money trusts for the principal purpose of securities investment are stated at fair value.

d. Derivative financial instruments

Derivatives are stated at fair value.

e. Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed by the declining-balance method. The useful lives of buildings and equipment are summarized as follows.

Buildings	10 to 50 years
Others	3 to 20 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is computed primarily by the declining-balance method over the estimated useful lives of the respective assets.

Depreciation of assets held under finance leases which do not transfer ownership of the leased assets to the lessee is computed by the straight-line method over the lease terms of the respective assets. The salvage value for depreciation purpose is determined based on the lease contracts.

f. Intangible fixed assets

Amortization of intangible fixed assets of the Bank is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of 5 to 10 years.

g. Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, on the net amount expected to be collected by the disposal of collateral, or as a result of the execution of a guarantee.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt ("debtors at a risk of bankruptcy"), a reserve is provided according to the amount considered necessary based on an overall solvency assessment of the amount of the claim, on the net amount expected to be collected by the disposal of collateral, or as a result of the execution of guarantee. In addition, for claims to such significant debtors and debtors at a risk of bankruptcy who have restructured loans exceeding a certain credit amount for which it is possible to reasonably estimate cash flows from collection of principals and receipt of interest, a reserve is provided according to the difference between the amount of related cash flows discounted by the original contract interest rate before restructuring the loans and its carrying book value.

For other claims, a reserve is provided based on the expected loan loss amount over the next one year or three years. The Bank estimates the rate of loan losses with reference to the average rate of loan losses over a certain period of time based on the Bank's past loan-loss experience over one year or three years. The Bank makes necessary adjustments, such as future projections, to the rate of loan losses in order to determine the expected loan loss amount.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts at ¥23,760 million ($218,330 thousand) and ¥26,380 million as of March 31, 2020 and 2019, respectively.

h. Bonuses to employees

The reserve for bonuses to employees is provided at the estimated amount to be attributed to the current fiscal year.

i. Directors' retirement benefits

The reserve for directors' retirement benefits is recorded at an estimated amount to be required to be paid if all directors retired at the balance sheet date.

j. Reserve for management board benefit trust

The reserve for management board benefit trust is recorded at an estimated liability amount for delivery of its shares through the trust to the Bank's directors (excluding outside directors and directors who are audit and supervisory committee members) and executive officers based on its internal rules.

k. Reserve for reimbursement of deposits
The reserve for reimbursement of deposits is recorded at an estimated amount to be required to reimburse the customers' claims on the derecognized sleeping deposit accounts.

l. Reserve for loss on refund of interest
The reserve for loss on refund of interest is recorded by a certain consolidated subsidiary to provide for the customers' claims to refund the interest exceeding the maximum limit of interest rate stipulated by the Interest Rate Restriction Act based on the past experience of refund.

m. Reserve for customer service points
The reserve for customer service points is recorded at an estimated amount based on the future expected payment resulting from the customers' use of points granted to debit card users and credit card members based on the point system incorporated to promote the use of such cards.

n. Retirement benefit plans
In calculating retirement benefit obligations, the benefit formula basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year. Treatments of prior service cost and actuarial gains or losses are as follows:
Prior service cost is amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred.
Actuarial gains or losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) that falls within the average remaining years of service of the employees.

o. Foreign currency translations
The Bank's foreign currency assets and liabilities and accounts of overseas branch are translated into Japanese yen equivalents primarily using the applicable rate of exchange effective at the balance sheet date.

p. Revenue recognition for finance leases
Sales and cost of sales is recognized at the time of the receipt of lease payments.

q. Hedge accounting
Hedging interest rate risk
The Bank applied the deferral method to account for financial instruments that hedge the interest rate risk on financial assets and liabilities of the Bank, as provided in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 24, February 13, 2002). The hedge effectiveness is assessed by grouping and specifying hedged items including deposits and loans and hedging instruments including interest rate swaps by a certain period. The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

Hedging foreign exchange risk
The Bank applies the deferral method to account for derivative instruments that hedge the foreign exchange risk on various foreign-currency financial assets and liabilities, as provided in the "Treatment for Accounting and Auditing with Regard to Accounting for Foreign Currency Transactions in Banking Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 25, July 29, 2002). The hedge effectiveness of these currency-swap transactions, exchange-swap transactions and similar instruments to hedge the foreign exchange risks of foreign-currency financial assets or liabilities is assessed by comparing the foreign currency position of the hedged assets or liabilities with that of the hedging instruments.

r. Consumption taxes
Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes. Nondeductible consumption taxes levied on the purchase of premises and equipment are charged to income when incurred.

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

4. Accounting Standards Issued but Not Yet Effective

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

(a) Outline
They are comprehensive accounting standards with regard to revenue recognition. Revenues are recognized using the following five-step model.
Step 1: Identify the contract with a customer
Step 2: Identify separate performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(b) Scheduled date of adoption
The Bank is scheduled to adopt this accounting standard and implementation guidance from the beginning of the year ending March 31, 2022.

(c) Impact of the adoption of this accounting standard and implementation guidance
The impact of the adoption of this accounting standard and implementation guidance is under evaluation.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019),
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019),
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) and
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(a) Outline
In order to improve comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" have been developed as guidance on how to measure fair value. These accounting standards and implementation guidance will be applied to the fair value measurement of the following items:
· Financial instruments set forth in "Accounting Standard for Financial Instruments"

(b) Scheduled date of adoption
The Bank is scheduled to adopt these accounting standards and implementation guidance from the beginning of the year ending March 31, 2022.

(c) Impact of the adoption of these accounting standards and implementation guidance
The impact of the adoption of these accounting standards and implementation guidance is under evaluation.

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(a) Outline
This accounting standard requires an entity to disclose information about accounting estimates, which have the risk of materially affecting the financial statements in the following year, when the entity uses such accounting estimates to approximate amounts in its financial statements.

(b) Scheduled date of adoption
The Bank is scheduled to adopt this accounting standard from the end of the year ending March 31, 2021.

"Accounting Standard for Accounting Policy Disclosures, Accounting

Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

(a) Outline
The ASBJ issued the revised ASBJ Statement No. 24, "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" to enhance information on notes to the financial statements relating to the accounting treatments and procedures to be adopted in cases where relevant accounting standards are unclear.

(b) Scheduled date of adoption
The Bank is scheduled to adopt this accounting standard from the end of the year ending March 31, 2021.

5. Additional Information
(Management board benefit trust)
Based on the resolution at the 109th ordinary general meeting of shareholders on June 23, 2017, the Bank has adopted a share-based payment plan, "management board benefit trust," (hereinafter the "Plan") and abolished the stock compensation-type stock options for directors, who are not audit and supervisory committee members (excluding outside directors), and executive officers (hereinafter "Officers").

(a) Outline
The Plan is a share-based payment plan under which the Bank contributes capital to establish a trust (hereinafter the "Trust") and the Trust acquires the Bank shares. The Bank shares are provided to each Officer corresponding to the number of points granted to each Officer through the Trust. In principle, Officers will receive delivery of the Bank shares at the time of their retirement as Officers.

(b) The Bank's shares remaining in the Trust
The Bank's shares remaining in the Trust are recognized as treasury stock under shareholders' equity. The carrying value and the number of the shares are ¥823 million ($7,563 thousand) and 172 thousand shares for the year ended March 31, 2020, and ¥881 million and 185 thousand shares for the year ended March 31, 2019.

(Impact of COVID-19 pandemic)
The Bank assumes that the COVID-19 pandemic will begin to be contained in the first half of the year ending March 31, 2021; however, the Bank also assumes that full-scale recovery of economic activities will take considerable time, a factor which may result in a certain impact mainly on the credit risk of loans. Under this assumption, the Bank re-assessed the classification of debtors using currently-available information, and estimated the amount of the reserve for possible loan losses.
However, this assumption is uncertain and actual losses may vary depending on the status of the COVID-19 pandemic and its impact on the economy.

6. Loans and Bills Discounted
Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥4,265 million ($39,191 thousand) and ¥50,807 million ($466,855 thousand), respectively, at March 31, 2020 and ¥3,412 million and ¥51,439 million, respectively, at March 31, 2019. A loan is placed on non-accrual status when substantial doubt as to the collectability of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.
Loans to borrowers in bankruptcy represent non-accrual loans, after the charge-offs of loans deemed uncollectible, to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Order of 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 for 3 months or more totaled ¥425 million ($3,905 thousand) and ¥297 million at March 31, 2020 and 2019, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrowers under bankruptcy procedures or delinquent loans.
Restructured loans totaled ¥1,235 million ($11,352 thousand) and ¥1,007 million at March 31, 2020 and 2019, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction in the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Loans to borrowers in bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more are excluded from restructured loans.
The total of loans to borrowers in bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥56,733 million ($521,305 thousand) and ¥56,158 million at March 31, 2020 and 2019, respectively.
Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the right to sell or re-pledge the banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills and foreign exchange bought at a discount was ¥12,579 million ($115,584 thousand) and ¥13,918 million as of March 31, 2020 and 2019, respectively.
Overdraft agreements and loan commitments are agreements under which the Bank and its consolidated subsidiaries are obliged to extend loans up to a prearranged limit unless the customer is in breach of contract. The loan commitments not yet drawn down at March 31, 2020 and 2019 totaled ¥402,882 million ($3,701,939 thousand) and ¥412,827 million, respectively; ¥391,856 million ($3,600,628 thousand) of which, at March 31, 2020 (2019: ¥402,973 million), was related to agreements whose contractual terms were for one year or less or which were unconditionally cancelable at any time.
As the majority of these agreements expire without the right to extend the loans being exercised, the undrawn commitment balance does not necessarily affect the future cash flows of the Bank or of its consolidated subsidiaries. These agreements usually include provisions which stipulate that the Bank and its consolidated subsidiaries have the right either to refuse the execution of the loans or to reduce the contractual commitments when there is a change in the borrower's financial condition, when additional assurance of the financial soundness and creditworthiness of a borrower is necessary, or when other unforeseen circumstances arise.
The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of entering into the agreements, monitoring a customer's business on a regular basis in accordance with established internal procedures, and amending the loan commitment agreements when necessary.

7. Financial Instruments and Related Disclosures
1. Policy on financial instruments
The Group provides financial services such as banking business and leasing business. Major banking business includes lending services, bills discounting and fund management through dealing and underwriting Japanese government bonds, municipal bonds and available-for-sale securities. On the other hand, funds are raised mainly by taking deposits and negotiable certificates of deposit and also by issuance of bonds, call money and others as needed.
The Group conducts asset and liability management (ALM) and manages the risks identifying various types of risk exposures associated with the banking business, since the Group holds financial assets and liabilities exposed to the market risk of fluctuation of interest rates. As part of risk management, the Group utilizes derivative transactions.

2. Contents and risk of financial instruments
Financial assets held by the Group mainly consist of loans to corporate and individual customers which are exposed to credit risk arising from nonperformance of the customers. In addition, the loan balances are concentrated to Ishikawa prefecture where the head office of the Bank is located and accordingly, the changes in the economic circumstances of the region may have a great impact on the credit risk. Securities mainly consist of Japanese government bonds, municipal bonds, corporate bonds and equity securities that are classified as available-for-sale securities. These securities are exposed to credit risk of issuers and market risks of fluctuation in interest rates, market prices and foreign exchange rates for bonds denominated in foreign currencies.
On the other hand, financial liabilities consist of mainly deposits and negotiable certificates of deposit, call money and others. With respect to call money, the Bank may be forced to raise fund under unfavorable conditions and accordingly, significantly increase funding costs in case that fund raising capacity of the Bank significantly declined under certain circumstances such as significant deterioration of financial positions of the Bank.
Derivative transactions consist of hedging activities performed as part of ALM against market risks (interest rate risk and foreign exchange risk) associated with assets and liabilities held by the Group and transactions to respond to customers' diversified needs for hedging against the risks of customers. The Bank applies hedge accounting for interest rate swaps and currency swaps employed by the Bank for hedging purposes and periodically verifies the effectiveness of hedging activities assessing if the correlation between hedging instruments and hedged items of assets and liabilities is appropriate, and also if the market risks of interest rates and foreign exchange rates are offset by hedging instruments.

3. Risk management system for financial instruments

Credit risk management:

The Group has established and operates a credit control system consisting of credit review by individual transaction, internal credit rating, self-assessment, major account credit control, measurement of risk volume and measures on problem loans in accordance with credit risk control policies, credit policies, lending operation rules and control policies and procedures on credit risks. These credit controls are performed by the Loan-Screening Department, the Loan Control Department and the credit investigation sections of the consolidated subsidiaries as well as the operating offices and are periodically subject to authorization by and reported to the Board of Directors, where appropriate. In addition, the Audit Department audits the status of credit risk controls. Credit risk associated with the issuers of securities and counterparty risk associated with cash transactions and derivative transactions are controlled by periodically identifying credit information and fair values by the Market Finance Division and the International Division.

Market risk management:

(1) Interest rate risk

The Bank funds loans and securities mainly with deposits taken, but holds long-term and short-term interest rate gaps arising from the timing difference in the maturities repricing of deposits and loans. Accordingly, the Management Administration Division monitors the risk exposures by establishing risk limits based on the integrated risk control policy and integrated risk control rule and reports to the Management Meeting and the Board of Directors. In addition, the General Planning Department and Management Administration Division monitor the interest rate risk based on the interest rate sensitivity analysis, gap analysis, ladder analysis and Interest Rate Risk in the Banking Book (IRRBB) approach and report to the Management Meeting on a regular basis.

The Bank also enters into interest rate swap contracts to hedge the interest rate fluctuation risk.

(2) Foreign exchange risk

The Bank holds, in part, foreign currency denominated assets and liabilities. These foreign currency denominated assets and liabilities are appropriately hedged using currency swaps and other methods, whereby their exposures to the foreign exchange risk are controlled.

(3) Price fluctuation risk

The Group controls the price fluctuation risk associated with equity securities and investment trusts in accordance with the integrated risk management policies and procedures to control the exposures within the Bank's risk tolerance while securing appropriate earnings. Among these, the Bank established limits for transactions which require risk controls.

Moreover, the middle office of the Market Finance Division, in cooperation with the Management Administration Division, monitors the volume of risk exposures and verifies compliance with the operating limit. In addition, the Management Administration Division specifies risks and implements measurement and analysis of those risks and stress tests. Such information is reported to the Management Meeting and the Board of Directors on a regular basis and where appropriate.

(4) Derivative transactions

With respect to derivative transactions, the Bank established internal rules defining the authority and hedge policies and credit lines by counterparty. Front offices that enter into the contracts, back offices that conduct reconciliation procedures and control the credit lines and the divisions that assess the effectiveness of hedges are separated so that the internal control functions effectively.

(5) Quantitative information related to market risk

The main financial instruments which are exposed to interest rate risk and price fluctuation risk such as stock price fluctuation risk include "Loans and bills discounted," "Securities," "Deposits," and "Derivatives." The Bank uses the VaR model to measure market risks of interest rate, stock and investment trust related instruments. Adopting the variance-covariance method (holding period: half a year, confidence interval: 99.9%, observation period: 720 business days) in computing the VaR, the Bank examines the correlation between interest rate risk and price fluctuation risk. Total VaR of the Group was ¥56,003 million ($514,599 thousand) and ¥69,273 million as of March 31, 2020 and 2019, respectively. With respect to the measurement of interest rate risk exposure of liquid deposits, the Bank adopts deposit internal models.

The Bank implements back-testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision. However, the risk under certain abnormal market fluctuations may not be captured, since the VaR is measured under a definite probability of incidence statistically computed based on historical market fluctuations. In addition, VaR is a statistical value computed based on assumptions and it is not intended to estimate maximum amount of losses.

4. Supplementary explanation on the fair value of financial instruments

The fair value of financial instruments comprises the value determined based on the quoted market price and the valuation calculated on a reasonable basis where no market price is available.

Fair value of financial instruments

The following table summarizes the carrying value, fair value and difference of financial instruments as of March 31, 2020 and 2019.

Note that unlisted equity securities whose fair value is difficult to determine are not included in the table (see Note 2 below).

	March 31, 2020		
	Millions of yen		
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 1,389,813	¥ 1,389,813	¥ —
Call loans and bills bought	—	—	—
Securities:			
Available-for-sale securities	986,079	986,079	—
Loans	2,599,328		
Reserve for possible loan losses (*1)	(43,432)		
	2,555,896	2,568,623	12,727
Total assets	4,931,789	4,944,516	12,727
Deposits	3,634,904	3,634,927	22
Negotiable certificates of deposit	65,062	65,062	—
Call money and bills sold	981,819	981,819	—
Payables under repurchase agreements	—	—	—
Guarantee deposit received under securities lending transactions	93,634	93,634	—
Total liabilities	4,775,421	4,775,444	22
Derivative transactions (*2)			
To which hedge accounting is not applied	(375)	(375)	—
To which hedge accounting is applied	43	43	—
Total derivative transactions	(332)	(332)	—

	March 31, 2020		
	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Cash and due from banks	$12,770,501	$12,770,501	$ —
Call loans and bills bought	—	—	—
Securities:			
Available-for-sale securities	9,060,730	9,060,730	—
Loans	23,884,302		
Reserve for possible loan losses (*1)	(399,084)		
	23,485,218	23,602,164	116,945
Total assets	45,316,450	45,433,396	116,945
Deposits	33,399,838	33,400,048	210
Negotiable certificates of deposit	597,835	597,835	—
Call money and bills sold	9,021,592	9,021,592	—
Payables under repurchase agreements	—	—	—
Guarantee deposit received under securities lending transactions	860,377	860,377	—
Total liabilities	43,879,643	43,879,853	210
Derivative transactions (*2)			
To which hedge accounting is not applied	(3,453)	(3,453)	—
To which hedge accounting is applied	396	396	—
Total derivative transactions	(3,056)	(3,056)	—

	March 31, 2019		
	Millions of yen		
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 1,221,400	¥ 1,221,400	¥ —
Call loans and bills bought	—	—	—
Securities:			
Available-for-sale securities	1,085,023	1,085,023	—
Loans	2,567,333		
Reserve for possible loan losses (*1)	(34,934)		
	2,532,398	2,545,235	12,837
Total assets	4,838,822	4,851,660	12,837
Deposits	3,538,022	3,538,057	35
Negotiable certificates of deposit	63,914	63,914	—
Call money and bills sold	847,399	847,399	—
Payables under repurchase agreements	31,206	31,206	—
Guarantee deposit received under securities lending transactions	204,703	204,703	—
Total liabilities	4,685,246	4,685,281	35
Derivative transactions (*2)			
To which hedge accounting is not applied	(36)	(36)	—
To which hedge accounting is applied	(115)	(115)	—
Total derivative transactions	(152)	(152)	—

(*1) A general reserve for possible loan losses and a specific reserve for possible loan losses corresponding to loans are deducted.

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

(Note 1) Computation method for fair value of financial instruments

Assets

Cash and due from banks:
With respect to due from banks without maturities as well as due from banks with maturities, the carrying value is presented as the fair value, as it approximates the carrying value.

Call loans and bills bought:
The carrying value is presented as the fair value as the fair value approximates the carrying value.

Securities:
The fair value of equity securities is determined using the market price at the exchanges and the fair value of debt securities is determined using the price presented by Japan Securities Dealers Association ("JSDA") or the price obtained from the financial institutions. The fair value of investment trusts is determined using the published standard quotation. The fair value of private bonds guaranteed by the Bank is calculated by adding the credit risk to the market interest rate corresponding to the residual maturities.

Loans:
The fair value of loans with variable interest rates is presented using the carrying value as the fair value approximates the carrying value, as long as the credit situation of the borrowers does not vary significantly after executing the loans, since they reflect the market interest rates due to their short-term nature. The fair value of loans with fixed rates is computed by discounting the aggregate value of principal and interest at the interest rate assumed if the same loans were newly executed, for each category of type of loans, internal ratings and maturities. As for the loans whose maturity is less than one year, the carrying value is presented as the fair value as the fair value approximates the carrying value.
With respect to receivables from "legally bankrupt" borrowers, "substantially bankrupt" borrowers and "likely to become bankrupt" borrowers, the fair value approximates the carrying value, net of a reserve for possible loan losses and such amount is presented as the fair value.
With respect to loans whose repayment term is not determined because of the characteristics that the loans are limited within the amount of pledged assets, the carrying value is presented as the fair value as the fair value is expected to approximate the carrying value considering the expected repayment term and pricing conditions.

Liabilities

Deposits and negotiable certificates of deposits:
With respect to on-demand deposits, the payment obligation when demanded at the balance sheet date, which is the carrying value, is deemed to be the fair value. The fair value of time deposits is computed using the present value by discounting future cash flows for each category of certain period. The interest rate to be applied when a new deposit is taken is used as the discount rate. Regarding deposits whose residual maturity is less than one year, the carrying value is presented as the fair value as the fair value approximates the carrying value.

Call money and bills sold, payables under repurchase agreements and guarantee deposit received under securities lending transactions:
The carrying value is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying value, since the remaining maturity is short (less than one year).

Derivative transactions
Derivative transactions comprise interest rate related transactions (interest rate swaps, etc.) and currency related transactions (currency options, currency swaps, etc.) and the fair value of derivatives is determined using the value computed using the discounted present value or option pricing models.

(Note 2) The following table summarizes financial instruments whose fair value is extremely difficult to estimate: Note that these instruments are not included in the table above regarding the fair value of financial instruments.

	Carrying value		
	2020	2019	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted equity securities (*1) (*2)	¥ 3,444	¥ 3,245	$ 31,647
Investment in partnership	567	521	5,217
Total	¥ 4,012	¥ 3,767	$ 36,865

(*1) The fair value of unlisted equity securities is not disclosed, since there is no market price and it is extremely difficult to estimate the fair value.

(*2) No unlisted equity securities were impaired for the year ended March 31, 2020. The Bank recognized loss on impairment of ¥0 million on unlisted equity securities for the year ended March 31, 2019.

(Note 3) Maturity of financial assets and securities with contractual maturities at March 31, 2020

	March 31, 2020					
	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 1,351,351	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	—	—	—	—	—	—
Securities:						
Available-for-sale securities with contractual maturities:	107,147	141,292	243,107	131,106	133,076	21,841
Japanese government bonds	51,000	10,000	37,000	—	15,000	—
Municipal bonds	33,783	71,702	54,286	70,730	82,712	60
Corporate bonds	21,928	48,689	119,909	34,501	1,400	7,000
Other	435	10,900	31,911	25,874	33,964	14,781
Loans (*)	726,145	390,996	347,589	187,914	256,415	662,099
Total	¥ 2,184,644	¥ 532,289	¥ 590,696	¥ 319,021	¥ 389,492	¥ 683,940

	March 31, 2020					
	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	$ 12,417,089	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	—	—	—	—	—	—
Securities:						
Available-for-sale securities with contractual maturities:	984,540	1,298,286	2,233,825	1,204,691	1,222,796	200,692
Japanese government bonds	468,620	91,886	339,979	—	137,829	—
Municipal bonds	310,424	658,845	498,819	649,918	760,018	551
Corporate bonds	201,494	447,394	1,101,802	317,017	12,864	64,320
Other	4,000	100,160	293,222	237,755	312,083	135,820
Loans (*)	6,672,291	3,592,731	3,193,874	1,726,682	2,356,114	6,083,795
Total	$ 20,073,921	$ 4,891,017	$ 5,427,699	$ 2,931,374	$ 3,578,911	$ 6,284,487

(*) Loans from "legally bankrupt," "substantially bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid amounting to ¥16,468 million ($151,320 thousand) are not included.
Loans whose payment term is not determined amounting to ¥11,698 million ($107,492 thousand) are not included.

(Note 4) Maturity of bonds and interest bearing liabilities at March 31, 2020

	March 31, 2020					
	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 2,817,126	¥ 257,646	¥ 33,245	¥ —	¥ —	¥ —
Negotiable certificates of deposits	65,062	—	—	—	—	—
Call money and bills sold	981,819	—	—	—	—	—
Payables under repurchase agreements	—	—	—	—	—	—
Guarantee deposit received under securities lending transactions	93,634	—	—	—	—	—
Total	¥ 3,957,643	¥ 257,646	¥ 33,245	¥ —	¥ —	¥ —

	March 31, 2020					
	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$ 25,885,570	$ 2,367,424	$ 305,478	$ —	$ —	$ —
Negotiable certificates of deposits	597,835	—	—	—	—	—
Call money and bills sold	9,021,592	—	—	—	—	—
Payables under repurchase agreements	—	—	—	—	—	—
Guarantee deposit received under securities lending transactions	860,377	—	—	—	—	—
Total	$ 36,365,375	$ 2,367,424	$ 305,478	$ —	$ —	$ —

(*) On-demand deposits are included under "Due in one year or less."

8. Securities

(1) Trading account securities
Net holding gain or loss resulting from revaluation of trading account securities to fair value included in earnings for the years ended March 31, 2020 and 2019 were ¥(0) million ($(0) thousand) and ¥(0) million, respectively.

(2) Held-to-maturity securities which have a readily determinable fair value
There were no held-to-maturity securities to be reported at March 31, 2020 and 2019.

(3) Available-for-sale securities which have a readily determinable fair value
The acquisition cost and carrying value of available-for-sale securities which have a readily determinable fair value and the related unrealized gain or loss at March 31, 2020 and 2019 are summarized as follows:

	March 31, 2020				
	Millions of yen				
	Carrying value	Acquisition cost	Difference	Gain	Loss
Stock	**¥ 140,111**	**¥ 86,982**	**¥ 53,129**	**¥ 61,301**	**¥ 8,171**
Debt securities	**662,020**	**662,614**	**(593)**	**1,577**	**2,171**
Others	**183,946**	**200,020**	**(16,073)**	**2,419**	**18,493**
Total	**¥ 986,079**	**¥ 949,616**	**¥ 36,462**	**¥ 65,299**	**¥ 28,836**

	March 31, 2020				
	Thousands of U.S. dollars				
	Carrying value	Acquisition cost	Difference	Gain	Loss
Stock	**$ 1,287,438**	**$ 799,247**	**$ 488,191**	**$ 563,278**	**$ 75,086**
Debt securities	**6,083,069**	**6,088,524**	**(5,454)**	**14,499**	**19,954**
Others	**1,690,221**	**1,837,918**	**(147,696)**	**22,235**	**169,931**
Total	**$ 9,060,730**	**$ 8,725,690**	**$ 335,040**	**$ 600,013**	**$ 264,972**

	March 31, 2019				
	Millions of yen				
	Carrying value	Acquisition cost	Difference	Gain	Loss
Stock	¥ 167,466	¥ 88,673	¥ 78,793	¥ 82,733	¥ 3,940
Debt securities	652,190	648,133	4,057	4,477	420
Others	265,365	266,208	(843)	4,007	4,850
Total	¥ 1,085,023	¥ 1,003,015	¥ 82,007	¥ 91,219	¥ 9,211

Japanese government bonds, equities and others loaned under the securities lending agreement in the amount of ¥54,030 million ($496,465 thousand) and ¥37,998 million are included in the above securities as of March 31, 2020 and 2019, respectively.
Securities excluding trade account securities, whose fair value is available, are written down to the fair value if the fair value has significantly declined compared with the acquisition cost and such decline is not considered to be recoverable. The difference between the acquisition cost and the fair value is recognized as a loss on impairment. The related loss on impairment of stocks was not recognized for the years ended March 31, 2020 and 2019. The criteria for determining if such decline is significant are as follows:
Securities whose fair value is 50% or less than the acquisition cost are necessarily written down and securities whose fair value is between 50% and 70% of the acquisition cost are written down when the market price is considered to be non-recoverable within one year, taking into consideration the trend of the market price and operating performances of the issuing entities. The components of unrealized gain on available-for-sale securities recorded under net assets at March 31, 2020 and 2019 are as follows:

	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized gain on available-for-sale securities	**¥ 36,462**	¥ 82,007	**$ 335,040**
Deferred tax liabilities	**(10,353)**	(24,099)	**(95,130)**
	¥ 26,109	¥ 57,908	**$ 239,909**
Attributable to non-controlling interest	**(1,154)**	(1,355)	**(10,607)**
Unrealized gain on available-for-sale securities, net of tax	**¥ 24,954**	¥ 56,553	**$ 229,302**

Available-for-sale securities sold during the years ended March 31, 2020 and 2019 are summarized as follows:

	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars)
Proceeds from sales	**¥ 854,613**	¥ 395,755	**$ 7,852,735**
Gain on sales	**13,690**	4,354	**125,798**
Loss on sales	**1,882**	1,461	**17,295**

9. Money Held in Trusts

Money held in trusts for investment purposes

	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars)
Amount recorded in the consolidated balance sheets	**¥ 13,519**	¥ 13,523	**$ 124,226**
Unrealized gain (loss) included in profit and loss for the fiscal year	**19**	23	**180**

10. Revaluation of Land

Pursuant to the "Act on Revaluation of Land" (the "Act"), land used for the Bank's business operations was revalued on March 31, 1999. The excess of the revalued aggregate market value over the total book value (carrying value) before revaluation was included in net assets as land revaluation surplus at the net amount of the related tax effect at March 31, 1999. The corresponding income taxes were included in liabilities at March 31, 1999 as deferred tax liability arising from revaluation of land. The revaluation of the land was determined based on the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments.
The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the Act, and the total book value of the land after the revaluation was ¥6,680 million ($61,384 thousand) and ¥12,292 million at March 31, 2020 and 2019, respectively.

11. Cash Flows

A reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2020 and 2019 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended is as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and due from banks	**¥ 1,389,813**	¥ 1,221,400	**$ 12,770,501**
Due from banks other than the Bank of Japan	**(7,350)**	(5,150)	**(67,544)**
Cash and cash equivalents	**¥ 1,382,462**	¥ 1,216,250	**$ 12,702,957**

12. Accumulated Depreciation and Deferred Gains on Tangible Fixed Assets

Accumulated depreciation totaled ¥33,756 million ($310,178 thousand) and ¥33,455 million at March 31, 2020 and 2019, respectively.
Deferred gains on tangible fixed assets deducted for tax purposes at March 31, 2020 and 2019 were ¥2,847 million ($26,167 thousand) and ¥2,851 million, respectively.

13. Assets Pledged

Assets pledged as collateral at March 31, 2020 and 2019 were as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Pledged assets:			
Securities	**¥ 287,826**	¥ 377,153	**$ 2,644,735**
Other assets	**1,395**	38,480	**12,826**
Liabilities secured by the above assets:			
Deposits	**¥ 43,491**	¥ 45,048	**$ 399,631**
Call money and bills sold	**12,950**	35,516	**119,000**
Payables under repurchase agreements	**—**	31,206	**—**
Guarantee deposit received under securities lending transactions	**93,634**	204,703	**860,377**

Margin deposits with the clearing house of ¥20,000 million ($183,772 thousand) and ¥20,000 million at March 31, 2020 and 2019 and guarantee deposits of ¥81 million ($744 thousand) and ¥78 million were included in other assets at March 31, 2020 and 2019, respectively.

14. Borrowed Money

The details of borrowed money at March 31, 2020 and 2019 were as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Borrowed money Due from April 2020 through December 2025 Average interest rate: 0.54% p.a.	**¥ 1,033**	¥ 2,398	**$ 9,493**

Annual maturities of borrowed money are as follows:

Year ending March 31	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2021	**¥ 642**	**$ 5,899**
2022	**242**	**2,223**
2023	**91**	**844**
2024	**30**	**279**
2025 and thereafter	**26**	**245**
Total	**¥ 1,033**	**$ 9,493**

15. Borrowed Money from Trust Account

The principal amount of trust account with contracts indemnifying the principal is as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Money trust	**¥ 129**	¥ 90	**$ 1,187**

16. Shareholders' Equity

Japanese banks are subject to the Banking Act and the Companies Act.

The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance generally does not give rise to changes within the shareholders' accounts.

The Banking Act provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Companies Act. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Companies Act allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the ordinary general meeting of shareholders.

Dividends are approved by the shareholders at the meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Companies Act. The movements of outstanding shares and cash dividends during the years ended March 31, 2020 and 2019 are as follows:

(a) Number of outstanding shares and treasury stock
For the year ended March 31, 2020

	Shares			
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	29,110,197	—	—	29,110,197
Treasury stock:				
Common stock	193,071	992,434	12,289	1,173,216

Notes:
1. The number of common stock as of March 31, 2020 includes 172 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust account).
2. The increase in treasury stock of 992 thousand shares is due to acquisition of treasury stock of 991 thousand shares and request for the buyback of shares less than one unit of 1 thousand shares.
3. The decrease in treasury stock of 12 thousand shares represents shares provided from the management board benefit trust of 12 thousand shares and request for additional purchase of shares less than one unit of 0 thousand shares.
4. At the Board of Directors' meeting held on March 30, 2020, the Bank resolved to cancel its treasury stock in accordance with the provision of Article 178 of the Companies Act. The procedure to cancel the following treasury stock is not completed as of March 31, 2020.
   Carrying value ¥3,223 million ($29,621 thousand)
   Type of shares Common stock
   Number of shares 995 thousand shares
   The cancellation of above treasury stock has been completed on April 6, 2020.

For the year ended March 31, 2019

	Shares			
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	29,990,197	—	880,000	29,110,197
Treasury stock:				
Common stock	1,071,920	1,151	880,000	193,071

Notes:
1. The decrease in issued stock of 880 thousand shares is due to the cancellation of treasury stock.
2. The number of common stock as of March 31, 2019 includes 185 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust account).
3. The increase in treasury stock of 1 thousand shares is due to request for the buyback of shares less than one unit.
4. The decrease in treasury stock of 880 thousand shares is due to the cancellation of treasury stock.

(b) Dividends paid to the shareholders during the year

For the year ended March 31, 2020

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
Jun. 21, 2019	Ordinary general meeting of shareholders	Common stock	¥1,164 million ($10,696 thousand)	¥40.0 ($0.36)	Mar. 31, 2019	Jun. 24, 2019
Nov. 7, 2019	Board of Directors	Common stock	¥1,018 million ($9,359 thousand)	¥35.0 ($0.32)	Sep. 30, 2019	Dec. 5, 2019

Note:

The total amount of dividends paid includes ¥7 million ($67 thousand) of dividends based on the resolution at the ordinary general meeting of shareholders held on June 21, 2019 for 185 thousand shares and ¥6 million ($55 thousand) of dividends based on the resolution at the Board of Directors' meeting held on November 7, 2019 for 172 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust account).

For the year ended March 31, 2019

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
Jun. 22, 2018	Ordinary general meeting of shareholders	Common stock	¥1,455 million	¥50.0	Mar. 31, 2018	Jun. 25, 2018
Nov. 8, 2018	Board of Directors	Common stock	¥1,164 million	¥40.0	Sep. 30, 2018	Dec. 5, 2018

Note:

The total amount of dividends paid includes ¥9 million of dividends based on the resolution at the ordinary general meeting of shareholders held on June 22, 2018 and ¥7 million of dividends based on the resolution at the Board of Directors' meeting held on November 8, 2018 for 185 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust account).

Dividends applicable to the year ended March 31, 2020, but not recorded in the accompanying consolidated financial statements, since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
Jun. 19, 2020	Ordinary general meeting of shareholders	Common stock	¥983 million ($9,040 thousand)	¥35.0 ($0.32)	Mar. 31, 2020	Jun. 22, 2020

(Above cash dividends are distributed from retained earnings.)

Note:

The total amount of dividends paid based on the resolution at the ordinary general meeting of shareholders held on June 19, 2020 includes ¥6 million ($55 thousand) of dividends for 172 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust account).

17. Leases

As lessee:

a. Finance leases

The Bank and consolidated subsidiaries have tangible fixed assets, mainly consisting of vehicles, under finance lease arrangements which do not transfer ownership of the leased assets to the lessee. The leased assets are depreciated on a straight-line method over respective lease periods with the salvage value determined in the agreements or otherwise nil.

b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases at March 31, 2020 and 2019:

	2020	2019	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Due within one year	**¥ 155**	¥ 141	**$ 1,428**
Due after one year	**211**	259	**1,945**
Total	**¥ 367**	¥ 401	**$ 3,373**

As lessor:

a. Finance leases

Investment in leased assets consists of the following:

	2020	2019	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Lease receivables	**¥ 36,167**	¥ 30,535	**$332,332**
Residual value	**699**	3,511	**6,430**
Unearned interest income	**(2,876)**	(3,112)	**(26,427)**
Total	**¥ 33,991**	¥ 30,933	**$312,335**

Maturities of lease receivables and investment in leased assets at March 31, 2020 are as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*	
Year ending March 31	*Lease receivables*	*Investment in leased assets*	*Lease receivables*	*Investment in leased assets*
2021	**¥ 592**	**¥ 9,271**	**$ 5,445**	**$ 85,192**
2022	**553**	**7,774**	**5,083**	**71,435**
2023	**474**	**6,627**	**4,363**	**60,898**
2024	**360**	**5,313**	**3,316**	**48,824**
2025	**179**	**3,113**	**1,645**	**28,607**
2026 and thereafter	**380**	**4,067**	**3,495**	**37,373**
Total	**¥ 2,541**	**¥ 36,167**	**$ 23,349**	**$ 332,332**

b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases at March 31, 2020:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Due within one year	**¥ 185**	**$ 1,704**
Due after one year	**311**	**2,865**
Total	**¥ 497**	**$ 4,570**

18. General and Administrative Expenses

Major expenses included in general and administrative expenses for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and allowances	**¥ 11,728**	¥ 11,828	**$ 107,768**
Retirement benefit expenses	**1,420**	1,773	**13,049**
Depreciation	**4,065**	3,818	**37,352**

19. Loss on Impairment

Other expenses include loss on impairment of ¥949 million ($8,721 thousand) and ¥566 million for the years ended March 31, 2020 and 2019, respectively. The loss on impairment of the Bank is recognized by grouping the areas under control of the area management (or branches if not under control of the area management) for operating branches and by grouping assets for idle assets. Headquarters, office centers, dormitories, welfare facilities, etc. are treated as common use assets because they do not generate independent cash flows. The consolidated subsidiaries are treated as a group for one company in principle.

For the following operating branches and idle assets among above tangible fixed assets, their carrying values are reduced to the respective recoverable amounts and the reduced amounts are recorded under "Other expenses" in the consolidated statements of income.

Year ended March 31, 2020

Location	Main use	Asset type	(Millions of yen)	(Thousands of U.S. dollars)
Ishikawa Pref.	6 operating branches	Land	¥ 458	$ 4,210
	7 operating branches	Buildings	75	696
	2 corporate assets	Land	229	2,105
	2 corporate assets	Buildings	18	169
	3 idle assets	Land	1	9
Outside Ishikawa Pref.	1 corporate asset	Land	70	647
	1 corporate asset	Buildings	95	881
Total			¥ 949	$ 8,721

In the assessment of loss on impairment, the recoverable amount is computed using the net selling value, which is determined mainly based on the real estate appraisal value.

Year ended March 31, 2019

Location	Main use	Asset type	(Millions of yen)
Ishikawa Pref.	7 operating branches	Land	¥ 422
	8 operating branches	Buildings	97
	5 idle assets	Land	12
	1 idle asset	Buildings	14
Outside Ishikawa Pref.	1 operating branch	Buildings	9
	1 corporate asset	Buildings	9
Total			¥ 566

In the assessment of loss on impairment, the recoverable amount is computed using the net selling value, which is determined mainly based on the real estate appraisal value.

20. Other Comprehensive Income

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

	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars)
Reclassification adjustments			
Net unrealized gains (losses) on available-for-sale securities:			
Gain (loss) incurred during the year	**¥ (35,340)**	¥ (2,208)	**$ (324,732)**
Reclassification adjustment	**(10,204)**	(3,680)	**(93,764)**
Amount before tax effect	**(45,545)**	(5,888)	**(418,497)**
Net unrealized gains (losses) on hedging instruments:			
Gain (loss) incurred during the year	**(21)**	0	**(198)**
Reclassification adjustment	**—**	—	**—**
Amount before tax effect	**(21)**	0	**(198)**
Remeasurements of defined benefit plans			
Gain (loss) incurred during the year	**(1,337)**	(573)	**(12,292)**
Reclassification adjustment	**898**	1,230	**8,251**
Amount before tax effect	**(439)**	657	**(4,040)**
Total amount before tax effect	**(46,006)**	(5,230)	**(422,736)**
Tax effect	**13,886**	1,359	**127,599**
Total other comprehensive income	**¥ (32,119)**	¥ (3,870)	**$ (295,136)**

	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars)
Tax effect on other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities:			
Amount before tax effect	**¥ (45,545)**	¥ (5,888)	**$ (418,497)**
Tax effect	**13,746**	1,559	**126,308**
Amount after tax effect	**(31,798)**	(4,328)	**(292,188)**
Net deferred gains (losses) on hedging instruments:			
Amount before tax effect	**(21)**	0	**(198)**
Tax effect	**6**	(0)	**60**
Amount after tax effect	**(15)**	0	**(138)**
Remeasurements of defined benefit plans			
Amount before tax effect	**(439)**	657	**(4,040)**
Tax effect	**133**	(200)	**1,230**
Amount after tax effect	**¥ (305)**	¥ 457	**$ (2,809)**

21. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2020 and 2019 are summarized as follows:

	2020	2019	**2020**
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Reserve for possible loan losses	**¥ 13,921**	¥ 11,535	**$ 127,922**
Net defined benefit liability	**4,529**	4,465	**41,616**
Depreciation of real estate	**854**	820	**7,851**
Unrealized loss on write-down of equity securities	**1,302**	1,539	**11,971**
Other	**2,448**	2,570	**22,499**
Subtotal	**23,056**	20,931	**211,861**
Valuation allowance	**(10,558)**	(9,662)	**(97,018)**
Total deferred tax assets	**12,498**	11,269	**114,843**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(10,353)**	(24,099)	**(95,130)**
Other	**(190)**	(192)	**(1,745)**
Total deferred tax liabilities	**(10,543)**	(24,292)	**(96,876)**
Net deferred tax assets (liabilities)	**¥ 1,955**	¥ (13,022)	**$ 17,966**

A reconciliation of the statutory tax rate applicable to the Bank and its consolidated subsidiaries to the effective tax rate for the years ended March 31, 2020 and 2019 is presented as follows:

	2020	2019
Statutory tax rate	**30.4%**	30.4%
Reconciliation:		
Nondeductible permanent differences, such as entertainment expenses	**1.1**	0.8
Nontaxable permanent differences, such as dividend income	**(2.1)**	(1.8)
Per capita residents' taxes	**0.2**	0.2
Valuation allowance	**7.4**	2.8
Other	**0.5**	1.1
Effective tax rate	**37.5%**	33.5%

22. Retirement Benefit Plans

The Bank has defined retirement benefit plans, i.e., welfare pension fund plans, defined contribution pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The consolidated subsidiaries have lump-sum payment plans.

The Bank transferred a portion related to future services to defined contribution pension plans in February 2013.

1. The changes in defined benefit obligation for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	¥ 31,208	¥ 32,213	$ 286,760
Service cost	523	540	4,813
Interest cost	55	59	511
Actuarial gains or losses	926	339	8,510
Benefits paid	(1,844)	(1,943)	(16,949)
Balance at end of year	¥ 30,869	¥ 31,208	$ 283,645

2. The changes in plan assets for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	¥ 16,621	¥ 16,973	$ 152,730
Expected return on plan assets	332	339	3,054
Actuarial gains or losses	(411)	(234)	(3,781)
Contributions from the employer	555	555	5,105
Benefits paid	(1,025)	(1,012)	(9,425)
Balance at end of year	¥ 16,072	¥ 16,621	$ 147,683

3. Reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances at end of year of defined benefit obligation and plan assets

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Funded defined benefit obligation	¥ 21,230	¥ 21,405	$ 195,076
Plan assets	(16,072)	(16,621)	(147,683)
	5,157	4,783	47,392
Unfunded defined benefit obligation	9,639	9,803	88,569
Net liability recorded in the consolidated balance sheet	¥ 14,796	¥ 14,586	$ 135,962

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Net defined benefit liability	¥ 14,796	¥ 14,586	$ 135,962
Net liability recorded in the consolidated balance sheet	¥ 14,796	¥ 14,586	$ 135,962

4. The components of retirement benefit expenses for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 523	¥ 540	$ 4,813
Interest cost	55	59	511
Expected return on plan assets	(332)	(339)	(3,054)
Amortization of actuarial gains or losses	1,107	1,440	10,173
Amortization of prior service cost	(209)	(209)	(1,921)
Retirement benefit expenses	¥ 1,145	¥ 1,491	$ 10,522

5. The components of remeasurements of defined benefit plans (before deducting tax effect) on other comprehensive income as of March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ (209)	¥ (209)	$ (1,921)
Net actuarial gain or loss	(230)	866	(2,118)
Total	¥ (439)	¥ 657	$ (4,040)

6. The components of remeasurements of defined benefit plans (before deducting tax effect) on accumulated other comprehensive income as of March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ 384	¥ 593	$ 3,534
Unrecognized net actuarial gain or loss	(5,551)	(5,320)	(51,010)
Total	¥ (5,166)	¥ (4,727)	$ (47,475)

7. Plan assets

(1) The components of plan assets are as follows:

	2020	2019
General account	78%	71%
Stock	11	15
Debt securities	9	10
Other	2	4
Total	100%	100%

Note:
Total plan assets include 3% of retirement benefit trust established on corporate pension plans as of March 31, 2020 and 2019, respectively.

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

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

	2020	2019
Discount rate	0.0% to 0.6%	0.0% to 0.6%
Long-term expected rate of return on plan assets	2.0	2.0
Expected salary increase rate	4.7	4.8

Note:
The amount of the required contribution to the defined contribution plan of the Bank was ¥275 million ($2,527 thousand) and ¥282 million for the years ended March 31, 2020 and 2019.

23. Derivatives

The Bank enters into interest rate swaps to hedge interest rate risk associated with deposits, loans and holding debt securities and currency swaps and foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. In addition, to respond to the customers' hedging needs related to their interest rate risk and foreign exchange risk, the Bank enters into derivative contracts including interest rate swaps, currency swaps, foreign exchange forward contracts and currency options. These transactions are covered by the reversing trades to avoid market risk. The effectiveness of these hedging activities is assessed and verified on a regular basis.

Derivative contracts to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal amount defined in the contract, fair value, revaluation gain or loss and calculation method of fair value by transaction type as of March 31, 2020 and 2019 are as follows:
Note that contract amount does not represent the market risk exposure of the derivative transactions.

(1) Interest rate related derivatives
There are no interest rate related derivatives as of March 31, 2020 and 2019.

(2) Currency related derivatives

		March 31, 2020			
		Millions of yen			
		Contract amount			
		Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:					
Currency swaps		¥ —	¥ —	¥ —	¥ —
Forward contracts on foreign exchange	Sold	37,265	—	(392)	(392)
	Bought	8,729	—	16	16
Currency options	Sold	8,332	—	(309)	162
	Bought	8,332	—	309	(141)
Total		—	—	¥ (375)	¥ (355)

		March 31, 2020			
		Thousands of U.S. dollars			
		Contract amount			
		Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:					
Currency swaps		$ —	$ —	$ —	$ —
Forward contracts on foreign exchange	Sold	342,421	—	(3,602)	(3,602)
	Bought	80,216	—	148	148
Currency options	Sold	76,561	—	(2,841)	1,494
	Bought	76,561	—	2,841	(1,304)
Total		—	—	$ (3,453)	$ (3,263)

		March 31, 2019			
		Millions of yen			
		Contract amount			
		Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:					
Currency swaps		¥ —	¥ —	¥ —	¥ —
Forward contracts on foreign exchange	Sold	16,881	—	(46)	(46)
	Bought	7,228	—	10	10
Currency options	Sold	14,986	—	(510)	261
	Bought	14,986	—	510	(220)
Total		—	—	¥ (36)	¥ 4

Notes:
1. The above transactions are stated at fair value and unrealized gain/(loss) is recorded in the consolidated statements of income.
2. Fair value is determined using the discounted present value.

Derivative contracts to which hedge accounting is applied:
With respect to derivatives to which hedge accounting is applied, contract amount or notional principal amount defined in the contract, fair value and calculation method of fair value by transaction type and by hedge accounting method as of March 31, 2020 and 2019 are as follows:
Note that contract amount does not represent the market risk exposure of the derivative transactions.

(1) Interest rate related derivatives

			March 31, 2020		
			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Interest rate swaps:				
	Receive fixed rate/ Pay floating rate	Loans, securities and deposits	¥ —	¥ —	¥ —
	Receive floating rate/ Pay fixed rate		—	—	—
	Other		—	—	—
Total			—	—	¥ —

			March 31, 2020		
			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Interest rate swaps:				
	Receive fixed rate/ Pay floating rate	Loans, securities and deposits	$ —	$ —	$ —
	Receive floating rate/ Pay fixed rate		—	—	—
	Other		—	—	—
Total			—	—	$ —

			March 31, 2019		
			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Interest rate swaps:				
	Receive fixed rate/ Pay floating rate	Loans, securities and deposits	¥ —	¥ —	¥ —
	Receive floating rate/ Pay fixed rate		57	—	(0)
	Other		—	—	—
Total			—	—	¥ (0)

Notes:
1. Gain/(loss) on above contracts is deferred until maturity of the hedged items as the normal method in accordance with JICPA Industry Audit Committee Report No. 24.
2. Fair value is determined using the discounted present value.

(2) Currency related derivatives

			March 31, 2020		
			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Currency swaps:	Foreign currency denominated securities	¥ 19,589	¥ —	¥ 43
Total			—	—	¥ 43

			March 31, 2020		
			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Currency swaps:	Foreign currency denominated securities	$ 180,000	$ —	$ 396
Total			—	—	$ 396

			March 31, 2019		
			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Currency swaps:	Foreign currency denominated securities	¥ 40,511	¥ 11,099	¥ (115)
Total			—	—	¥ (115)

Notes:
1. Gain/(loss) on above contacts is deferred until maturity of the hedged items as the normal method in accordance with JICPA Industry Audit Committee Report No. 25.
2. Fair value is determined using the discounted present value.

24. Per Share Information
Net assets per share at March 31, 2020 and 2019 and profit per share for the years then ended is as follows:

	2020	2019	**2020**
	(Yen)		*(U.S. dollars)*
Net assets per share	**¥ 8,361.39**	¥ 9,106.33	**$ 76.82**
Profit per share	**255.60**	296.83	**2.34**

Notes:

1. Japan Trustee Services Bank, Ltd. (Trust account) holds the shares of the Bank as trust assets relevant to the management board benefit trust. In the calculation of net assets per share and profit per share, the shares are included in treasury stock, which are deducted in calculating outstanding number of shares at end of year and average outstanding number of shares during the year.
   For the year ended March 31, 2020, the number of shares of treasury stock deducted in calculating outstanding number of shares at end of year is 172 thousand shares and average outstanding number of shares during the year is 177 thousand shares. For the year ended March 31, 2019, both the treasury stock deducted in calculating outstanding number of shares at end of year and average outstanding number of shares during the year are 185 thousand shares.
2. Profit per share-diluted is omitted since there is no dilutive share.

Basic information in computing above per share data is as follows:

	2020	2019	**2020**
	(Millions of Yen)		*(Thousands of U.S. dollars)*
(Net assets per share)			
Net assets per balance sheets	**¥ 240,765**	¥ 271,215	**$ 2,212,310**
Amounts to be attributed to non-controlling interests	**7,173**	7,886	**65,914**
Net assets attributed to common stock shareholders	**233,592**	263,329	**2,146,395**
Outstanding number of shares at end of year (unit: thousand shares)	**27,936**	28,917	
(Profit per share)			
Profit attributable to owners of parent	**¥ 7,310**	¥ 8,583	**$ 67,169**
Profit attributable to common stock shareholders	**7,310**	8,583	**67,169**
Average outstanding number of shares during the year (unit: thousand shares)	**28,599**	28,917	

25. Segment Information

1. Reportable segments

The reportable segments of the Bank are subject to periodic review by the Board of Directors which is the chief operating decision maker to determine the allocation of management resources and assess performance.

The Group consists of the Bank and its six consolidated subsidiaries. The Group designs comprehensive strategies concerning financial services including banking and leasing businesses and is engaged in operating activities. Accordingly, the Bank is composed of operating segments by financial services based on the group companies and "Banking" and "Leasing" segments are identified as the reportable segments.

The "Banking" segment provides customers with banking operations, credit card business, credit guarantee business, business revitalization fund management business and servicer business, etc.

The "Leasing" segment provides customers with leasing business.

2. Calculation method of gross operating income and net operating income

Accounting policies adopted by the reportable segments are the same as those described in Note 3 "Summary of Significant Accounting Policies," except for the scope of consolidation. Segment profit of the reportable segments is measured based on income from ordinary operations and intersegment income is based on the market transaction price in the same manner as income from external customers.

3. Reportable segment information concerning income, profit or loss, assets, liabilities and other items

	Year ended March 31, 2020				
	Millions of yen				
	Reportable segments				
	Banking	Leasing	Total	Adjustments	Consolidated
Total income:					
External customers	**¥ 63,549**	**¥ 11,190**	**¥ 74,740**	**¥ —**	**¥ 74,740**
Intersegments	**188**	**10**	**199**	**(199)**	**—**
Total	**¥ 63,738**	**¥ 11,201**	**¥ 74,939**	**¥ (199)**	**¥ 74,740**
Segment profit	**¥ 12,775**	**¥ 409**	**¥ 13,185**	**¥ (3)**	**¥ 13,181**
Segment assets	**¥ 5,084,048**	**¥ 38,646**	**¥ 5,122,695**	**¥ (25,427)**	**¥ 5,097,268**
Other information					
Depreciation	**¥ 4,034**	**¥ 262**	**¥ 4,297**	**¥ —**	**¥ 4,297**
Interest income	**37,201**	**—**	**37,201**	**(119)**	**37,082**
Interest expenses	**2,090**	**120**	**2,211**	**(112)**	**2,098**
Increase in tangible and intangible fixed assets	**4,879**	**63**	**4,942**	**—**	**4,942**

	Year ended March 31, 2020				
	Thousands of U.S. dollars				
	Reportable segments				
	Banking	Leasing	Total	Adjustments	Consolidated
Total income:					
External customers	**$ 583,933**	**$ 102,826**	**$ 686,760**	**$ —**	**$ 686,760**
Intersegments	**1,734**	**96**	**1,831**	**(1,831)**	**—**
Total	**585,668**	**102,922**	**688,591**	**(1,831)**	**686,760**
Segment profit	**$117,391**	**$3,762**	**$121,154**	**$(30)**	**$121,123**
Segment assets	**$ 46,715,506**	**$ 355,113**	**$ 47,070,619**	**$ (233,642)**	**$ 46,836,977**
Other information					
Depreciation	**$ 37,067**	**$ 2,415**	**$ 39,483**	**$ —**	**$ 39,483**
Interest income	**341,835**	**—**	**341,835**	**(1,094)**	**340,740**
Interest expenses	**19,212**	**1,107**	**20,320**	**(1,035)**	**19,284**
Increase in tangible and intangible fixed assets	**44,833**	**584**	**45,418**	**—**	**45,418**

	Year ended March 31, 2019				
	Millions of yen				
	Reportable segments				
	Banking	Leasing	Total	Adjustments	Consolidated
Total income:					
External customers	¥ 56,598	¥ 10,516	¥ 67,114	¥ —	¥ 67,114
Intersegments	133	13	146	(146)	—
Total	¥ 56,731	¥ 10,530	¥ 67,261	¥ (146)	¥ 67,114
Segment profit	¥ 13,495	¥ 679	¥ 14,174	¥ (8)	¥ 14,165
Segment assets	¥ 5,016,582	¥ 35,617	¥ 5,052,199	¥ (22,973)	¥ 5,029,226
Other information					
Depreciation	¥ 3,805	¥ 187	¥ 3,992	¥ —	¥ 3,992
Interest income	40,338	—	40,338	(109)	40,229
Interest expenses	4,538	118	4,657	(102)	4,554
Increase in tangible and intangible fixed assets	3,800	74	3,874	—	3,874

Notes:

1. "Total income" corresponds to "Net Sales" of non-banking industries.
2. Adjustments refer to the elimination of intersegment transactions.

Other information:
Information by service line:

	Year ended March 31, 2020				
	Millions of yen				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	**¥ 26,288**	**¥ 24,103**	**¥ 11,190**	**¥ 13,158**	**¥ 74,740**

	Year ended March 31, 2020				
	Thousands of U.S. dollars				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	**$ 241,553**	**$ 221,475**	**$ 102,826**	**$ 120,905**	**$ 686,760**

	Year ended March 31, 2019				
	Millions of yen				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	¥ 26,354	¥ 17,698	¥ 10,516	¥ 12,545	¥ 67,114

Information about loss on impairment of long-lived assets by reportable segment:

	Year ended March 31, 2020		
	Millions of yen		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	**¥ 949**	**¥ –**	**¥ 949**

	Year ended March 31, 2020		
	Thousands of U.S. dollars		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	**$ 8,721**	**$ –**	**$ 8,721**

	Year ended March 31, 2019		
	Millions of yen		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	¥ 566	¥ –	¥ 566

26. Related Party Transactions

The related party transactions for the years ended March 31, 2020 and 2019 and related account balances outstanding at March 31, 2020 and 2019 were as follows:

Transactions between the Bank and related parties

Year ended March 31, 2020

Name	Business summary / Title	Ownership (%)	Transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at end of year (Millions of yen) / (Thousands of U.S. dollars)
Directors and their relatives						
Hideo Nakashima (Note 1)	Director	0.33	Loan Guarantee	¥(2)/$(18) ¥78/$716	Loan —	¥164/$1,506 —
Companies whose majority is owned by directors and/or their relatives						
Nakashima Co. Ltd. (Notes 1 and 2)	Wholesale of paper products	0.40	Loan	¥104/$959	Loan	¥502/$4,620

Year ended March 31, 2019

Name	Business summary / Title	Ownership (%)	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Directors and their relatives						
Hideo Nakashima	Director	0.33	Loan Guarantee	¥(9) ¥85	Loan —	¥166 —
Companies whose majority is owned by directors and/or their relatives						
Nakashima Co. Ltd. (Note 2)	Wholesale of paper products	0.40	Loan	¥49	Loan	¥398

Notes:

1. Mr. Hideo Nakashima resigned as Director of the Bank effective June 21, 2019. For the year ended March 31, 2020, the amounts of loan transactions represent net changes from March 31, 2019 to June 21, 2019, and the balances of loan transactions under "Balance at end of year" and the amount of the guarantee transaction under "Transaction amount" represent the respective balances as of June 21, 2019.
2. Mr. Hideo Nakashima and his relatives own 100% of voting rights.

Transaction terms and policies:
Related party transactions are executed under the same transaction terms as third parties.

Transactions between the subsidiary of the Bank and related parties:
There was no applicable transaction to be reported for the years ended March 31, 2020 and 2019.

27. Subsequent Events

(Cancellation of treasury stock)
At the Board of Directors' meeting held on March 30, 2020, the Bank resolved to cancel its treasury stock in accordance with the provision of Article 178 of the Companies Act, and the cancellation was completed on April 6, 2020.

(1) Reason for cancellation	The Bank intends to enhance shareholder returns, improve capital efficiency, and take flexible capital measures.
(2) Type of shares to be cancelled	Common stock
(3) Number of shares to be cancelled	995,000 shares (3.41% of outstanding shares before cancellation)
(4) Cancellation date	April 6, 2020

Independent Auditor's Report

The Board of Directors
The Hokkoku Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Hokkoku Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 18, 2020

根　津　昌　史　㊞

/s/ Masashi Nezu
Designated Engagement Partner
Certified Public Accountant

池　田　裕　之　㊞

/s/ Hiroyuki Ikeda
Designated Engagement Partner
Certified Public Accountant

刀　禰　哲　朗　㊞

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Designated Engagement Partner
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