May 22, 2019

Financial Statements for the Fiscal 2018

Name : **The Norinchukin Bank**

（ＵＲＬ https://www.nochubank.or.jp/ ）

Name of the President: Kazuto Oku, President & Chief Executive Officer

The Person Responsible for Inquiries : Yoshihiro Ito, Executive Officer, General Manager of Financial Planning & Control Division

(Note) Amounts less than one million Yen are rounded down.

1. Consolidated Financial Results for the Fiscal 2018(for the fiscal year ended March 31, 2019)

(1) Consolidated Results of Operations

(Percentage represents change from previous fiscal year)

	Ordinary Income		Ordinary Profits		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2018	1,732,146	19.5	124,540	(27.2)	103,575	(29.8)
Fiscal 2017	1,449,954	6.2	171,015	(20.1)	147,604	(28.4)

(Note) Comprehensive Income for Fiscal 2018 238,538 millions of Yen －% for Fiscal 2017 (192,993) millions of Yen －%

	Net Assets Net Income Ratio	Total Assets Ordinary Profits Ratio	Ordinary Income Ordinary Profits Ratio
	%	%	%
Fiscal 2018	1.5	0.1	7.2
Fiscal 2017	2.2	0.2	11.8

(Ref) Equity in Earnings of Affiliates for Fiscal 2018 3,669 millions of Yen for Fiscal 2017 7,205 millions of Yen

(2) Consolidated Financial Conditions

	Total Assets	Total Net Assets	Net Assets Ratio (Note)
	Millions of Yen	Millions of Yen	%
Fiscal 2018	105,953,925	7,473,287	7.0
Fiscal 2017	104,927,769	6,746,088	6.4

(Ref) Net Assets - Non-controlling Interests for Fiscal 2018 7,462,944 millions of Yen for Fiscal 2017 6,736,605 millions of Yen

(Note) Net Assets Ratio is computed by dividing (Net Assets － Non-controlling Interests) by Total Assets.

Net Assets Ratio above is not the one calculated on the formula found in Notification No.4 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank).

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal 2018	(8,328,529)	(1,508,873)	293,259	18,330,229
Fiscal 2017	(1,825,501)	7,540,491	(69,927)	27,874,673

※ Notes

(1) Changes in Significant Subsidiaries in the fiscal year
(Changes in specified subsidiaries in accordance with changes in the scope of consolidation) : None

(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

① Changes in Accounting Policies due to revisions of Accounting Standards : None
② Changes in Accounting Policies other than ① above : None
③ Changes in Accounting Estimates : None
④ Restatements : None

2. Non-consolidated Financial Results for the Fiscal 2018(for the fiscal year ended March 31, 2019)

(1) Non-consolidated Results of Operations

(Percentage represents change from previous fiscal year)

	Ordinary Income		Ordinary Profits		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2018	1,709,117	19.9	117,440	(26.1)	100,647	(22.6)
Fiscal 2017	1,425,693	5.4	158,856	(25.5)	129,960	(36.1)

(2) Non-consolidated Financial Conditions

	Total Assets	Total Net Assets	Net Assets Ratio (Note)
	Millions of Yen	Millions of Yen	%
Fiscal 2018	104,176,806	7,381,875	7.1
Fiscal 2017	103,417,613	6,654,084	6.4

(Ref) Net Assets for Fiscal 2018 7,381,875 millions of Yen for Fiscal 2017 6,654,084 millions of Yen

(Note) Net Assets Ratio is computed by dividing Net Assets by Total Assets.
Net Assets Ratio above is not the one calculated on the formula found in Notification No.4 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank).

(Note) This report is not subject to the audit procedures.

Qualitative Information

1 Qualitative information relating to the Results of Operations

The global economy in our fiscal 2018 showed modest growth due to steady economic recovery in the US and Europe despite concerns about the effects of trade frictions.

The US economy continued steady expansion primarily due to employment and domestic consumption, the European economies also continued the cyclical recovery primarily due to domestic consumption. The economy in China slowed down primarily due to structural reforms, such as regulatory reforms. In Japan, while the economy continued to recover primarily due to production and exportation, wage growth and inflation remained at low levels.

In the financial markets, even though the long-term interest rates rose in the first half of fiscal year temporarily due to global economic expansion. After the last half of fiscal year, long-term interest rates declined and stock prices went down temporarily due to the trade frictions between the US and China. As a result, throughout the fiscal year, long-term interest rates declined slightly and the yen depreciated in value against US dollar, while US stock prices rose. The US implemented the raise of interest rates three times owing to robust economic index. Throughout the fiscal year, long-term interest rate in Japan remained at low levels.

Under such earnings environment, Consolidated Ordinary Profits were ¥124.5 billion, down ¥46.4 billion from the previous fiscal year and Profit Attributable to Owners of Parent was ¥103.5 billion, down ¥44.0 billion from the previous fiscal year.

The Norinchukin Bank ("the Bank") has been managing operations to secure steady accumulation of interest income. However, the interest income was largely affected by the increase in foreign currency funding costs mainly due to the gradual increase in US interest rates, and the non-consolidated interest income of the Bank totaled to ¥109.2 billion, down ¥63.6 billion from the previous fiscal year.

The total credit costs were ¥1.9 billion in net losses mainly from the provision of the reserves due to the increase in loans.

As for securities investments, net gains/losses on sales were net gains of ¥66.3 billion, up ¥43.4 billion from the previous fiscal year and the expenses of provisions and impairments for price-decline of securities and other reasons increased by ¥0.3 billion to ¥1.0 billion from the previous fiscal year.

As a result, with all of the factors mentioned above, the Bank recorded ¥117.4 billion in Ordinary Profits, down ¥41.4 billion and ¥100.6 billion in Net Income, down ¥29.3 billion from the previous fiscal year, respectively. The Bank's net operating losses stood at ¥36.8 billion.

2 Qualitative information relating to the Financial Conditions

Consolidated Total Assets at the end of the fiscal year increased by ¥1,026.1 billion to ¥105,953.9 billion from the previous fiscal year-end.

Total Assets of the Bank at the end of the fiscal year increased by ¥759.1 billion to ¥104,176.8 billion from the previous fiscal year-end. Total Net Assets at the end of the fiscal year increased by ¥727.7 billion to ¥7,381.8 billion from the previous fiscal year-end.

As to the balances of the major accounts on the assets side, Loans and Bills Discounted at the end of the fiscal year increased by ¥6,695.4 billion to ¥18,438.0 billion from the previous fiscal year-end, and Securities at the end of the fiscal year increased by ¥3,418.4 billion to ¥55,751.1 billion from the previous fiscal year-end. For those on the liabilities side, Deposits at the end of the fiscal year increased by ¥997.6 billion to ¥66,821.5 billion, and Debentures at the end of the fiscal year decreased by ¥512.2 billion to ¥1,262.2 billion from the previous fiscal year-end, respectively.

(Note) All the amounts shown in this document are rounded down.

Consolidated Financial Statements

Principles of Consolidated Financial Statements

1 Scope of Consolidation

(1) Consolidated subsidiaries — 16 companies

Names of principal companies:

The Norinchukin Trust & Banking Co., Ltd.

Kyodo Housing Loan Co., Ltd.

Newly established “Norinchukin Europe N.V.” and other two companies were consolidated from the fiscal 2018.

(2) Unconsolidated subsidiaries — 0 companies

2 Application of the Equity Method

(1) Affiliates which were accounted for by the equity method — 7 companies

Names of principal companies:

JA MITSUI LEASING, LTD.

Goodwill is amortized using the straight-line method over 20 years.

(2) Affiliates which were not accounted for by the equity method — 0 companies

3 The Fiscal Year of Consolidated Subsidiaries

(1) The number of consolidated subsidiaries and their closing date of the fiscal year are as follows:

Closing date:	December 31, 2018	Number of subsidiaries:	3
Closing date:	March 31, 2019	Number of subsidiaries:	13

(2) Consolidated subsidiaries were consolidated based on their financial statements as of their respective closing dates.

The necessary adjustments have been made to the financial statements for any significant transactions that took place between their respective closing dates and the date of the consolidated financial statements.

4 Amortization of the Goodwill

Goodwill is charged to income when incurred, if deemed immaterial.

5 Appropriations of Retained Earnings

The Consolidated Statement of Capital Surplus and Retained Earnings was presented based on the appropriation of retained earnings resolved in the fiscal year.

Consolidated Balance Sheet

(Millions of Yen)

	Fiscal 2017 (As of March 31,2018)	Fiscal 2018 (As of March 31,2019)
(Assets)		
Loans and Bills Discounted	11,858,949	18,613,018
Foreign Exchange Assets	324,698	344,943
Securities	52,321,859	55,658,707
Money Held in Trust	7,439,710	8,667,392
Trading Assets	8,582	15,844
Monetary Claims Bought	354,872	326,079
Call Loans and Bills Bought	630,000	44,368
Receivables under Resale Agreements	−	10,096
Cash and Due from Banks	28,756,371	18,941,664
Other Assets	1,585,342	1,415,586
Tangible Fixed Assets	122,356	117,294
Buildings	47,443	45,304
Land	47,545	47,150
Lease Assets	23,347	20,864
Construction in Progress	5	2
Other Tangible Fixed Assets	4,014	3,971
Intangible Fixed Assets	43,480	48,765
Software	24,550	24,272
Lease Assets	6,275	5,181
Other Intangible Fixed Assets	12,654	19,311
Net Defined Benefit Asset	52,510	57,715
Deferred Tax Assets	2,026	2,034
Customers' Liabilities for Acceptances and Guarantees	1,474,730	1,738,971
Reserve for Possible Loan Losses	(47,716)	(48,402)
Reserve for Possible Investment Losses	(4)	(154)
Total Assets	104,927,769	105,953,925
(Liabilities)		
Deposits	65,799,561	66,797,069
Negotiable Certificates of Deposit	2,920,656	790,599
Debentures	1,766,498	1,254,239
Trading Liabilities	5,034	7,022
Borrowed Money	4,641,504	4,837,392
Payables under Repurchase Agreements	15,080,638	15,111,297
Foreign Exchange Liabilities	38	32
Short-term Entrusted Funds	1,405,187	1,048,091
Other Liabilities	4,569,727	6,320,163
Accounts Payable for Securities Purchased	3,773,492	5,537,846
Others	796,235	782,317
Reserve for Bonus Payments	7,591	7,557
Net Defined Benefit Liability	35,481	38,287
Reserve for Directors' Retirement Benefits	1,508	1,236
Deferred Tax Liabilities	464,915	520,070
Deferred Tax Liabilities for Land Revaluation	8,607	8,607
Acceptances and Guarantees	1,474,730	1,738,971
Total Liabilities	98,181,681	98,480,637
(Net Assets)		
Paid-in Capital	3,480,488	4,040,198
Capital Surplus	24,993	24,993
Retained Earnings	1,988,359	2,021,435
Total Owners' Equity	5,493,842	6,086,627
Net Unrealized Gains on Other Securities	1,152,861	1,501,790
Net Deferred Gains (Losses) on Hedging Instruments	59,823	(152,678)
Revaluation Reserve for Land	14,312	14,312
Foreign Currency Transaction Adjustments	(110)	(67)
Remeasurements of Defined Benefit Plans	15,876	12,959
Total Accumulated Other Comprehensive Income	1,242,763	1,376,316
Non-controlling Interests	9,482	10,343
Total Net Assets	6,746,088	7,473,287
Total Liabilities and Net Assets	104,927,769	105,953,925

Consolidated Statements of Operations and Comprehensive Income

(1)Consolidated Statement of Operations

(Millions of Yen)

	Fiscal 2017 (Year ended March 31,2018)	Fiscal 2018 (Year ended March 31,2019)
Ordinary Income	**1,449,954**	**1,732,146**
Interest Income	1,146,827	1,311,278
Interest on Loans and Bills Discounted	79,458	108,599
Interest and Dividends on Securities	1,050,275	1,178,448
Interest on Call Loans and Bills Bought	(912)	(910)
Interest on Receivables under Resale Agreements	(0)	(727)
Interest on Receivables under Securities Borrowing Transactions	147	1
Interest on Due from Banks	12,847	20,146
Other Interest Income	5,011	5,719
Fees and Commissions	29,076	31,077
Trading Income	163	124
Other Operating Income	92,874	151,587
Other Ordinary Income	181,012	238,078
Reversal of Reserve for Possible Loan Losses	5,335	−
Recoveries of Written-off Claims	164	559
Other Ordinary Income	175,511	237,519
Ordinary Expenses	**1,278,939**	**1,607,606**
Interest Expenses	1,021,366	1,269,168
Interest on Deposits	84,872	135,445
Interest on Negotiable Certificates of Deposit	30,896	25,651
Interest on Debentures	5,602	3,487
Interest on Borrowed Money	81,256	83,339
Interest on Call Money and Bills Sold	13	(2)
Interest on Payables under Repurchase Agreements	121,255	166,785
Interest on Payables under Securities Lending Transactions	0	0
Other Interest Expenses	697,469	854,460
Fees and Commissions	17,339	18,103
Trading Expenses	246	330
Other Operating Expenses	68,292	142,424
General and Administrative Expenses	162,899	162,049
Other Ordinary Expenses	8,795	15,529
Provision of Reserve for Possible Loan Losses	−	2,437
Other Ordinary Expenses	8,795	13,091
Ordinary Profits	**171,015**	**124,540**
Extraordinary Profits	**14,484**	**0**
Gains on Disposal of Fixed Assets	206	0
Other Extraordinary Profits	14,278	−
Extraordinary Losses	**1,606**	**262**
Losses on Disposal of Fixed Assets	1,606	262
Income before Income Taxes	**183,892**	**124,278**
Income Taxes - Current	**12,735**	**17,199**
Income Taxes - Deferred	**22,283**	**2,086**
Total Income Taxes	**35,019**	**19,285**
Profit	**148,873**	**104,992**
Profit Attributable to Non-controlling Interests	**1,268**	**1,416**
Profit Attributable to Owners of Parent	**147,604**	**103,575**

(2)Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Fiscal 2017 (Year ended March 31,2018)	Fiscal 2018 (Year ended March 31,2019)
Profit	**148,873**	**104,992**
Other Comprehensive Income	**(341,866)**	**133,546**
Net Unrealized Gains (Losses) on Other Securities	(431,906)	349,444
Net Deferred Gains (Losses) on Hedging Instruments	86,208	(212,514)
Foreign Currency Transaction Adjustments	(10)	8
Remeasurements of Defined Benefit Plans	3,128	(2,945)
Share of Other Comprehensive Income of Affiliates accounted for by the equity method	713	(446)
Total Comprehensive Income	**(192,993)**	**238,538**
Attributable to:		
Owners of Parent	(194,256)	237,128
Non-controlling Interests	1,262	1,410

Consolidated Statement of Capital Surplus and Retained Earnings

(Millions of Yen)

	Fiscal 2017 (Year ended March 31,2018)	Fiscal 2018 (Year ended March 31,2019)
(Capital Surplus)		
Balance at the Beginning of the Fiscal Year	**24,993**	**24,993**
Additions:	–	–
Deductions:	–	–
Balance at the End of the Fiscal Year	**24,993**	**24,993**
(Retained Earnings)		
Balance at the Beginning of the Fiscal Year	**1,910,262**	**1,988,359**
Additions:	**147,604**	**103,575**
Profit Attributable to Owners of Parent	147,604	103,575
Deductions:	**69,507**	**70,500**
Dividends	69,507	70,500
Balance at the End of the Fiscal Year	**1,988,359**	**2,021,435**

Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal 2017 (Year ended March 31,2018)	Fiscal 2018 (Year ended March 31,2019)
Ⅰ Cash Flows from Operating Activities:		
Income before Income Taxes	183,892	124,278
Depreciation	16,362	17,778
Equity in Losses(Earnings) of Affiliates	(7,205)	(3,669)
Net Increase (Decrease) in Reserve for Possible Loan Losses	(9,013)	687
Net Increase (Decrease) in Reserve for Possible Investment Losses	(6)	150
Net Increase (Decrease) in Reserve for Bonus Payments	(302)	(33)
Net Decrease (Increase) in Net Defined Benefit Asset	(6,914)	(5,205)
Net Increase (Decrease) in Net Defined Benefit Liability	(3,142)	2,805
Net Increase (Decrease) in Reserve for Directors' Retirement Benefits	221	(272)
Net Increase (Decrease) in Reserve for Agriculture, Fishery and Forestry Industry Subsidies	(523)	－
Interest Income	(1,146,827)	(1,311,278)
Interest Expenses	1,021,366	1,269,168
Losses (Gains) on Securities	(48,624)	(183,220)
Losses (Gains) on Money Held in Trust	(825)	(1,472)
Foreign Exchange Losses (Gains)	855,626	(642,970)
Losses (Gains) on Disposal of Fixed Assets	1,400	261
Net Decrease (Increase) in Trading Assets	2,132	(7,261)
Net Increase (Decrease) in Trading Liabilities	(1,115)	1,987
Net Decrease (Increase) in Loans and Bills Discounted	199,339	(6,755,155)
Net Increase (Decrease) in Deposits	3,913,375	997,508
Net Increase (Decrease) in Negotiable Certificates of Deposit	(768,613)	(2,130,057)
Net Increase (Decrease) in Debentures	(646,325)	(512,259)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowed Money)	269,892	392,322
Net Decrease (Increase) in Interest-bearing Due from Banks	(172,171)	270,261
Net Decrease (Increase) in Call Loans and Bills Bought and Other	(580,777)	604,326
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	1,173	－
Net Increase (Decrease) in Call Money and Bills Sold and Other	(4,567,737)	30,659
Net Increase (Decrease) in Short-term Entrusted Funds	147,755	(357,095)
Net Increase (Decrease) in Payables under Securities Lending Transactions	(1,013)	－
Net Decrease (Increase) in Foreign Exchange Assets	(100,597)	(20,244)
Net Increase (Decrease) in Foreign Exchange Liabilities	36	(6)
Interest Received	1,184,377	1,289,872
Interest Paid	(1,017,707)	(1,257,830)
Other, Net	(497,652)	(130,559)
Subtotal	(1,780,143)	(8,316,524)
Income Taxes Paid	(45,357)	(12,004)
Net Cash Provided by (Used in) Operating Activities	**(1,825,501)**	**(8,328,529)**
Ⅱ Cash Flows from Investing Activities:		
Purchases of Securities	(14,994,997)	(13,100,524)
Proceeds from Sales of Securities	8,928,067	4,139,697
Proceeds from Redemption of Securities	14,695,131	6,933,138
Increase in Money Held in Trust	(2,085,643)	(293,098)
Decrease in Money Held in Trust	1,022,188	826,703
Purchases of Tangible Fixed Assets	(9,212)	(2,487)
Purchases of Intangible Fixed Assets	(16,094)	(12,302)
Proceeds from Sales of Tangible Fixed Assets	1,055	0
Purchase of Stocks of Subsidiaries (Affecting the Scope of Consolidation)	(2)	－
Net Cash Provided by (Used in) Investing Activities	**7,540,491**	**(1,508,873)**
Ⅲ Cash Flows from Financing Activities:		
Proceeds from Subordinated Borrowed Money	－	1,316,972
Repayments of Subordinated Borrowed Money	－	(1,512,373)
Proceeds from Issuance of Stock	－	559,710
Dividends Paid	(69,507)	(70,500)
Dividends Paid to Non-controlling Interests	(420)	(548)
Net Cash Provided by (Used in) Financing Activities	**(69,927)**	**293,259**
Ⅳ Effect of Exchange Rate Changes on Cash and Cash Equivalents	－	**(300)**
Ⅴ Net Increase (Decrease) in Cash and Cash Equivalents	**5,645,062**	**(9,544,443)**
Ⅵ Cash and Cash Equivalents at the Beginning of the Fiscal Year	**22,229,610**	**27,874,673**
Ⅶ Cash and Cash Equivalents at the End of the Fiscal Year	**27,874,673**	**18,330,229**

Notes to Consolidated Financial Statements

Amounts less than one million yen are rounded down.

Accounting Policies

(1) Trading Assets / Liabilities and Trading Income / Expenses

Transactions for trading purposes are those seeking gains arising from short-term market movements or from the arbitrage opportunities in interest rates, foreign exchange rates and other market related indices. Such transactions are reported as Trading Assets or Trading Liabilities in the consolidated balance sheet on a trade date basis. Gains and losses arising from transactions for trading purposes are recorded in Trading Income and Trading Expenses on the consolidated statement of operations.

Securities, monetary claims and certain other instruments held for trading purposes are valued at fair value prevailing at the end of the period. Derivatives held for trading purposes, such as swaps, futures and options, are valued on the assumption that they were settled at the end of the period.

Trading Income and Trading Expenses include interest received and paid in the period, gains or losses resulting from any change in the fair value of securities and monetary claims from the end of the previous fiscal year and gains or losses of derivatives resulting from any change in the fair value, which is determined assuming they were settled at the end of the period, from the end of the previous fiscal year.

(2) Securities

a. Held-to-maturity debt securities are valued at amortized cost (straight-line method), as determined by the moving average method. In principle, other securities are valued at fair value, which is determined at the quoted market price if available, or other reasonable value at the consolidated balance sheet date (the cost of securities sold is calculated primarily by the moving average method). Other securities which are extremely difficult to determine the fair value are valued at cost determined by the moving average method.

Net Unrealized Gains or Losses on Other Securities, net-of-taxes, are reported separately in Net Assets.

b. Securities included in Money Held in Trust are valued using the same methods described in (1) and (2) a. above.

(3) Derivatives

Derivative transactions (other than transactions for trading purposes) are recorded at fair value.

(4) Depreciation

a. Tangible Fixed Assets (other than Lease Assets)

Depreciation of Tangible Fixed Assets of the Bank is calculated using the declining-balance method. However, depreciation on buildings acquired on or after April 1, 1998 (excluding buildings and accompanying facilities) and buildings and accompanying facilities and structures acquired on or after April 1, 2016 are calculated using the straight-line method. The applicable share of estimated annual depreciation cost for the period is recorded based on the following range of useful lives.

Buildings:	15 years to 50 years
Others:	5 years to 15 years

Depreciation of Tangible Fixed Assets of the consolidated subsidiaries is primarily calculated using the declining-balance method over their estimated economic useful lives.

b. Intangible Fixed Assets (other than Lease Assets)
Depreciation of Intangible Fixed Assets is calculated using the straight-line method. The costs of software developed or obtained for internal use are capitalized and amortized over an estimated useful life of 5 years.

c. Lease Assets
Depreciation of Lease Assets in Tangible Fixed Assets and Intangible Fixed Assets which are finance leases where the ownership of assets is not transferred to the lessees is calculated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(5) Reserve for Possible Loan Losses
Reserve for loans to debtors who are legally bankrupt under the Bankruptcy Law, Special Liquidation under Company Law or other similar laws ("debtors in bankruptcy") or debtors who are substantially bankrupt under those laws ("debtors in default") is provided based on the remaining book value of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposals of collateral or the execution of guarantees. Reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt ("doubtful debtors"), is determined after taking into account a comprehensively evaluated repayment ability of debtors after deducting the amount expected to be collected through the disposals of collateral or the execution of guarantees.

Reserve for loans to debtors with restructured loans (see Note 5. to Consolidated Balance Sheet below) and other debtors requiring close monitoring going forward is provided based on the Discounted Cash Flow method if the loan balance exceeds a specific amount and the future cash flows of the principal and interest of the loan can be reasonably estimated. Under the Discounted Cash Flow method, reserve is measured as the difference between the book value of the loan and its present value of expected future cash flows, discounted primarily by the contractual interest rate before the terms of the loan were restructured.

Reserve for loans other than those indicated above, is provided primarily at the amount calculated using the default rates which the Bank has calculated based on actual defaults experienced in the past. Specific reserve for loans to certain countries with financial difficulties is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

All claims are assessed by the Business Units based on the Bank's internal rules for the self-assessment of asset quality. The Asset Audit Department, which is independent from the Business Units, audits these self-assessments. Reserves described above are determined based on the results of these self -assessments.

With respect to loans to borrowers who are legally or substantially bankrupt and that are secured by collateral or guarantees, the remaining book value of the loan, after the deduction of the amount of collateral or the execution of guarantees, is directly written off. Direct write-offs were ¥12,461 million for the fiscal year ended March 31, 2019.

Reserve for Possible Loan Losses for receivables of the Bank's consolidated subsidiaries is provided at the amount determined as necessary using the past default ratio. Reserve for Possible Loan Losses for problem receivables of the Bank's consolidated subsidiaries is provided by taking into account their recoverability and an estimate of uncollectible amount.

(6) Reserve for Possible Investment Losses

Reserve for Possible Investment Losses represents an amount determined to be necessary to cover the estimated loss from the investments, taking into account the financial condition and other factors of the issuer of the securities.

(7) Reserve for Bonus Payments

Reserve for Bonus Payments represents estimated cost of payment of employees' bonuses attributable to the fiscal year.

(8) Reserve for Directors' Retirement Benefits

Reserve for Directors' Retirement Benefits for the payments of retirement benefits for directors and corporate auditors (including Executive Officers) is recognized as the required amount accrued at the end of the fiscal year.

(9) Accounting Method for Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2019.

Unrecognized prior service cost is amortized over a certain period (10 years) within the employees' average remaining service period using the straight-line method beginning in the fiscal year in which the difference has arisen.

Unrecognized actuarial differences are amortized over a certain period (10 years) within the employees' average remaining service period using the declining-balance method beginning in the fiscal year after the difference has arisen.

Some of the Bank's consolidated subsidiaries, in calculating Net Defined Benefit Liability and retirement benefit cost, adopt the simplified method whereby the retirement benefit obligations are calculated at an amount that would be paid if all eligible employees voluntarily retired at the consolidated balance sheet date.

(10) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies, and accounts of overseas branches are translated into Japanese yen primarily using the exchange rates in effect at the consolidated balance sheet date.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen using the respective exchange rates in effect at the balance sheet date.

(11) Hedge Accounting

a. Hedge of Interest Rate Risk

The Bank applies the deferral method of hedge accounting to the hedge transactions to manage interest rate risk associated with various financial assets and liabilities, which is described in "Accounting and Auditing Treatment relating to the Adoption of the 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of Certified Public Accountants ("JICPA"), (JICPA Industry Audit Committee Report No. 24, issued on February 13, 2002). Hedge effectiveness of a fair value hedge is assessed by identified groups of hedged items, such as loans and deposits, and the corresponding groups of hedging instruments, such as interest rate swaps within the same maturity bucket. Hedge effectiveness of a cash flow hedge is assessed based on the correlation of the interest rate risk indicators of the hedged items and that of the hedging instruments.

b. Hedge of Foreign Exchange Rate Risk

The Bank applies the deferral method of hedge accounting to the hedge transactions to manage foreign exchange rate risk arising from various financial assets and liabilities denominated in foreign currencies, which is described in

"Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, issued on July 29, 2002). Hedge effectiveness is assessed by reviewing whether the amount of the hedged items, such as financial monetary assets and liabilities denominated in foreign currencies, exceeds that of the hedging instruments, such as currency swap or foreign exchange swap transactions, entered into to mitigate the foreign exchange rate risk arising from the hedged items.
The deferral method or the fair value method of hedge accounting is applied to the portfolio hedges of foreign exchange rate risks associated with securities denominated in foreign currencies (other than debt securities), provided that (1) the securities denominated in foreign currencies are identified as hedged items in advance, and (2) foreign currency amounts of spot and forward liabilities exceeds those of the acquisition costs of the foreign currency securities designated as hedged items.

c. Internal Derivative Transactions
Internal derivative transactions between trading accounts and banking accounts or inter-division transactions, which are designated as hedges, are not eliminated. The related gains and losses are recognized in the consolidated statement of operations or are deferred in the consolidated balance sheet in accordance with the hedge accounting rules, because the internal interest rate swap and currency swap transactions, that are designated as hedging instruments, are traded in a non-discretionary manner and are appropriately and ultimately covered by third party transactions, which are conducted in accordance with the standards stipulated in the JICPA Industry Audit Committee Report No.24 and No.25.
For certain other assets or liabilities, the Bank applies the deferral method or the accrual method of hedge accounting, as specifically permitted for certain interest rate swaps. Under the deferral method, the recognition of income or expenses associated with a hedging instrument is deferred to the period when the income or expense arising from the hedged item is recognized.

(12) Scope of "Cash and Cash Equivalents" in Consolidated Statements of Cash Flows
"Cash and Cash Equivalents" in the consolidated statements of cash flows represents cash, non-interest bearing due from banks and due from the Bank of Japan in Cash and Due from Banks on the consolidated balance sheet.

(13) Consumption Taxes
Consumption tax and local consumption tax incurred on taxable transactions are excluded from these transaction amounts.

(Change in Presentation)
(Consolidated Balance Sheet)
Due to the increased materiality of "Accounts Payable for Securities Purchased" included in "Other Liabilities" for the previous fiscal year, "Other Liabilities" has been presented separately as "Accounts Payable for Securities Purchased" and "Others" from the fiscal year. To reflect this change in presentation, the reclassification of consolidated balance sheet has been made for the previous fiscal year.
As a result, "Other Liabilities" of ¥4,569,727 million presented in the consolidated balance sheet for the previous fiscal year has been separated into "Accounts Payable for Securities Purchased" of ¥3,773,492 million and "Others" of ¥796,235 million.

(Notes to Consolidated Balance Sheet)

1. Stocks and investments in affiliates ¥79,104 million

2. Securities include securities loaned under unsecured lending agreements (Saiken Taishaku Torihiki) of ¥952,649 million as of March 31, 2019.

Securities borrowed under unsecured borrowing agreements (Saiken Taishaku Torihiki) and securities purchased under resale agreements and cash-collateralized borrowing agreements and others, which can be sold or re-pledged by the Bank, include securities re-pledged of ¥393,990 million and securities held without re-pledge of ¥477,318 million as of March 31, 2019. No such securities are re-loaned to the third parties.

3. Loans and Bills Discounted include loans to borrowers under bankruptcy proceedings of ¥534 million and delinquent loans of ¥24,177 million.

Loans to borrowers under bankruptcy proceedings are loans (excluding the parts written-off for possible loan losses) stipulated in Article 96-1-3, 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97, 1965) on which interest is placed on an no-accrual status (hereinafter referred to as "Non-accrual Loans") since the loan principals and/or their pertaining interests are determined to be uncollectible considering the period of time past due and other reasons.

Delinquent loans are also non-accrual loans other than loans to borrowers under bankruptcy proceedings or loans whereby payments of interests are deferred in order to support the borrowers' rehabilitation.

4. Loans and Bills Discounted include those past-due for three months or more of ¥888 million.

Loans past-due for three months or more are loans whose principal or interest is past-due for three months or more, other than loans to borrowers under bankruptcy proceedings and delinquent loans.

5. Loans and Bills Discounted include restructured loans of ¥18,040 million.

Restructured loans are loans whereby its terms are modified in favor of the borrowers by reducing the interest rate, deferral of payments of interest or principal, waiving principal repayments, etc., in order to support the borrowers' rehabilitation and facilitate the collection of the loan, except for the loans pertaining to 3 and 4 above.

6. The total amount of loans to borrowers under bankruptcy proceedings, delinquent loans, loans past-due for three months or more and restructured loans was ¥43,641 million.

The amounts of loans indicated in 3. to 6. above are amounts before deducting the Reserve for Possible Loan Losses.

7. Bills Discounted are treated as finance transactions based on JICPA Industry Audit Committee Report No.24. Based on the Report, the Bank has the right to appropriate freely deposited banker's acceptances, commercial notes, documentary bills, and purchased foreign exchange, etc., through sales or collateralization. The face value of the total Bills Discounted was ¥2,616 million.

8. Assets pledged as collateral consist of the followings:

Assets Pledged

Loans and Bills Discounted	¥1,388,120 million

Securities	¥18,229,425 million

Liabilities secured by the above assets are as follows:

Borrowed Money	¥3,079,812 million
Payables under Repurchase Agreements	¥15,111,297 million

In addition, Securities (including transactions of Money Held in Trust) of ¥12,429,226 million were pledged as collateral for settlement of exchange and derivative transactions or as margins of futures transactions.

Initial margins of futures markets of ¥32,203 million, cash collateral paid for financial instruments of ¥348,567 million, other cash collateral paid of ¥599,203 million and guarantee deposits of ¥7,862 million were included in Other Assets.

9. Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to the pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements was ¥3,906,443 million as of March 31, 2019. The amount of undrawn commitments, which the Bank and its consolidated subsidiaries could cancel at any time without cause, was ¥2,796,710 million as of March 31, 2019.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank and its consolidated subsidiaries because the majority of such agreements are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries may not extend the loan or may decrease the commitment when there are certain changes in the overall financial conditions, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank and its consolidated subsidiaries are able to request collateral in the form of premises or securities as necessary. After extending loans, the Bank and its consolidated subsidiaries periodically checks the financial condition of its customers based on predefined policies and procedures and acts to secure loans as necessary.

10. In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes was revaluated. Unrealized gains arising from revaluation, net of deferred tax, are disclosed as Revaluation Reserve for Land, net of taxes and included in Net Assets on the consolidated balance sheet. The related deferred tax liability is recorded as Deferred Tax Liabilities for Land Revaluation.

Date of Revaluation	March 31, 1998
Revaluation Method	Reasonably calculated in accordance with the Appraisal methods stipulated in Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land (No.119 effective as of March 31, 1998)

11. Accumulated Depreciation Deducted from Tangible Fixed Assets ¥106,285 million

12. Accumulated Amount of Tax Basis Adjustments Deducted from Tangible Fixed Assets ¥3,731 million

13. Borrowed Money includes subordinated borrowings of ¥1,317,895 million which have a special agreement that requires the fulfillment of the payment obligations of such borrowing to be subordinated to other general liabilities.

14. The amount of guaranteed obligations for corporate bonds acquired through private offerings (as in Article 2-3 Financial Instruments and Exchange Law) among those classified as corporate bonds in Securities was ¥3,900 million.

15. Total Monetary Credits to Directors, Supervisory Committee and the Auditors of the Bank ¥98 million

(Notes to Consolidated Statement of Operations)

1. Other Ordinary Income includes Gains on Sales of Stocks and Other Securities of ¥68,414 million and Gains on Money Held in Trust of ¥163,873 million.

2. Other Ordinary Expense includes Provision of Reserve for Possible Investment Losses of ¥150 million, Write-off of Loans of ¥213 million, Losses on Sales of Stocks and Other Securities of ¥0 million, Losses on Revaluation of Stocks and Other Securities of ¥450 million and Losses on Money Held in Trust of ¥297 million.

(Note to Consolidated Statement of Comprehensive Income)

Reclassification adjustments and tax effects on the Other Comprehensive Income for the fiscal year ended March 31, 2019

Net Unrealized Gains (Losses) on Other Securities:	
Gains (Losses) arising during the fiscal year	¥451,087 million
Reclassification adjustments to profit or loss	34,166 million
Amounts before tax effects	485,254 million
Tax effects	(135,810) million
Total	¥349,444 million
Net Deferred Gains (Losses) on Hedging Instruments:	
Gains (Losses) arising during the fiscal year	¥(661,166) million
Reclassification adjustments to profit or loss	367,409 million
Amounts before tax effects	(293,756) million
Tax effects	81,242 million
Total	¥(212,514)million
Foreign Currency Transaction Adjustments:	
Gains (Losses) arising during the fiscal year	¥8 million
Reclassification adjustments to profit or loss	— million
Amounts before tax effects	8 million
Tax effects	— million
Total	¥8 million
Remeasurements of Defined Benefit Plans :	
Gains (Losses) arising during the fiscal year	¥583 million
Reclassification adjustments to profit or loss	(4,660)million
Amounts before tax effects	(4,076)million
Tax effects	1,131 million
Total	(2,945)million
Share of Other Comprehensive Income of Affiliates accounted for by the equity method:	
Gains (Losses) during the fiscal year	¥(493)million
Reclassification Adjustments to profit or loss	46 million
Total	(446)million
Total Other Comprehensive Income	¥133,546 million

(Notes to Consolidated Statement of Cash Flows)

The reconciliation of Cash and Due from Banks in the consolidated balance sheet to "Cash and Cash Equivalents" at the end of the fiscal year is as follows:

Cash and Due from Banks	¥18,941,664 million
Less: Interest-bearing Due from Banks	(611,434)million
Cash and Cash Equivalents at the End of the Fiscal Year	¥18,330,229 million

(Financial Instruments)

1. Particulars of Financial Instruments

(1) Policy on Financial Instruments

The Bank is a financial institution which takes as its foundation the Japanese agricultural, forestry, and fisheries industry cooperatives. The Bank mainly raises procurement funds from its cooperative members' deposits (mainly 1 year), issuance of debentures (term 5 years), various financial markets, and invests these funds mainly in loans and securities. The Bank oversees the management of its securities based on the fundamental concept "globally diversified investment." In terms of geographical area, the Bank invests in Japan, the United States, Europe, and other regions. The Bank classifies its assets as bonds, equities, credit assets, and alternative investments, depending on the investment allocation. The Bank possesses various financial assets and liabilities, and its integrated risk management framework is conducted in concert with its financial management framework (asset and liability management ("ALM"), market portfolio management, credit portfolio management and others). In addition, these include derivative instruments. It is also important to note that in the management of foreign currency assets, the Bank takes steps to limit the foreign exchange rate risk in most of these investments by employing various tools, such as cross-currency swaps.

Some of the Bank's consolidated subsidiaries conduct banking business, mortgage loan business and other business.

(2) Contents and Risk of Financial Instruments

The main financial assets of the Bank and its consolidated subsidiaries consist of Loans and Bills Discounted, Securities and Money Held in Trust.

Loans and Bills Discounted are exposed to credit risk. Securities and Money Held in Trust mainly consist of bonds, equities, credit and alternative assets, which are held for held-to-maturity, available for sale, and trading purposes. These securities are exposed to the market risk arising from interest rates, currency exchange rates and price fluctuations, as well as the credit risk and liquidity risk.

The main financial liabilities of the Bank consist of Deposits from members, Debentures, Borrowed Money, Call Money and Payables under Repurchase Agreements. These financial liabilities are exposed to market risk arising from interest rates and currency exchange rates. Procurement fund from the financial markets is exposed to liquidity risk arising from difficulties of securing necessary funds in certain cases such as market crashes.

Derivative instruments include the transactions accounted for as hedge transactions, as part of our ALM. A portion of interest-related derivative instruments and currency-related derivative instruments are not accounted for as hedge transactions, and are exposed to the market risk arising from interest rates and currency exchange rates.

Ref: Accounting Policies (11) Hedge Accounting for hedged items and hedging instruments related to hedge accounting, hedge policy and hedge effectiveness

(3) Risk Management for Financial Instruments

a. Integrated Risk Management

The Bank, under its "Basic Policies for Risk Management," focuses on comprehensive risk management, where risks it faces in conducting business are identified and managed taking into account their respective natures, and its overall risk measured using quantitative methods is managed in comparison with its capital, the Bank's financial strength. To implement integrated risk management, the Bank has established the Risk Management Committee. The Committee also ensures that the total amount of risk undertaken is kept within the Bank's financial strength. The Bank has also established a number of committees which are categorized according to the type of risk they handle, e.g. the Portfolio Management Committee (Market, Credit and Liquidity risk), the Credit Committee (Credit risk) and the Food & Agri Business Finance Committee (Credit risk) to enable the top management to discuss risk management policies, including planned risk-taking. The framework also requires the integrated risk management situation to be regularly reported to the Board of Directors.

The Bank's consolidated subsidiaries have managed to align each risk management framework in accordance with the Bank's "Management and Operation Policy for Group Companies," taking account of the Bank's "Basic Policies for Risk Management" as well as the nature of its own business activities and the risk profile.

b. Market Risk Management

The Bank has established its "Policies and Procedures for Market Risk Management" and other rules for market risk, and align its market risk management framework with other relevant frameworks, policies and procedures.

Specifically, through the investment execution process, the Bank ensures the segregation of duties among divisions in charge for decisions (planning) on allocation policy, execution of individual transactions, and monitoring of risk positions. The Portfolio Management Committee sets market portfolio allocation policy, the front sections execute the transactions in accordance with the allocation policy, and the middle sections conduct monitoring.

The risk balance of the market portfolio is managed by analyzing and understanding market portfolio conditions based on the degree of market risk measured by the middle sections, including the amount of aggregate risk, risk indicators such as Value at Risk (VaR) and interest rate risk sensitivity, and correlation among asset classes. In principle, market risk measurements cover all financial assets and liabilities in the Bank's portfolio and make use of the Internal Model for the calculation of VaR.

From a risk management perspective, the front sections executing trades for the trading accounts are explicitly separated from the front sections executing trades for the banking accounts. Targets for profits, and position and loss limits are revised semi-annually. Progress in achieving profit targets within approved limits is monitored on a daily basis. When positions or losses exceed approved limits, the middle sections alert the front sections to take appropriate action, which includes preparing corrective measures, reducing trading volumes, or suspending trading altogether.

The Bank adopts the variance-covariance method to measure the VaR of the trading securities within Trading Assets and certain interest-related, bond-related or other derivative transactions within Derivative Instruments, which are accounted for as trading operations. The market risk (the estimate of the potential loss) of the Bank's trading operations as of March 31, 2019, the end of fiscal 2018, summed up to ¥16 million in total under the variance-covariance method with the holding period of one business day, a 99% confidence interval, and the observation period of 1,000 business days.

In order to measure the VaR of the financial assets and liabilities from the banking operations (the operations other than trading operations), the Bank adopts the historical simulation method. The market risk (the estimate of the potential net loss) of the Bank from the banking operations totaled ¥2,170,676 million as of March 31, 2019, the end of fiscal 2018, under the historical simulation method with holding period of 1 year , a 99.5% confidence interval, and the observation period from fiscal year 1995 to recent day. Since the Bank adopts mid- to long-term investment policies, as to the impact of the short-term market volatilities, the variance-covariance method VaR and others are separately calculated while market risks are basically measured by using the historical simulation method VaR as mentioned above.

The Bank also performs a back-testing to compare the model-measured VaR with the actual profits and losses. From the back test for the fiscal year actual results, the Bank concludes that the adopted measurement method provides a sufficient accuracy of the market risk measurement.

VaR, however, is designed to measure the market risk under the certain occurrence probability hypothesis based on the statistical calculation of the historical market movements. Therefore, VaR may not cover the risks in extremely volatile market conditions. The Bank measures losses under various scenarios (stress test) to complement the said limits and weakness of the model.

c. Credit Risk Management

The Bank has established its "Policies and Procedures for Credit Risk Management" and other rules for credit risk, and manages to align the credit risk management framework with the Bank's internal rating, credit risk analysis, credit ceiling, credit management and others. Specifically, as for the credit risk assets, which consist of loans and various products for the item, area and business, the Bank comprehensively manages credit risk on an entire credit portfolio basis as well as individual credit basis for whole credit risk assets.

The Bank's credit risk management framework is comprised of several committees (Including the Risk Management Committee, the Portfolio Management Committee and other committees), which determine the credit risk management framework as well as credit investment policy. Front sections execute loan transactions and credit investments in accordance with the credit policy and within the credit limits approved by the committees. Middle sections, which are segregated from the front sections, monitor changes in the credit risk portfolio and report them to the committees. Those reports are used for upgrading the risk management framework and for future credit investment planning.

The Bank performs specialized analysis for all outstanding credit according to borrower type, such as cooperatives, corporates, public entities, financial institutions, overseas borrowers and securitized products.

To mitigate credit over-concentration risk, the Bank has established credit ceiling systems. Total credit exposure for each ceiling category is monitored on a regular basis and controlled to avoid any over-concentration on credit exposure.

d. Liquidity Risk Management

The Bank manages liquidity risk in accordance with its "Policies and Procedures for Liquidity Risk Management." Considering the profiles of the Bank's ALM together with the relatively less liquid assets that it holds, the Bank takes initiatives to diversify and enhance the varieties of funding instruments, placing an emphasis on the stability of cash flows. Cash flow management is conducted on an aggregate basis at the head office in collaboration with relevant branches, and various limits for each currency, funding tool and funding base are established by the Risk Management Committee. The cash flow management plan, which sets out specific cash flow policy, is approved by the Portfolio Management Committee.

(4) Supplementary Explanations for the Fair Value of Financial Instruments and Other Items

The fair value of financial instruments is based on the quoted market price or a reasonably estimated amount, if the quoted market price is not available. As the reasonably estimated amounts are calculated based on certain assumptions, these estimates could be significantly affected by different assumptions.

2. Disclosures Regarding the Fair Value of Financial Instruments and Other Items

"Consolidated Balance Sheet Amount," "Fair Value" and "Difference" as of March 31, 2019 are as follows:
Unlisted stocks and other financial instruments, the fair value of which is extremely difficult to determine, are excluded from the table below. (ref. Note 2)

(Millions of Yen)

	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Loans and Bills Discounted	18,613,018		
Reserve for Possible Loan Losses(※1)	(46,072)		
	18,566,945	18,591,749	24,803
(2) Securities			
Held-to-Maturity Debt Securities	18,443,863	18,429,773	(14,089)
Other Securities	36,472,828	36,472,828	—
(3) Money Held in Trust(※1)			
Other Money Held in Trust	8,667,172	8,672,304	5,131
(4) Trading Assets(※2)			
Trading Securities	8,560	8,560	—
(5) Monetary Claims Bought	326,079	326,413	333
(6) Call Loans and Bills Bought	44,368	44,368	—
(7) Cash and Due from Banks	18,941,664	18,941,664	—
Total Assets	101,471,483	101,487,662	16,179
(1) Deposits	66,797,069	66,797,077	8
(2) Negotiable Certificates of Deposit	790,599	790,599	—
(3) Debentures	1,254,239	1,256,761	2,522
(4) Borrowed Money	4,837,392	4,837,392	—
(5) Payables under Repurchase Agreements	15,111,297	15,111,297	—
(6) Short-term Entrusted Funds	1,048,091	1,048,091	—
Total Liabilities	89,838,688	89,841,219	2,530
Derivative Instruments (※3)			
Transactions not Accounted for as Hedge Transactions	(572)	(572)	—
Transactions Accounted for as Hedge Transactions	(312,649)	(312,649)	—
Total Derivative Instruments	(313,221)	(313,221)	—

(※) 1 Loans and Bills Discounted and Money Held in Trust are net of Reserve for Possible Loan Losses. Money Held in Trust is presented by net on the consolidated balance sheet as the reserve amounts are immaterial.

2 Derivative Instruments are excluded from Trading Assets.

3 Derivative Instruments within Trading Assets, Trading Liabilities, Other Assets and Other Liabilities are shown by net position. Receivables and payables which arise from Derivative Instruments are shown on a net basis.

(Note 1) Calculation Methods for the Fair Value of Financial Instruments are as follows:

Assets

(1) Loans and Bills Discounted

The carrying value of Loans and Bills Discounted with floating rates approximates the fair value since they are repriced reflecting market interest fluctuations within a short period, unless the creditworthiness of the debtors has been revised. Accordingly, the carrying value is deemed to be the fair value. As for Loans and Bills Discounted with fixed rates, the fair value is calculated according to the Discounted Cash Flow method. The price-determining variables include the default rates based on each credit rating, recovery rates, and other variables. As for mortgages, the fair value is calculated according to the Discounted Cash Flow method. The price-determining variables include the default rates, recovery rates, pre-payment rates and other variables.

As for Loans and Bills Discounted to doubtful debtors and others, the reserves for those assets are provided by the amount not expected to be recovered based on the present value of expected future cash flows or the recovery amount of collateral and guarantee. Accordingly, the carrying values net of the reserve approximate the fair value.

As for Loans and Bills Discounted without stated maturity for which credit is extended up to the value of the collateral assets, the carrying value is deemed to approximate the fair value, taking into account expected maturities, interest rates and other terms.

(2) Securities

Regarding the valuation of stocks, fair value is based on the closing price at the exchange. With respect to investment trusts, fair value is based on the net asset value ("NAV") published or the quoted prices provided by brokers or venders. As for bonds, fair value is based on the quoted market price if available, reasonably estimated amounts (using the Discounted Cash Flow method and other methods of valuation), or the quoted prices provided by brokers or venders.

As for corporate bonds issued through private offerings, the fair value is based on reasonably estimated amounts which are calculated according to the Discounted Cash Flow method. The price-determining variables include the default rates based on each credit rating, recovery rates and other variables. The estimates for the valuations of some securitized products are calculated according to the prices calculated by the Discounted Cash Flow method, using variables such as default rates, recovery rates, pre-payment rates, discount rates and other variables.

Concerning floating-rate Japanese government bonds which are rarely traded in the current market, the Bank continues to determine that market prices are not deemed as fair value, and that the fair value of these bonds is based on reasonably estimated amounts at the end of the fiscal year, which are calculated according to the Discounted Cash Flow method. The price-determining variables include the yield of Japanese government bonds, swaption volatilities and other variables.

As for investments for "Partnership" and "Limited Partnership" ("Investments in Partnership and Others"), fair value is based on the share of NAV which is valued assets of "Partnership" or "Limited Partnership," if available.

Relevant notes about the fair value of securities of each classification are described in following "Securities."

(3) Money Held in Trust

Loans and Bills Discounted and Securities included in Money Held in Trust are valued according to the same methods described in (1) and (2) above.

Relevant notes concerning the fair value of Money Held in Trust of each classification are described in following "Money Held in Trust."

(4) Trading Assets

Trading Securities are valued based on the closing price at the exchange or quoted price provided by the corresponding financial institutions.

(5) Monetary Claims Bought

Monetary Claims Bought are valued based on the quoted prices provided by brokers or venders.

(6) Call Loans and Bills Bought

These contractual terms are short-term (1 year or less), and fair value approximates the carrying value.

(7) Cash and Due from Banks

For Due from Banks without stated maturity, fair value approximates the carrying value. For Due from Banks with stated maturity, as the contractual terms are short-term (1 year or less), fair value approximates the carrying value. Concerning negotiable certificates of deposit, fair value is determined based on reasonably estimated amounts at the end of the fiscal year. The reasonably estimated amounts of negotiable certificates of deposit are calculated according to the Discounted Cash Flow method. The price-determining variable is the over-the-counter rate, etc.

<u>Liabilities</u>

(1) Deposits

With respect to demand deposits, the amounts payable on demand as of the consolidated balance sheet date (the carrying value) are estimated at fair value. The carrying value of Time Deposits with floating rates approximates the fair value since it is repriced reflecting market interest rate fluctuations within a short period (1 year or less), unless the creditworthiness of the Bank and its consolidated subsidiaries has changed. Accordingly, the carrying value is deemed to be the fair value. As for Time Deposits with fixed rates, are calculated according to the Discounted Cash Flow method, and these discount rates are the currently-applied deposit rates. Some contractual terms are short-term (1 year or less), and fair value approximates the carrying value.

(2) Negotiable Certificates of Deposit

These contractual terms are short-term (1 year or less), and fair value approximates the carrying value.

(3) Debentures

As for Debentures, fair value is based on the quoted market price if available, or calculated according to the Discounted Cash Flow method. The price-determining variable of this method is the rate which would be applied if a similar debenture was issued.

(4) Borrowed Money

The carrying value of Borrowed Money with floating rates approximates the fair value since it is repriced reflecting market interest rate fluctuations within a short period (1 year or less), unless the creditworthiness of the Bank and its consolidated subsidiaries has changed. Accordingly, the carrying value is deemed to be the fair value. As for Borrowed Money with fixed rates, the fair value is calculated according to the Discounted Cash Flow method. The price-determining variable of this method is the rate which would be applied to a similar Borrowed Money. The fair value of the Borrowed Money with a short-term (1 year or less), approximates the carrying value.

(5) Payables under Repurchase Agreements and (6) Short-term Entrusted Funds

These contractual terms are short-term (1 year or less), and the fair value approximates the carrying value.

<u>Derivative Instruments</u>

Derivative instruments include interest rate-related derivative instruments (interest rate swaps and others) and currency-related derivative instruments (currency swaps and others). The fair value is based on the closing price at the exchange, a discounted net present value model, an option pricing model or other models as appropriate. The accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the valuation of hedged items, so that the fair value is included in the fair value of Loans and Bills Discounted and other items.

(Note 2) The following table lists Consolidated Balance Sheet Amount of financial instruments, the fair value of which is extremely difficult to determine:
"Assets (2) Other Securities" in Disclosures Regarding the Fair Value of Financial Instruments and Other Items excludes these financial instruments.

(Millions of Yen)

Instruments	Consolidated Balance Sheet Amount
Unlisted Stocks (※1)(※2)	125,178
Investment Trusts(※3)	228,770
Investments in Partnership and Others (※4)	388,065
Total	742,015

(※) 1 Unlisted Stocks are excluded from "Disclosures Regarding the Fair Value of Financial Instruments and Other Items," since there are no market prices and their fair value is extremely difficult to determine.

2 The amount of revaluation losses for the fiscal year was ¥325 million on Unlisted Stocks.

3 Out of Investments in Investment Trusts, certain "Private REIT" whose fair value is extremely difficult to determine are excluded from "Disclosures Regarding the Fair Value of Financial Instruments and Other Items."

4 Out of Investments in Partnership and Others, certain "Partnership" or "Limited Partnership" whose fair value is extremely difficult to determine are excluded from "Disclosures Regarding the Fair Value of Financial Instruments and Other Items."

(Note 3) The redemption schedule of money claims and securities with stated maturities subsequent to the consolidated balance sheet date is as follows:

(Millions of Yen)

	1 Year or Less	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 7 Years	Over 7 Years to 10 Years	Over 10 Years
Loans and Bills Discounted(※1)	10,032,105	3,411,850	2,760,686	1,158,986	725,865	488,707
Securities						
Held-to-Maturity Debt Securities	2,226,832	5,288,827	730,267	943,333	1,529,827	7,720,488
Other Securities held that have Maturity	3,258,359	4,994,815	1,622,325	1,404,751	8,674,137	3,276,124
Monetary Claims Bought	133,600	—	5,095	16,887	98,916	71,591
Call Loans and Bills Bought	44,368	—	—	—	—	—
Due from Banks(※2)	18,849,584	—	—	—	—	—
Total	34,544,850	13,695,493	5,118,374	3,523,958	11,028,747	11,556,912

(※) 1 Loans to debtors in bankruptcy, debtors in default, doubtful debtors and others of ¥24,816 million for which the redemption date cannot be estimated, and ¥10,000 million with no term to maturity within Loans and Bills Discounted, are excluded from the table above.

2 Demand deposits within Due from Banks are included in the entry for "1 Year or Less."

(Note 4) The redemption schedule of Borrowed Money and other interest-bearing liabilities subsequent to the consolidated balance sheet date is as follows:

(Millions of Yen)

	1 Year or Less	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 7 Years	Over 7 Years to 10 Years	Over 10 Years
Deposits(※1)	66,614,733	150,408	31,927	—	—	—
Negotiable Certificates of Deposit	790,599	—	—	—	—	—
Debentures	474,791	526,026	253,420	—	—	—
Borrowed Money(※2)	1,049,163	1,791,517	673,648	3,825	1,342	1,317,895
Payables under Repurchase Agreements	15,111,297	—	—	—	—	—
Short-term Entrusted Funds	1,048,091	—	—	—	—	—
Total	85,088,676	2,467,953	958,996	3,825	1,342	1,317,895

(※) 1 Demand deposits within Deposits are included in the entry for “1 Year or Less.”

2 Perpetual subordinated borrowings within Borrowed Money are included in the entry for “Over 10 Years.”

(Securities)

Information relating to Securities is provided as below. The Securities include Trading Securities in Trading Assets, negotiable certificates of deposit in Cash and Due from Banks and trust beneficiary interest in Monetary Claims Bought.

1. Trading Securities (as of March 31, 2019)

(Millions of Yen)

	Unrealized Gain Recognized as Income
Trading Securities	181

2. Held-to-Maturity Debt Securities (as of March 31, 2019)

(Millions of Yen)

	Type	Consolidated Balance Sheet Amount	Fair Value	Difference
Transactions for Fair Value exceeding Consolidated Balance Sheet Amount	Japanese Government Bonds	2,229,371	2,235,070	5,699
	Municipal Government Bonds	―	―	―
	Corporate Bonds	2,514	2,536	22
	Other	4,736,764	4,776,432	39,667
	Subtotal	6,968,650	7,014,040	45,389
Transactions for Fair Value not exceeding Consolidated Balance Sheet Amount	Japanese Government Bonds	3,299,450	3,294,251	(5,199)
	Municipal Government Bonds	―	―	―
	Corporate Bonds	―	―	―
	Other	8,501,842	8,447,895	(53,946)
	Subtotal	11,801,293	11,742,147	(59,145)
Total		18,769,943	18,756,187	(13,756)

3. Other Securities (as of March 31, 2019)

(Millions of Yen)

	Type	Consolidated Balance Sheet Amount	Acquisition Cost	Difference
Transactions for Consolidated Balance Sheet Amount exceeding Acquisition Cost	Stocks	711,487	255,286	456,200
	Bonds	5,407,989	5,117,650	290,339
	Japanese Government Bonds	5,034,195	4,744,412	289,782
	Municipal Government Bonds	13,262	13,245	16
	Corporate Bonds	360,532	359,991	540
	Other	19,000,213	17,574,944	1,425,268
	Subtotal	25,119,689	22,947,881	2,171,808
Transactions for Consolidated Balance Sheet Amount not exceeding Acquisition Cost	Stocks	11,448	14,122	(2,674)
	Bonds	852,331	852,599	(267)
	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Corporate Bonds	852,331	852,599	(267)
	Other	10,497,677	10,660,770	(163,093)
	Subtotal	11,361,456	11,527,492	(166,035)
Total		36,481,146	34,475,373	2,005,772

4. Held-to-Maturity Debt Securities Sold during the fiscal year ended March 31, 2019
The Bank and its consolidated subsidiaries sold no held-to-maturity debt securities.

5. Other Securities Sold during the fiscal year ended March 31, 2019

(Millions of Yen)

Type	Sales Proceeds	Gains on Sales	Losses on Sales
Stocks	26,811	17,638	—
Bonds	139,828	1,184	1
Japanese Government Bonds	139,481	1,184	—
Corporate Bonds	346	—	1
Other	3,879,368	147,120	99,659
Total	4,046,008	165,943	99,661

6. Securities Recognized for Revaluation Loss

Securities other than those for trading purposes and those whose fair value is difficult to determine, are revalued to their fair value, and the difference between the acquisition cost (and other) and the fair value is treated as a realized loss for the fiscal year ended March 31, 2019 (“revaluation loss”), if the fair value has significantly deteriorated from the acquisition cost (and other), and unless a recovery in the fair value is deemed probable.

The amount of revaluation loss for the fiscal year ended March 31, 2019 was ¥124 million, all of which was on stocks.

The criteria for determining whether the securities' fair value has “significantly deteriorated” are outlined as follows:

Securities whose fair values are equal to or less than 50% of their acquisition costs (and other)

Securities whose fair values remain between 50% (exclusive) and 70% (inclusive) of their acquisition costs (and other) for a certain period

(Money Held in Trust)

1. Money Held in Trust for Trading Purposes (as of March 31, 2019)

The Bank and its consolidated subsidiaries held no money held in trust for trading purposes.

2. Held-to-Maturity Money Held in Trust (as of March 31, 2019)

The Bank and its consolidated subsidiaries held no held-to-maturity money held in trust.

3. Other Money Held in Trust (Money Held in Trust other than that for trading purposes or held-to-maturity) (as of March 31, 2019)

(Millions of Yen)

	Consolidated Balance Sheet Amount	Acquisition Cost	Difference	Transactions for Consolidated Balance Sheet Amount exceeding Acquisition Cost	Transactions for Consolidated Balance Sheet Amount not exceeding Acquisition Cost
Other Money Held in Trust	8,667,392	8,618,740	48,651	140,343	91,691

(Note)

"Transactions for Consolidated Balance Sheet Amount exceeding Acquisition Cost" and "Transactions for Consolidated Balance Sheet Amount not exceeding Acquisition Cost" are gross valuation of the difference between the acquisition cost and the consolidated balance sheet amount presented in "Difference."

(Per Share Information)

Net Assets per Share at the end of the fiscal year was ¥880.94 (Non-controlling Interests, the residual assets for the holders of lower dividend rate stocks and preferred stocks, the total dividends on lower dividend rate stocks and preferred stocks, and the total special dividends are deducted from the numerator, and the aggregate number of lower dividend rate stocks and preferred stocks is deducted from the denominator respectively in the calculation of Net Assets per Share.)

Profit Attributable to Owners of Parent per Share for the fiscal year was ¥6.87 (The total dividends for lower dividend rate stocks and preferred stocks and the total special dividends are deducted from the numerator, the aggregate number of lower dividend rate stocks and preferred stocks is deducted from the denominator respectively in the calculation of Profit Attributable to Owners of Parent per Share.)

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Millions of Yen)

	Fiscal 2017 (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
(Assets)		
Loans and Bills Discounted	**11,742,630**	**18,438,032**
Loans on Deeds	10,168,870	16,867,449
Loans on Bills	401,018	367,218
Overdrafts	1,169,670	1,200,746
Bills Discounted	3,070	2,616
Foreign Exchange Assets	**324,698**	**327,003**
Due from Foreign Banks	324,698	327,003
Securities	**52,332,765**	**55,751,186**
Japanese Government Bonds	11,612,797	10,558,008
Municipal Government Bonds	83	49
Corporate Bonds	679,893	1,215,377
Stocks	891,488	855,014
Other Securities	39,148,501	43,122,736
Money Held in Trust	**7,438,320**	**8,666,524**
Trading Assets	**8,582**	**15,844**
Trading Securities	3,064	8,560
Derivatives of Securities Related to Trading Transactions	24	32
Trading-related Financial Derivatives	5,493	7,251
Monetary Claims Bought	**354,872**	**326,079**
Call Loans	**630,000**	**44,368**
Receivables under Resale Agreements	–	**10,096**
Cash and Due from Banks	**28,729,996**	**18,906,686**
Cash	55,871	92,077
Due from Banks	28,674,125	18,814,608
Other Assets	**1,580,600**	**1,409,538**
Domestic Exchange Settlement Account, Debit	35	348
Prepaid Expenses	411	952
Accrued Income	172,228	182,074
Initial Margins of Futures Markets	4,063	32,203
Variation Margins of Futures Markets	–	66
Derivatives other than for Trading	597,343	171,796
Cash Collateral Paid for Financial Instruments	137,702	348,567
Others	668,814	673,529
Tangible Fixed Assets	**120,920**	**115,914**
Buildings	46,873	44,650
Land	47,280	46,885
Lease Assets	23,099	20,669
Construction in Progress	5	2
Other Tangible Fixed Assets	3,661	3,706
Intangible Fixed Assets	**40,043**	**45,435**
Software	22,145	22,202
Lease Assets	6,274	5,180
Other Intangible Fixed Assets	11,623	18,051
Prepaid Pension Cost	**20,821**	**28,574**
Customers' Liabilities for Acceptances and Guarantees	**141,073**	**140,063**
Reserve for Possible Loan Losses	**(46,681)**	**(46,861)**
Reserve for Possible Investment Losses	**(1,032)**	**(1,680)**
Total Assets	103,417,613	104,176,806

(Millions of Yen)

	Fiscal 2017 (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
(Liabilities)		
Deposits	**65,823,858**	**66,821,541**
Time Deposits	56,839,908	58,140,292
Deposits at Notice	32,094	14,020
Ordinary Deposits	3,442,679	3,213,672
Current Deposits	97,820	86,419
Other Deposits	5,411,355	5,367,135
Negotiable Certificates of Deposit	**2,920,656**	**790,599**
Debentures	**1,774,498**	**1,262,239**
Debentures Issued	1,774,498	1,262,239
Trading Liabilities	**5,034**	**7,022**
Derivatives of Trading Securities	−	29
Derivatives of Securities Related to Trading Transactions	18	36
Trading-related Financial Derivatives	5,015	6,955
Borrowed Money	**4,585,004**	**4,780,892**
Borrowings	4,585,004	4,780,892
Payables under Repurchase Agreements	**15,080,638**	**15,111,297**
Foreign Exchange Liabilities	**38**	**32**
Foreign Bills Payable	38	32
Short-term Entrusted Funds	**1,405,187**	**1,048,091**
Other Liabilities	**4,528,441**	**6,276,796**
Domestic Exchange Settlement Account, Credit	613	662
Accrued Expenses	66,461	77,923
Income Taxes Payable	613	2,693
Unearned Income	1,103	571
Employees' Deposits	8,672	−
Variation Margins of Futures Markets	64	−
Derivatives other than for Trading	214,744	485,291
Cash Collateral Received for Financial Instruments	419,712	43,846
Lease Liabilities	27,100	23,708
Accounts Payable for Securities Purchased	3,773,492	5,537,846
Others	15,863	104,253
Reserve for Bonus Payments	**6,022**	**5,947**
Reserve for Retirement Benefits	**24,614**	**25,617**
Reserve for Directors' Retirement Benefits	**1,121**	**782**
Deferred Tax Liabilities	**458,731**	**515,400**
Deferred Tax Liabilities for Land Revaluation	**8,607**	**8,607**
Acceptances and Guarantees	**141,073**	**140,063**
Total Liabilities	**96,763,528**	**96,794,930**
(Net Assets)		
Paid-in Capital	**3,480,488**	**4,040,198**
Common Stock	3,455,488	4,015,198
(including Lower Dividend Rate Stock)	3,029,771	3,589,481
Preferred Stock	24,999	24,999
Capital Surplus	**25,020**	**25,020**
Capital Surplus Reserve	24,999	24,999
Other Capital Surplus	20	20
Reserve for Revaluation	20	20
Retained Earnings	**1,922,906**	**1,953,053**
Legal Reserves	709,566	735,566
Voluntary Reserves	1,213,340	1,217,487
Special Reserves	277,500	303,500
General Reserves	559,403	559,403
Reserves for Tax Basis Adjustments of Fixed Assets	7,343	7,131
Others	7	7
Unappropriated Retained Earnings	369,086	347,445
Net Income	129,960	100,647
Total Owners' Equity	**5,428,416**	**6,018,273**
Net Unrealized Gains on Other Securities, net of taxes	**1,151,642**	**1,501,099**
Net Deferred Gains (Losses) on Hedging Instruments, net of taxes	**59,713**	**(151,808)**
Revaluation Reserve for Land, net of taxes	**14,312**	**14,312**
Total Valuation and Translation Adjustments	**1,225,668**	**1,363,602**
Total Net Assets	**6,654,084**	**7,381,875**
Total Liabilities and Net Assets	**103,417,613**	**104,176,806**

Non-consolidated Statement of Operations

(Millions of Yen)

	Fiscal 2017 (Year ended March 31, 2018)	Fiscal 2018 (Year ended March 31, 2019)
Ordinary Income	**1,425,693**	**1,709,117**
Interest Income	1,147,253	1,311,996
Interest on Loans and Bills Discounted	76,152	103,937
Interest and Dividends on Securities	1,054,024	1,183,896
Interest on Call Loans	(912)	(910)
Interest on Receivables under Resale Agreements	(0)	(727)
Interest on Receivables under Securities Borrowing Transactions	147	1
Interest on Due from Banks	12,830	20,079
Other Interest Income	5,011	5,719
Fees and Commissions	15,082	15,779
Exchange Fees	888	901
Other Commissions Receivable	14,194	14,877
Trading Income	163	124
Income from Trading Securities and Derivatives	39	−
Income from Trading-related Financial Derivatives	124	124
Other Operating Income	90,360	147,196
Gains on Sales of Bonds	40,144	97,793
Gains on Redemption of Bonds	3,444	−
Gains on Financial Derivatives	469	3,783
Other Operating Income	46,301	45,620
Other Ordinary Income	172,833	234,020
Reversal of Reserve for Possible Loan Losses	4,058	−
Recoveries from Written-off Claims	129	520
Gains on Sales of Stocks and Other Securities	8,289	68,148
Gains on Money Held in Trust	153,497	163,870
Others	6,857	1,480
Ordinary Expenses	**1,266,837**	**1,591,677**
Interest Expenses	1,021,264	1,269,032
Interest on Deposits	84,872	135,445
Interest on Negotiable Certificates of Deposit	30,896	25,651
Interest on Debentures	5,619	3,487
Interest on Borrowed Money	81,266	83,212
Interest on Call Money	13	(2)
Interest on Payables under Repurchase Agreements	121,255	166,785
Interest on Payables under Securities Lending Transactions	0	0
Interest on Interest Rate Swap	291,345	387,225
Other Interest Expenses	405,994	467,227
Fees and Commissions	15,292	15,704
Exchange Fees	1,463	763
Other Commissions	13,828	14,940
Trading Expenses	246	330
Expenses on Trading Securities and Derivatives	−	30
Expenses on Securities and Derivatives Related to Trading Transactions	246	299
Other Operating Expenses	68,299	141,810
Amortization of Debenture Issuance Costs	105	98
Losses on Foreign Exchange Transactions	1,818	1,146
Losses on Sales of Bonds	25,585	99,620
Other Operating Expenses	40,790	40,944
General and Administrative Expenses	153,013	149,546
Other Ordinary Expenses	8,721	15,253
Provision of Reserve for Possible Loan Losses	−	1,693
Provision of Reserve for Possible Investment Losses	−	648
Write-off of Loans	20	210
Losses on Sales of Stocks and Other Securities	7	0
Losses on Revaluation of Stocks and Other Securities	1,106	450
Losses on Money Held in Trust	207	297
Others	7,380	11,953
Ordinary Profits	**158,856**	**117,440**
Extraordinary Profits	**92**	**0**
Gains on Disposal of Fixed Assets	−	0
Other Extraordinary Profits	92	−
Extraordinary Losses	**1,578**	**250**
Losses on Disposal of Fixed Assets	1,578	250
Income before Income Taxes	**157,369**	**117,190**
Income Taxes - Current	**10,141**	**14,447**
Income Taxes - Deferred	**17,267**	**2,095**
Total Income Taxes	**27,409**	**16,542**
Net Income	**129,960**	**100,647**
Unappropriated Retained Earnings Brought Forward	**239,125**	**246,798**
Unappropriated Retained Earnings at the End of the Year	**369,086**	**347,445**