

Consolidated Balance Sheet

The Juroku Bank, Ltd. and Consolidated Subsidiaries March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS:			
Cash and due from banks (Notes 5 and 28)	¥ 947,016	¥ 632,783	\$ 8,554,024
Trading securities (Notes 6 and 28)	291	408	2,628
Money held in trust (Notes 7 and 28)	12,312	8,512	111,209
Securities (Notes 6, 12, 13 and 28)	1,558,600	1,251,602	14,078,222
Loans and bills discounted (Notes 8, 28 and 29)	4,481,150	4,345,574	40,476,470
Foreign exchanges (Notes 8 and 9)	7,986	7,979	72,135
Lease receivables and investments in leases (Note 27)	57,217	59,219	516,819
Other assets (Notes 10, 13, 28 and 30)	104,968	99,249	948,135
Premises and equipment (Note 11)	59,415	62,333	536,672
Goodwill	4,098	4,550	37,016
Intangible assets	3,485	4,075	31,479
Asset for retirement benefits for employees (Note 17)	12,428	2,332	112,257
Deferred tax assets (Note 26)	690	853	6,233
Customers' liabilities for acceptances and guarantees (Note 12)	14,572	17,028	131,623
Allowance for loan losses (Notes 3 and 28)	(25,853)	(24,043)	(233,520)
Total Assets	¥7,238,375	¥6,472,454	\$65,381,402
LIABILITIES AND EQUITY:			
Liabilities:			
Deposits (Notes 13, 14 and 28)	¥6,072,473	¥5,610,659	\$54,850,267
Negotiable certificates of deposit (Note 28)	28,100	38,050	253,816
Payables under repurchase agreements (Notes 13 and 28)	126,701	140,754	1,144,440
Payables under securities lending transactions (Note 13)	29,672	15,153	268,016
Borrowed money (Notes 13, 15 and 28)	467,151	208,421	4,219,592
Foreign exchanges (Note 9)	1,089	982	9,837
Other liabilities (Notes 15, 16, 18, 27, 28 and 30)	64,076	53,124	578,774
Liability for retirement benefits for employees (Note 17)	6,239	6,353	56,354
Liability for retirement benefits for directors and Audit & Supervisory Board members	6	8	54
Provision required under the Special Act	5	2	45
Deferred tax liabilities (Note 26)	18,735	8,433	169,226
Deferred tax liabilities for land revaluation surplus	6,546	7,083	59,127
Acceptances and guarantees (Note 12)	14,572	17,028	131,623
Total Liabilities	6,835,365	6,106,050	61,741,171
Commitments and Contingent Liabilities (Note 29)			
Equity (Notes 19, 20 and 33):			
Common stock: authorized, 46,000,000 shares in 2021 and 2020; issued, 37,924,134 shares in 2021 and 37,924,134 in 2020	36,839	36,839	332,752
Capital surplus (Note 4)	53,396	51,435	482,305
Stock acquisition rights	169	161	1,527
Retained earnings	224,571	211,679	2,028,462
Treasury stock—at cost, 551,242 shares in 2021 and 555,674 shares in 2020	(1,537)	(1,554)	(13,883)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 6)	59,291	39,918	535,552
Deferred gain (loss) on derivatives under hedge accounting	259	(174)	2,340
Land revaluation surplus	12,766	13,925	115,310
Defined retirement benefit plans (Note 17)	3,993	(1,997)	36,067
Total	389,747	350,232	3,520,432
Noncontrolling interests	13,263	16,172	119,799
Total Equity	403,010	366,404	3,640,231
Total Liabilities and Equity	¥7,238,375	¥6,472,454	\$65,381,402

See notes to consolidated financial statements.

Consolidated Statement of Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Income:			
Interest on:			
Loans and discounts	¥ 38,766	¥ 39,184	\$350,158
Securities	11,845	15,171	106,991
Other	464	407	4,191
Fees and commissions	21,244	21,447	191,889
Other operating income (Note 21)	32,741	28,562	295,737
Other income (Note 22)	6,287	2,092	56,788
Total income	111,347	106,863	1,005,754
Expenses:			
Interest on:			
Deposits	383	657	3,459
Borrowings and re-discounts	200	287	1,807
Payables under repurchase agreements	(117)	1,940	(1,057)
Other	70	48	632
Fees and commissions	5,653	5,645	51,061
Other operating expenses (Note 6)	27,542	24,788	248,776
General and administrative expenses (Note 23)	46,809	48,410	422,807
Allowance for loan losses	4,005	3,683	36,176
Impairment loss on long-lived assets (Note 24)	2,005	133	18,110
Other expenses (Note 25)	2,272	1,997	20,523
Total expenses	88,822	87,588	802,294
Income before Income Taxes	22,525	19,275	203,460
Income Taxes (Note 26):			
Current	8,109	6,072	73,245
Deferred	(939)	(13)	(8,481)
Total Income Taxes	7,170	6,059	64,764
Net Income	15,355	13,216	138,696
Net Income Attributable to Noncontrolling Interests	632	354	5,709
Net Income Attributable to Owners of the Parent	¥ 14,723	¥ 12,862	\$132,987

	Yen		U.S. Dollars
	2021	2020	2021
Per Share of Common Stock (Notes 2.v and 32):			
Basic net income	¥393.94	¥344.22	\$3.56
Diluted net income	393.26	343.70	3.55
Cash dividends applicable to the year—common stock	90.00	70.00	0.81

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net income	¥ 15,355	¥ 13,216	\$138,696
Other Comprehensive Income (Loss) (Note 31):			
Unrealized gain (loss) on available-for-sale securities	19,355	(13,864)	174,826
Deferred gain (loss) on derivatives under hedge accounting	433	(174)	3,911
Defined retirement benefit plans	5,990	(1,566)	54,105
Total other comprehensive income (loss)	25,778	(15,604)	232,842
Comprehensive Income (Loss)	¥ 41,133	¥ (2,388)	\$371,538
Total Comprehensive Income (Loss) Attributable to:			
Owners of the parent	¥ 40,518	¥ (2,659)	\$365,983
Noncontrolling interests	615	271	5,555

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Juroku Bank, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2021

	Thousands Outstanding Number of Shares of Common Stock	Millions of Yen											
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncon- trolling Interests	Total Equity
							Unrealized Gain on Available -for-sale Securities	Deferred loss on derivatives under hedge accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans			
Balance at April 1, 2019	37,357	¥36,839	¥50,190	¥160	¥201,322	¥(1,585)	¥ 53,699	—	¥14,035	¥ (431)	¥354,229	¥15,970	¥370,199
Purchase of shares of consolidated subsidiaries	—	—	1,244	—	—	—	—	—	—	—	1,244	—	1,244
Net income attributable to owners of the parent	—	—	—	—	12,862	—	—	—	—	—	12,862	—	12,862
Cash dividends, ¥70.00 per share on common stock	—	—	—	—	(2,615)	—	—	—	—	—	(2,615)	—	(2,615)
Transfer of land revaluation surplus	—	—	—	—	110	—	—	—	—	—	110	—	110
Purchase of treasury stock	(2)	—	—	—	—	(4)	—	—	—	—	(4)	—	(4)
Disposal of treasury stock	13	—	1	—	—	35	—	—	—	—	36	—	36
Net change in the year	—	—	—	1	—	—	(13,781)	¥(174)	(110)	(1,566)	(15,630)	202	(15,428)
Balance at April 1, 2020	37,368	36,839	51,435	161	211,679	(1,554)	39,918	(174)	13,925	(1,997)	350,232	16,172	366,404
Purchase of shares of consolidated subsidiaries	—	—	1,963	—	—	—	—	—	—	—	1,963	—	1,963
Net income attributable to owners of the parent	—	—	—	—	14,723	—	—	—	—	—	14,723	—	14,723
Cash dividends, ¥80.00 per share on common stock	—	—	—	—	(2,990)	—	—	—	—	—	(2,990)	—	(2,990)
Transfer of land revaluation surplus	—	—	—	—	1,159	—	—	—	—	—	1,159	—	1,159
Purchase of treasury stock	(5)	—	—	—	—	(9)	—	—	—	—	(9)	—	(9)
Disposal of treasury stock	10	—	(2)	—	—	26	—	—	—	—	24	—	24
Net change in the year	—	—	—	8	—	—	19,373	433	(1,159)	5,990	24,645	(2,909)	21,736
Balance at March 31, 2021	37,373	¥36,839	¥53,396	¥169	¥224,571	¥(1,537)	¥ 59,291	¥259	¥12,766	¥ 3,993	¥389,747	¥13,263	¥403,010

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncon- trolling Interests	Total Equity
						Unrealized Gain on Available -for-sale Securities	Deferred loss on derivatives under hedge accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans			
Balance at April 1, 2020	\$332,752	\$464,592	\$1,454	\$1,912,013	\$(14,037)	\$360,564	\$(1,571)	\$125,779	\$(18,038)	\$3,163,508	\$146,075	\$3,309,583
Purchase of shares of consolidated subsidiaries	—	17,731	—	—	—	—	—	—	—	17,731	—	17,731
Net income attributable to owners of the parent	—	—	—	132,987	—	—	—	—	—	132,987	—	132,987
Cash dividends, \$0.72 per share on common stock	—	—	—	(27,007)	—	—	—	—	—	(27,007)	—	(27,007)
Transfer of land revaluation surplus	—	—	—	10,469	—	—	—	—	—	10,469	—	10,469
Purchase of treasury stock	—	—	—	—	(81)	—	—	—	—	(81)	—	(81)
Disposal of treasury stock	—	(18)	—	—	235	—	—	—	—	217	—	217
Net change in the year	—	—	73	—	—	174,988	3,911	(10,469)	54,105	222,608	(26,276)	196,332
Balance at March 31, 2021	\$332,752	\$482,305	\$1,527	\$2,028,462	\$(13,883)	\$535,552	\$ 2,340	\$115,310	\$ 36,067	\$3,520,432	\$119,799	\$3,640,231

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Juroku Bank, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 22,525	¥ 19,275	\$ 203,460
Adjustments for:			
Income taxes—paid	(6,219)	(5,313)	(56,174)
Income taxes—refund	2	2	18
Depreciation	3,577	3,923	32,310
Impairment loss on long-lived assets	2,005	133	18,110
Interest income recognized on statements of income	(51,075)	(54,762)	(461,340)
Interest expense recognized on statements of income	536	2,932	4,841
Net gain on securities	(4,597)	(1,091)	(41,523)
Unrealized loss (gain) on derivatives	498	(287)	4,498
Net increase (decrease) in allowance for loan losses	1,810	(724)	16,349
Net increase in asset for retirement benefits for employees	(1,609)	(745)	(14,533)
Net decrease in liability for retirement benefits for employees	(53)	(50)	(479)
Net decrease in liability for retirement benefits for directors and Audit & Supervisory Board members	(2)	(1)	(18)
Net increase in provision required under the Special Act	3	2	27
Net increase in loans	(135,576)	(41,335)	(1,224,605)
Net increase in deposits	461,814	118,432	4,171,385
Net decrease in negotiable certificates of deposit	(9,950)	(17,549)	(89,874)
Net increase in borrowed money (excluding subordinated loans)	258,731	145,419	2,337,016
Net (increase) decrease in due from banks (excluding cash equivalents)	(12,467)	2,025	(112,610)
Net decrease in call money and others	(14,053)	(45,317)	(126,935)
Net increase in money held in trust	(3,800)	(0)	(34,324)
Net increase (decrease) in payables under securities lending transactions	14,519	(90,778)	131,144
Net decrease (increase) in lease receivables and investments in leases	2,001	(3,640)	18,074
Interest income—cash basis	51,923	55,915	469,000
Interest expense—cash basis	(1,157)	(3,863)	(10,451)
Other—net	1,204	1,641	10,876
Total adjustments	558,065	64,969	5,040,782
Net cash provided by operating activities—(Forward)	580,590	84,244	5,244,242
INVESTING ACTIVITIES:			
Purchases of securities	(695,422)	(439,772)	(6,281,474)
Proceeds from sales of securities	285,246	215,077	2,576,515
Proceeds from maturities of securities	137,927	295,175	1,245,840
Purchases of premises and equipment	(1,059)	(1,208)	(9,566)
Purchases of intangible assets	(922)	(785)	(8,328)
Proceeds from sales of premises and equipment	71	149	641
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation (Note 4)	—	(5,465)	—
Other—net	(48)	(49)	(433)
Net cash (used in) provided by investing activities	(274,207)	63,122	(2,476,805)
FINANCING ACTIVITIES:			
Proceeds from sales of treasury stock	0	—	4
Acquisition of treasury stock	(9)	(3)	(81)
Acquisition of treasury stock of subsidiaries	—	(558)	—
Dividends paid	(3,235)	(2,814)	(29,220)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Note 4)	(1,380)	(359)	(12,465)
Net cash used in financing activities	(4,624)	(3,734)	(41,766)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	7	(5)	63
NET INCREASE IN CASH AND CASH EQUIVALENTS	301,766	143,627	2,725,734
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	629,152	485,525	5,682,883
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5)	¥930,918	¥629,152	\$8,408,617

Notes to Consolidated Financial Statements

The Juroku Bank, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Juroku Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2021, include the accounts of the Bank and its seven (seven in 2020) significant subsidiaries, including Juroku Business Service Co., Ltd., Juroku Research Institute Co., Ltd., Juroku Card Co., Ltd., Juroku Lease Co., Ltd., Juroku Computer Service Co., Ltd., Juroku Credit Guarantee Co., Ltd., and Juroku Tokai Tokyo Securities Co., Ltd. ("Juroku TT Securities") (together, the "Group").

Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in eight (seven in 2020) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group have been eliminated in consolidation.

The balance sheet date for all consolidated subsidiaries is the end of March for each year, which is consistent with the balance sheet date of the Group.

b. Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Securities

Trading securities are stated at fair value and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

e. Securities

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value with unrealized gains and losses, net of applicable taxes, and are reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings. Securities included in money held in trust for other purposes are accounted for by the same method as the above (2) available-for-sale securities.

f. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank, except for leased assets, is computed using the declining-balance method over the estimated useful lives of the assets.

The range of useful lives is principally from 15 to 50 years for buildings and from 4 to 20 years for other premises and equipment.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

Under certain conditions, such as exchanges of premises and equipment for similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The deferred gain on premises and equipment resulting from the reduction of the cost of the assets acquired, which is taxable for tax purposes in the future, was ¥989 million (\$8,933 thousand) and ¥989 million as of March 31, 2021 and 2020, respectively.

g. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

b. Land Revaluation

Under the "Law of Land Revaluation," the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥11,362 million (\$102,628 thousand) and ¥14,081 million as of March 31, 2021 and 2020, respectively.

i. Intangible Assets

Amortization of intangible assets is calculated using the straight-line method.

Amortization cost of software for internal use is calculated using the straight-line method over the estimated useful life, principally, five years.

j. Allowance for Loan Losses

The Bank and its consolidated subsidiaries implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which the customers are classified into five categories such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." The credit rating system is used for the self-assessment of asset quality.

With respect to loans to customers who are likely to become bankrupt or to be closely monitored, which are classified within normal and caution loans, the allowance for loan losses is calculated based on the projected future losses for the following three years, whilst for other loans, for the following one year. The projected future losses are calculated by group (i.e. residential loans and non-residential loans), based on the loss ratios, which are based on the average of actual past loss ratios for the past three years or one year, respectively. For loans such as possible bankruptcy, the allowance for loan losses is calculated based on an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the allowance for loan losses is calculated based upon the loan amount after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers and customers who are likely to become bankrupt or to be closely monitored, the discounted cash flow method is applied to calculate the loss provision. In these circumstances, the reserve is determined as the difference between the book value of the loan and the present value of future cash flows, which are discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

k. Liability for Retirement Benefits

The Bank has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that should be paid if employees retired at the consolidated balance sheet date.

The liability for retirement benefits is based on projected benefit obligations and plan assets at the end of the fiscal year. The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are recognized in profit or loss as incurred over three years within the expected average remaining service period of the employees. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees, starting in the fiscal year following the occurrence of such differences.

Retirement benefits to directors and Audit & Supervisory Board members of consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date based on internal policies.

(Additional Information)

The Bank has revised its contributory funded defined benefit pension plan on October 1, 2020, including a reduction in the interest rate used to calculate the retirement benefits. As of July 10, 2020, the relevant parties have been notified of the changes to the policies and rules pursuant to these revisions.

Regarding the accounting treatment of these revisions, the Bank has applied "Accounting for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan ("ASBJ") Guidance No.1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issues Task Force ("PITF") No. 2, February 7, 2007).

As a result, ¥4,408 million (\$39,816 thousand) of past service costs (reduction of defined benefit obligations) were incurred, and the cost processing process (reduction of expenses) was commenced in July 2020.

l. Stock Option

The cost of stock options is measured based at fair value on the date of grant and is recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

m. Leases

In regard to finance leases, sales and cost of sales are recognized when lease payments are received.

All other leases are accounted for as operating leases.

n. Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members of consolidated subsidiaries are accrued at the end of the year to which such bonuses are attributable.

o. Provision for Losses from Reimbursement of Inactive Accounts

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

p. Provision for Contingent Losses

The Bank provides a provision for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

q. Provision Required under the Special Act

The provision required under the Special Act is a financial instruments transaction liability reserve for consolidated subsidiaries engaged in financial instruments business, and is provided to prepare for losses arising from operational incidents incurred in relation to trading and other securities transactions. The amount of the provision is calculated pursuant to the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Order on Financial Instruments Business.

r. Income Taxes

The provision for current income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

s. Foreign Currency Transactions

Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

t. Derivatives and Hedging Activities

The Bank uses a variety of derivative financial instruments.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The Bank applies the deferral method of hedge accounting to hedges of interest rate risk associated with financial assets and liabilities in accordance with "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry-specific Committees Practical Guideline No. 24 issued by the Japanese Institute of Certified Public Accountants. Under JICPA Industry-specific Committees Practical Guideline No. 24, hedges to offset changes in fair value of fixed rate instruments (such as securities) (fair value hedges) are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

u. Consumption Taxes

The Bank and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method.

v. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year, not retroactively adjusted for a reverse stock split.

w. New Accounting Pronouncements

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)
“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue will be recognized based on the following five steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations under the contract
- Step 5: Recognize revenue when (or as) the performance obligation is satisfied

(2) Application date

The Bank will apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Impact of adoption

The Bank is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

“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)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to increase the international comparability of accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as the “Fair Value Measurement Standards, etc.”) were developed, and guidance and other rules were established with regard to the method for fair value measurement. Fair Value Measurement Standards, etc. will be applicable for the fair value of the following items.

- Financial instruments defined in “Accounting Standard for Financial Instruments”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to include notes regarding the breakdown by each level of fair value of financial instruments.

(2) Application date

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

(3) Impact of adoption

The Bank is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

x. Changes in Presentation

Application of the “Accounting Standard for Disclosure of Accounting Estimates”

The Bank has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and has disclosed additional information regarding significant accounting estimates.

However, information for the previous fiscal year is not provided in accordance with the transitional treatment stated in Paragraph 11 of the above accounting standard.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for Loan Losses

(1) Amount recorded on the consolidated financial statements in the year ended March 31, 2021

Allowance for loan losses: ¥25,853 million (\$233,520 thousand)

(2) Information contributing to the understanding of details related to significant accounting estimates for certain items

1. Calculation method

The calculation method of allowance for loan losses is described in “Note 2.j, “Allowance for Loan Losses.””

2. Primary assumptions

a) The performance forecast of debtors, including those who prepare management improvement plans, used to determine the debtor classification, estimate future cash flows related to the collection of the loan principal and interest, is prepared based on assumptions derived from available information.

Specifically, management improvement plans were developed based on future performance forecasts, which include future sales forecast, prospect of future expense reduction, and future cash flow prospect, among others. Accordingly, the reasonableness and the feasibility of the plan are determined based on industry trends and individual management improvement plans of the debtors.

b) The effect of the spread of the new coronavirus disease on the economy is expected to continue over the next consolidated fiscal year considering the current situation of the infection. Although the extent of the effect is expected to vary by each debtor, the determination of the debtor classification, estimate of future cash flows related to the collection of the loan principal and interest are based on the assumption that the credit risk for loans originating from the Bank and its consolidated subsidiaries will be affected within the range of the above assumptions. The above assumption has been changed from the one in the previous fiscal year end, which stated that the effect of the spread of the new coronavirus disease is expected to converge moderately towards the end of the current fiscal year.

c) For loans other than those for which the discounted cash flow method is applied, it is assumed that “normal” loans will incur approximately the same amount of losses as those from previous years, “caution” loans will incur approximately the same amount of losses as those from previous years and loans to customers who are likely to become bankrupt or to be closely monitored, which are classified within normal and caution loans, will incur approximately the same amount of losses as those from previous years.

3. Impact on the consolidated financial statements for the next fiscal year

If the assumptions used in the initial estimate changes due to changes in the external environment, including the situation of the spread of the new coronavirus disease, or the internal environment of the debtor, among others, there is a possibility that the amount of allowance will increase or decrease due to changes in the debtor classification, fluctuations of cash flow estimates or the occurrence of circumstances in which actual bad debt losses differ from the initial assumption, which may result in a significant impact on the consolidated financial statements.

4. BUSINESS COMBINATIONS

For the Year Ended March 31, 2021

Acquisition of Additional Shares of a Consolidated Subsidiary

On June 29, 2020, the Bank has acquired part of the shares of Juroku Lease Co., Ltd., which is a consolidated subsidiary, owned by noncontrolling interests, in exchange for cash in the amount of ¥1,380 million (\$12,465 thousand). This transaction was made to strengthen the governance and increase profitability of the Bank. The transaction was accounted for as a transaction with noncontrolling interests under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures." As a result, the Bank's voting rights ratio in Juroku Lease Co., Ltd. has increased to 49.81% (36.28% prior to acquisition). The Bank has recognized an increase of capital surplus in the amount of ¥1,963 million (\$17,731 thousand) for the year ended March 31, 2021.

5. CASH AND DUE FROM BANKS

Cash and due from banks as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash	¥ 62,333	¥ 67,439	\$ 563,030
Due from banks	884,683	565,344	7,990,994
Total	¥947,016	¥632,783	\$8,554,024

A reconciliation between the cash and due from banks in the consolidated balance sheet and the cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and due from banks	¥947,016	¥632,783	\$8,554,024
Due from banks other than the Bank of Japan	(16,098)	(3,631)	(145,407)
Cash and cash equivalents	¥930,918	¥629,152	\$8,408,617

Major Breakdown of Assets and Liabilities of the Company, Which Became a Consolidated Subsidiary as a Result of Acquisition of Shares

For the Year Ended March 31, 2020

The major breakdown of assets and liabilities at the start of consolidation of Juroku TT Securities due to acquisition of shares, as well as the relationship between the acquisition value of Juroku TT Securities' shares and the expenditure for the acquisition of Juroku TT Securities' shares, were as follows:

	Millions of Yen
Assets	¥ 6,887
Cash	4,016
Liabilities	(1,237)
Other liabilities	(976)
Noncontrolling interests	(2,261)
Goodwill	2,076
Acquisition value of Juroku TT Securities' shares	5,465
Expenditure for acquisition of Juroku TT Securities' shares	5,465

There was no transaction applicable as of March 31, 2021.

6. TRADING SECURITIES AND SECURITIES

Trading securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Japanese government bonds	¥263	¥372	\$2,375
Japanese local government bonds	28	36	253
Total	¥291	¥408	\$2,628

The Bank records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2021 and 2020, the Bank recorded net valuation losses of ¥5 million (\$45 thousand) and ¥6 million, respectively.

Securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Equity securities	¥ 147,529	¥ 118,933	\$ 1,332,572
Japanese government bonds	258,074	181,970	2,331,081
Japanese local government bonds	480,454	334,349	4,339,752
Japanese corporate bonds	290,757	219,332	2,626,294
Other securities	381,786	397,018	3,448,523
Total	¥1,558,600	¥1,251,602	\$14,078,222

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥58,329 million (\$526,863 thousand) and ¥55,693 million as of March 31, 2021 and 2020, were included in Japanese government bonds, respectively.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2021 and 2020, was as follows:

March 31, 2021	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 53,486	¥88,922	¥1,099	¥141,309
Debt securities	971,656	2,796	3,245	971,207
Other	366,167	4,871	7,653	363,385
Held-to-maturity—debt securities	58,079	303	203	58,179

March 31, 2020	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 56,499	¥58,907	¥2,974	¥112,432
Debt securities	681,062	3,414	1,894	682,582
Other	377,161	7,419	7,784	376,796
Held-to-maturity—debt securities	53,069	337	148	53,258

March 31, 2021	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 483,118	\$803,198	\$ 9,927	\$1,276,389
Debt securities	8,776,588	25,255	29,311	8,772,532
Other	3,307,443	43,998	69,127	3,282,314
Held-to-maturity—debt securities	524,604	2,737	1,833	525,508

Proceeds from sales of available-for-sale securities for the years ended March 31, 2021 and 2020, consisted of the following:

March 31, 2021	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 22,929	¥4,971	¥ 875
Debt securities:			
Japanese government bonds	9,317	19	103
Japanese corporate bonds	3,214	14	—
Other	224,411	4,823	2,397
Total	¥259,871	¥9,827	¥3,375

March 31, 2020	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 4,107	¥1,607	¥ 305
Debt securities:			
Japanese government bonds	39,682	182	692
Japanese corporate bonds	1,907	7	—
Other	132,130	2,834	894
Total	¥177,826	¥4,630	¥1,891

March 31, 2021	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Equity securities	\$ 207,109	\$44,901	\$ 7,904
Debt securities:			
Japanese government bonds	84,157	172	930
Japanese corporate bonds	29,031	126	—
Other	2,027,016	43,564	21,651
Total	\$2,347,313	\$88,763	\$30,485

In addition, held-to-maturity securities amounting to ¥252 million (\$2,276 thousand) and ¥170 million were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2021 and 2020. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

Securities other than trading securities (excluding those securities whose fair value cannot be reliably determined) whose fair value significantly declined below the acquisition cost and is considered not likely to be recovered are written down to their respective fair value, which is recorded as the carrying amount on the consolidated balance sheets.

The fair value is deemed to have significantly declined if the year-end fair value declined by 30% or more from the acquisition cost for securities issued by bankrupt borrowers, virtually bankrupt borrowers, potentially bankrupt borrowers, and borrowers who are likely to become bankrupt or to be closely monitored, and if the fair value declined by 50% or more from the acquisition cost for securities issued by normal borrowers.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2021, was ¥214 million (\$1,933 thousand) of debt securities.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2020, was ¥1,204 million, which consisted of ¥1,090 million of equity securities and ¥114 million of debt securities.

Unrealized gain on available-for-sale securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	
Unrealized gain before deferred tax on:			
Available-for-sale securities	¥84,517	¥57,038	\$763,409
Money held in trust—other	12	11	108
Deferred tax liabilities	(25,068)	(16,944)	(226,429)
Unrealized gain on available-for-sale securities before interest adjustments	59,461	40,105	537,088
Noncontrolling interests	(170)	(187)	(1,536)
Unrealized gain on available-for-sale securities	¥59,291	¥39,918	\$535,552

Unrealized gain before deferred tax on available-for-sale securities includes ¥155 million (\$1,400 thousand) and ¥117 million of revaluation gain on available-for-sale securities as of March 31, 2021 and 2020, respectively, which are held by an investment limited partnership and similar groups.

Investments in and advances to subsidiaries and associated companies as of March 31, 2021 and 2020, were ¥663 million (\$5,989 thousand) and ¥646 million, respectively.

7. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2021 and 2020, was as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2021	2020	
Money held in trust classified as trading purpose	¥ 6,000	¥6,000	\$ 54,195
Money held in trust—other	6,312	2,512	57,014
Total	¥12,312	¥8,512	\$111,209

8. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	
Bills discounted	¥ 11,765	¥ 20,085	\$ 106,269
Loans on bills	93,957	123,376	848,677
Loans on deeds	4,038,394	3,809,349	36,477,229
Overdrafts	332,355	388,685	3,002,032
Others	4,679	4,079	42,263
Total	¥4,481,150	¥4,345,574	\$40,476,470

"Nonaccrual loans," which include loans to borrowers in bankruptcy and past due loans, are defined as loans upon which the Bank has discontinued the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to the ultimate collectability of either the principal or interest and if the loans are past due for a certain period of time or for other reasons.

"Loans to borrowers in bankruptcy" represent nonaccrual loans to debtors who are legally bankrupt, which is defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporate Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2021 and 2020, were ¥3,072 million (\$27,748 thousand) and ¥3,943 million, respectively.

"Past due loans" are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of a debtor in financial difficulty. Past due loans as of March 31, 2021 and 2020, were ¥65,607 million (\$592,602 thousand) and 58,876 million, respectively.

"Accruing loans past due three months or more" are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded from accruing loans past due three months or more. Accruing loans past due three months or more as of March 31, 2021 and 2020, were ¥52 million (\$470 thousand) and ¥99 million, respectively.

"Restructured loans" are defined as loans in which the Group is providing financial support to a borrower by a reduction of interest rates, deferral of interest payments, extension of maturity dates, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans and accruing loans past due three months or more are excluded from restructured loans. Restructured loans as of March 31, 2021 and 2020, were ¥2,668 million (\$24,099 thousand) and ¥1,958 million, respectively.

The total amount of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2021 and 2020, were ¥71,399 million (\$644,919 thousand) and ¥64,876 million, respectively.

Bills discounted are accounted for as financing transactions in accordance with "Accounting and Auditing Treatments on the Application

of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry-specific Committees Practical Guideline No. 24) issued by the Japanese Institute of Certified Public Accountants. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions. The total fair value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2021 and 2020, were ¥12,267 million (\$110,803 thousand) and ¥20,918 million, respectively.

9. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets:			
Due from foreign correspondent account	¥7,033	¥6,779	\$63,526
Foreign bills of exchange bought	502	834	4,535
Foreign bills of exchange receivable	451	366	4,074
Total	¥7,986	¥7,979	\$72,135
Liabilities:			
Due to foreign correspondent account	¥ 816	¥ 805	\$ 7,371
Foreign bills of exchange payable	273	177	2,466
Total	¥1,089	¥ 982	\$ 9,837

10. OTHER ASSETS

Other assets as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accrued income	¥ 4,149	¥ 4,446	\$ 37,476
Accounts receivable	9,801	10,558	88,529
Installment receivables	16,581	15,353	149,770
Derivative assets	6,569	6,624	59,335
Other	67,868	62,268	613,025
Total	¥104,968	¥99,249	\$948,135

11. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Land	¥43,328	¥45,784	\$391,365
Building	10,907	11,730	98,519
Construction in progress	4	2	36
Other	5,176	4,817	46,752
Total	¥59,415	¥62,333	\$536,672

The accumulated depreciation of premises and equipment as of March 31, 2021 and 2020, amounted to ¥62,369 million (\$563,355 thousand) and ¥61,936 million, respectively.

12. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007, and effective from the fiscal years beginning on and after April 1, 2006. The Bank offsets customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥58,460 million (\$528,046 thousand) and ¥53,242 million arising from guarantees of private placement securities as of March 31, 2021 and 2020, respectively.

13. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets pledged as collateral:			
Securities	¥659,216	¥407,966	\$5,954,440
Other assets	56	73	505
Total	¥659,272	¥408,039	\$5,954,945
Relevant liabilities to above assets:			
Deposits	¥110,382	¥ 97,893	\$ 997,037
Payables under repurchase agreements	126,700	140,754	1,144,431
Payables under securities lending transactions	29,672	15,153	268,016
Borrowed money	445,093	186,470	4,020,351
Total	¥711,847	¥440,270	\$6,429,835

Additionally, initial margins of futures markets, cash collateral received for financial instruments liabilities, guarantee deposits and initial margins of Central Counterparty included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Initial margins of future markets	¥ 1,478	¥ 507	\$ 13,350
Cash collateral received for financial instruments liabilities	1,602	242	14,470
Guarantee deposits	2,070	2,181	18,698
Initial margins of Central Counterparty	51,850	53,350	468,341
Total	¥57,000	¥56,280	\$514,859

14. DEPOSITS

Deposits as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current deposits	¥ 445,581	¥ 363,391	\$ 4,024,758
Ordinary deposits	3,432,907	2,982,591	31,008,102
Deposits at notice	40,895	92,737	369,389
Savings deposits	99,018	35,040	894,391
Time deposits	1,975,548	2,052,819	17,844,350
Other deposits	78,524	84,081	709,277
Total	¥6,072,473	¥5,610,659	\$54,850,267

15. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Borrowings due serially to February 2026 with weighted average interest rates of 0.01% in 2021 and 0.16% in 2020	¥467,151	¥208,421	\$4,219,592
Lease obligation	—	0	—

Weighted average interest rates of lease obligation are not represented because the lease obligation is disclosed on the balance sheet without deducting the interest portion which is included in the amount of the lease obligation.

Annual maturities of borrowings as of March 31, 2021 and 2020, were as follows:

As of March 31, 2021 Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
2022	¥259,351		\$2,342,616
2023	33,870		305,935
2024	112,362		1,014,922
2025	61,193		552,732
2026	375		3,387
2027 and thereafter	—		—
Total	¥467,151		\$4,219,592

As of March 31, 2020 Year Ending March 31	Millions of Yen	
	2021	2020
2021	¥ 98,222	
2022	5,208	
2023	32,978	
2024	71,513	
2025	500	
2026 and thereafter	—	
Total	¥208,421	

There was no lease obligation as of March 31, 2021.

Annual maturities of lease obligation as of March 31, 2020, were as follows:

As of March 31, 2020 Year Ending March 31	Millions of Yen	
	2021	2020
2021	¥ 0	
2022	—	
2023	—	
2024	—	
2025	—	
2026 and thereafter	—	
Total	¥ 0	

16. OTHER LIABILITIES

Other liabilities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Domestic exchange settlement account, credit*	¥ 154	¥ 139	\$ 1,391
Income taxes payable	5,508	3,557	49,752
Accrued expenses	1,324	1,900	11,959
Deferred income	17,021	16,543	153,744
Employees' deposits	2,534	2,571	22,889
Derivative liabilities	9,792	6,253	88,447
Accounts payable	7,929	8,491	71,620
Other	19,814	13,670	178,972
Total	¥64,076	¥53,124	\$578,774

* The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks, which have not been settled.

17. RETIREMENT AND PENSION PLANS

The Bank has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date. The Bank contributed certain assets to the employee retirement benefit trust for the Bank's contributory funded defined benefit pension plan and the assets in this trust are qualified as plan assets. The Bank has revised its contributory funded defined benefit pension plan on October 1, 2020, including a reduction in the interest rate used to calculate the retirement benefits.

(1) The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥46,543	¥46,583	\$420,405
Current service cost	1,500	1,974	13,549
Interest cost	147	158	1,328
Actuarial losses	256	114	2,312
Benefits paid	(2,235)	(2,286)	(20,188)
Past service cost	(4,408)	—	(39,816)
Balance at end of year	¥41,803	¥46,543	\$377,590

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥42,522	¥44,002	\$384,085
Expected return on plan assets	1,275	1,320	11,516
Actuarial gains (losses)	5,176	(1,914)	46,753
Contributions from the employer	679	788	6,133
Benefits paid	(1,660)	(1,674)	(14,994)
Balance at end of year	¥47,992	¥42,522	\$433,493

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 35,564	¥ 40,190	\$ 321,236
Plan assets	(47,992)	(42,522)	(433,493)
Unfunded defined benefit obligation	6,239	6,353	56,354
Net (asset) liability arising from defined benefit obligation	¥ (6,189)	¥ 4,021	\$ (55,903)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits for employees	¥ 6,239	¥ 6,353	\$ 56,354
Asset for retirement benefits for employees	(12,428)	(2,332)	(112,257)
Net (asset) liability arising from defined benefit obligation	¥ (6,189)	¥ 4,021	\$ (55,903)

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥1,500	¥1,974	\$13,549
Interest cost	147	158	1,328
Expected return on plan assets	(1,275)	(1,320)	(11,516)
Recognized actuarial losses (gains)	321	(207)	2,899
Past service cost	(1,102)	—	(9,954)
Net periodic benefit costs	¥ (409)	¥ 605	\$ (3,694)

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Past service cost	¥3,306	—	\$29,862
Actuarial gains (losses)	5,241	¥(2,235)	47,340
Total	¥8,547	¥(2,235)	\$77,202

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized past service cost	¥(3,306)	—	\$(29,862)
Unrecognized actuarial (gains) losses	(2,392)	¥2,850	(21,606)
Total	¥(5,698)	¥2,850	\$(51,468)

(7) Plan assets

(a) Components of plan assets

Plan assets consisted of the following:

	2021	2020
Debt investments	27%	26%
Equity investments	40	34
General account for life insurance	19	22
Others	14	18
Total	100%	100%

Note: The retirement benefit trust that contributed to the pension plan is included in the plan assets and constitutes 19% and 16% of the total plan assets as of March 31, 2021 and 2020.

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the current and future asset portfolio and the long-term rates of return which are expected currently and in the future from the variety of plan assets in the asset portfolio.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate:		
Lump-sum payment	0.084%	0.084%
Pension plan	0.382	0.382
Expected rate of return on plan assets	3.000	3.000

The amount to be paid to defined contribution pension plan was ¥369 million (\$3,333 thousand) and ¥367 million for the years ended March 31, 2021 and 2020, respectively.

18. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

Asset retirement obligations are calculated based on the estimated available periods of 4 to 47 years depending on the expected useful lives of buildings using discount rates from 0.000% to 2.461%.

The changes in asset retirement obligations, which are included in other liabilities, for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥219	¥216	\$1,978
Reconciliation associated with passage of time	4	3	36
Decrease due to fulfillment of asset retirement obligations	(20)	—	(180)
Balance at end of year	¥203	¥219	\$1,834

19. EQUITY

Japanese banks are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year, in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet the criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Japanese Banking Law also provides that an amount equal to at least 20% of the aggregate amount of cash dividends and certain other cash payments, which are made as an appropriation of retained earnings applicable to each fiscal period, shall be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve that exceeds 100% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Bank's legal reserve amount, which is included in retained earnings, totals ¥20,155 million (\$182,052 thousand) and ¥20,155 million as of March 31, 2021 and 2020, respectively.

20. STOCK OPTIONS

The stock options outstanding as of March 31, 2021, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option	11 directors	12,620 shares	2013.7.23	¥ 1 (\$0.01)	From July 24, 2013 to July 23, 2043
2014 Stock Option	11 directors	15,550 shares	2014.7.23	¥ 1 (\$0.01)	From July 24, 2014 to July 23, 2044
2015 Stock Option	10 directors	9,600 shares	2015.7.23	¥ 1 (\$0.01)	From July 24, 2015 to July 23, 2045
2016 Stock Option	7 directors 8 executive officers	16,350 shares	2016.7.22	¥ 1 (\$0.01)	From July 23, 2016 to July 22, 2046
2017 Stock Option	7 directors 8 executive officers	12,350 shares	2017.7.21	¥ 1 (\$0.01)	From July 22, 2017 to July 21, 2047
2018 Stock Option	7 directors 9 executive officers	14,230 shares	2018.7.23	¥ 1 (\$0.01)	From July 24, 2018 to July 23, 2048
2019 Stock Option	7 directors 9 executive officers	18,410 shares	2019.7.23	¥ 1 (\$0.01)	From July 24, 2019 to July 23, 2049
2020 Stock Option	6 directors 9 executive officers	19,540 shares	2020.7.22	¥ 1 (\$0.01)	From July 23, 2020 to July 22, 2050

The stock option activity is as follows:

Year Ended March 31, 2021	2013	2014	2015	2016	2017	2018	2019	2020
	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option
	(Shares)							
<u>Non-vested</u>								
March 31, 2020—Outstanding	—	—	—	—	—	—	4,365	—
Granted	—	—	—	—	—	—	—	19,540
Canceled	—	—	—	—	—	—	—	1,370
Vested	—	—	—	—	—	—	4,365	13,787.5
March 31, 2021—Outstanding	—	—	—	—	—	—	—	4,382.5
<u>Vested</u>								
March 31, 2020—Outstanding	3,520	7,760	4,680	7,500	8,610	11,310	13,095	—
Vested	—	—	—	—	—	—	4,365	13,787.5
Exercised	—	760	540	1,150	1,500	1,660	2,890	640
Canceled	—	—	—	—	—	—	—	—
March 31, 2021—Outstanding	3,520	7,000	4,140	6,350	7,110	9,650	14,570	13,147.5
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise	— (\$18.65)	¥2,065 (\$18.65)	¥2,065 (\$18.65)	¥2,065 (\$18.65)	¥2,044 (\$18.46)	¥2,044 (\$18.46)	¥2,034 (\$18.37)	¥2,002 (\$18.08)
Fair value price at grant date	¥3,650 (\$32.97)	¥3,200 (\$28.90)	¥4,640 (\$41.91)	¥2,390 (\$21.59)	¥3,170 (\$28.63)	¥2,587 (\$23.37)	¥2,068 (\$18.68)	¥1,670 (\$15.08)

Note: Effective October 1, 2017, the Bank implemented a 1-for-10 reverse stock split of common stock, and the number of shares, average stock price at exercise and fair value price at grant date are presented on a post-reverse stock split basis.

The Assumptions Used to Measure the Fair Value of the 2020 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	31.476%
Estimated remaining outstanding period:	3.6 years
Estimated dividend:	¥70 (\$0.63) per share
Risk free interest rate:	(0.153)%

21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of Japanese government bonds and other	¥ 4,388	¥ 2,984	\$ 39,635
Income on lease transaction and installment receivables	24,165	23,434	218,273
Other	4,188	2,144	37,829
Total	¥32,741	¥28,562	\$295,737

22. OTHER INCOME

Other income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gain on sales of stock and other securities	¥5,440	¥1,647	\$49,137
Other	847	445	7,651
Total	¥6,287	¥2,092	\$56,788

23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Salaries and wages	¥18,706	¥19,379	\$168,964
Commission fee	4,713	4,700	42,571
Other	23,390	24,331	211,272
Total	¥46,809	¥48,410	\$422,807

24. IMPAIRMENT LOSS

Impairment loss on long-lived assets for the year ended March 31, 2021, consisted of the following:

Location	Purpose	Category	Amount
Gifu City	Welfare facilities	Land, building	¥1,512 million (\$13,657 thousand)
Gifu City	Warehouse	Land	¥300 million (\$2,710 thousand)

The above long-lived assets were written down to their recoverable amounts (planned selling price) as the Bank sold these assets during the year March 31, 2021, due to a decline in the frequency of their usage.

Information for the year ended March 31, 2020 is omitted since the impact was immaterial.

25. OTHER EXPENSE

Other expense for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loss on sales of stock and other securities	¥ 878	¥ 326	\$ 7,931
Write-down of stock and other securities	2	1,090	18
Other	1,392	581	12,574
Total	¥2,272	¥1,997	\$20,523

26. INCOME TAXES

The Bank and its subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.92% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 6,452	¥ 5,885	\$ 58,279
Write-down of securities	2,423	1,918	21,886
Liability for retirement benefits for employees	1,871	3,159	16,900
Depreciation	1,309	1,328	11,824
Tax loss carry forward	—	43	—
Other	2,274	2,233	20,540
Less: valuation allowance	(3,960)	(3,701)	(35,769)
Total	10,369	10,865	93,660
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(25,068)	(16,944)	(226,430)
Net defined benefit asset	(1,718)	—	(15,518)
Gain on contribution of available-for-sale securities to employees' retirement benefit trusts	(955)	(955)	(8,626)
Other	(673)	(546)	(6,079)
Total	(28,414)	(18,445)	(256,653)
Net deferred tax assets	¥(18,045)	¥ (7,580)	\$ (162,993)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2021 and 2020, was as follows:

	2021	2020
Normal effective statutory tax rate	29.92%	29.92%
Expenses not deductible for income tax purposes	0.41	0.48
Income not taxable for income tax purposes	(1.46)	(1.71)
Per capita tax	0.32	0.37
Net change in valuation allowance	1.15	0.55
Other—net	1.49	1.82
Actual effective tax rate	31.83%	31.43%

27. LEASES

Finance Leases

(Lessee)

A subsidiary leases certain premises.

There was no rental expense including lease payments under the finance leases for the years ended March 31, 2021 and 2020.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gross lease receivables	¥55,818	¥57,530	\$504,182
Unguaranteed residual values	1,436	1,561	12,971
Deferred interest income	(4,785)	(5,115)	(43,221)
Total	¥52,469	¥53,976	\$473,932

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased assets to the lessee are as follows:

As of March 31, 2021 Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥1,491	\$13,468
2023	1,182	10,677
2024	978	8,834
2025	645	5,826
2026	343	3,098
2027 and thereafter	417	3,766
Total	¥5,056	\$45,669

As of March 31, 2020 Year Ending March 31	Millions of Yen
2021	¥1,572
2022	1,291
2023	984
2024	783
2025	488
2026 and thereafter	494
Total	¥5,612

Maturities of investment in leases for finance leases that were deemed not to transfer ownership of the leased assets to the lessee are as follows:

As of March 31, 2021 Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥14,940	\$134,947
2023	12,867	116,223
2024	10,306	93,090
2025	7,484	67,600
2026	4,621	41,740
2027 and thereafter	5,600	50,582
Total	¥55,818	\$504,182

As of March 31, 2020 Year Ending March 31	Millions of Yen
2021	¥14,726
2022	12,685
2023	10,558
2024	7,965
2025	5,203
2026 and thereafter	6,393
Total	¥57,530

Operating Leases

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 274	¥ 282	\$ 2,475
Due after one year	1,901	2,175	17,171
Total	¥2,175	¥2,457	\$19,646

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 491	¥ 527	\$ 4,435
Due after one year	660	815	5,962
Total	¥1,151	¥1,342	\$10,397

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group provides banking services and comprehensive financial services including a leasing business. The Group meets the needs of local business through providing various products and services in the banking services, lending services, trading of securities, securities investments and other financial services such as a derivatives business. The Group has aligned its operations with local personnel and businesses and raises funds from deposits from customers, which are low cost and stable. The Group also raises funds by borrowing.

As for loans and bills discounted in the money management system, the Group finances local companies based on their capital demands and individuals mainly for home mortgages. As its main resources are bank deposits from customers, the Group aims to ensure the soundness of the assets through appropriate credit decisions and credit rating by understanding the current credit status and managing the credit portfolio to prevent concentrations in specific customers or industries. In marketable securities, considering the nature that it is engaged in excess fund management relating to lending services and its responsibility as a bank to provide settlement services, the Group focuses on running a fund based on public bonds, which is superior in security and liquidity. To build up a portfolio that is less subject to rising interest rates, the Group invests in risk assets, such as securities whose values are expected to be less correlated with bonds.

The Group executes derivative transactions to fund and invest capital to meet the various needs of its customers as well as to meet its own needs. In trading transactions, the Group avoids excessive risk by restricting the type of transactions and limiting the volume of transactions. Also, the Group will not trade a particular investment if its fair value is volatile compared to that of the underlying assets (i.e., high leverage-effect transaction).

(2) Nature and Extent of Risks Arising from Financial Instruments

The loans and bills discounted are to general business enterprises, individuals, and local public bodies, and there is a risk (credit risk) that the value of loaned money is reduced by financial deterioration of the borrower and a risk (interest risk) of losses due to changes in interest rates.

In securities, the Group holds domestic bonds, foreign securities, stocks, investment trusts, and investment partnerships and so forth for investment purposes. Also, the Group holds certain domestic bonds for held-to-maturity purposes. In trading securities, the Group holds domestic bonds for trading. These items have interest risk, risk of changes in price, credit risk, and market liquidity risk. Market liquidity risk represents the risk that market trades cannot be performed due to market turmoil and that the Group may suffer losses due to significantly unfavorable financing conditions.

Deposits and borrowed money hold interest risk and cash flow risk (liquidity risk). Cash flow risk refers to the risk that securing necessary financing becomes difficult or significant unfavorable financing conditions result in recording of loss due to a mismatch of periods between operations and financing and unexpected outflows of money. Derivative transactions related to interest are comprised of interest-rate swap agreements, cap agreements, floor agreements, and interest futures.

Derivative transactions related to currency are comprised of exchange contracts, non-deliverable forwards (NDF), currency swap agreements, and currency option contracts. Derivative transactions related to securities are comprised of bond futures, options on bond futures, OTC bond options, stock index futures, options on stock index futures, and individual security options.

The Group utilizes derivative transactions to meet customer needs and to control risk so that interest risk, risk of changes in prices, and foreign currency exchange risk are not excessive. In trading transactions, the Group utilizes derivative transactions to earn a profit and to accumulate the know-how related to the transactions and understand market trends.

The derivative transactions the Group utilizes are exposed to interest risk, currency exchange risk, the risk of change in prices, and credit risk. In utilizing derivative transactions, the Group performs effective covering of transactions to meet customers' needs, and in trading transactions, the Group preliminarily establishes a risk limit to avoid exposing the Group to an excessive degree of market risk. Transactions such as listed futures are exposed to limited credit risk and OTC transactions such as interest swaps are assumed to have low risk since the counterparties are comprised of highly credible financial institutions and companies.

Certain derivatives utilized to mitigate risks from securities are recorded on the basis of hedge accounting in accordance with "Practical Guideline for Accounting for Financial Instruments" (JICPA Accounting System Committee Report No. 14). Such derivatives are interest rate swaps that are utilized to control the risks from securities. The Bank reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

(3) Risk Management for Financial Instruments

Integrated risk

The Group defines integrated risk management policies and regulations, and strengthens integrated risk management to ensure the soundness of management.

The Group monitors various risks holistically including measurement by statistical methods and aims to control risks within the range of management vitality. Specifically, the Group allocates risk capital to credit risk, market risk, and operational risk based on Value at Risk ("VaR") calculations according to assumptions about the market fluctuation rate and its half year business plan. In each operational division, the Group aims to control risk and obtain returns within the range of risk capital. Integrated risk is managed by the Risk Management Division and is reported monthly to the Integrated Risk Management Council and semiannually to the Board of Directors' meetings. Necessary actions such as risk control are taken promptly.

Credit risk management

The Group defines credit risk management policy and rules such as credit risk management regulation to understand, manage and take actions on credit risk appropriately.

In screening requests for loans, the Group clearly separates the credit department from the operating department and the Group performs strict examination by the type of business. Also, the Group analyzes if repayment resources are ensured and reasonably secured on individual loans based on the purpose of the loan, business plans and investment effects.

For credit portfolio management, the Group aims to prevent concentrations in particular customers or industries and ensure profits to meet credit costs.

In addition, in order to improve credit risk, the Group seeks to implement management and business restructuring for customers experiencing difficult business conditions.

Regarding credit risk management, the Group defines a credit rating system where the Group evaluates the degree of credit risk by an integrated scale objectively and makes arrangements to reevaluate credit ratings close to fiscal year end or when there are any changes in credit status.

As for the level of credit risk and degree of concentration of credit granting, the Risk Management Division manages credit risk, reports monthly to the Integrated Risk Management Council and quarterly to management and discusses necessary actions.

Market risk management (foreign exchange risk and interest rate risk)

The Group considers interest rate risk, currency risk and the risk of change in prices as the main market risks and institutes a market risk management policy to manage the risks properly to avoid a reduction in the value of assets and losing credit. The Group also institutes market risk management regulations according to the market risk management policy to clarify the identification of market risk, the role of the department in charge, the method of evaluation and monitoring and the methods for controlling and reducing market risk.

Under integrated risk management, the Group allocates risk capital to each business (deposit, loan, investment securities and other securities) and establishes a cap on the investment amount and a maximum loss amount and matters to be discussed (level of loss to be re-examined). The Group handles market transactions within these risk limits expeditiously and effectively. With regard to these risks, the Risk Management Division manages and reports monthly to the Integrated Risk Management Council and semiannually to the Board of Directors' meetings and discusses necessary actions.

Regarding derivative transactions, the Group follows internal regulations and policies. The market-risk-management department (middle office) and office-work department (back office) manage and monitor the balance, fair value, profit and loss and measurement of risk of the transactions and report to top-management regularly to ensure mutual supervision of risks. Especially in trading transactions, the market-risk-management department (middle office) manages the positions, measurement of risk and application for loss cut rule closely.

The Group holds financial instruments which are exposed to market risks (e.g. interest rate risk, price-volatility risk and exchange risk) such as loans and bills discounted, securities, deposits, negotiable deposits, borrowed money and corporate bonds. To manage these market risks, the Group calculates VaR, which is used for quantitative analysis.

The Group calculates VaR of yen-denominated bonds (including private placement bonds), borrowed money and corporate bonds that are exposed to interest rate risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥23,109 million (\$208,735 thousand) and ¥36,025 million in aggregate as of March 31, 2021 and 2020, respectively.

The Group has changed the calculation method of VaR and has included yen-dominated bonds other than private placement bonds from the current fiscal year. As a result, the VaR decreased by ¥6,211 million (\$56,102 thousand) for the year ended March 31, 2021 and ¥36,025 million calculated based on the previous standard for the year ended March 31, 2020.

The Group calculates VaR of investment securities that are exposed to price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥38,734 million (\$349,869 thousand) and ¥32,969 million in aggregate as of March 31, 2021 and 2020, respectively.

In addition, the Group calculates VaR of securities, excluding investment securities, which are exposed to interest rate risk or the price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥39,525 million (\$357,014 thousand) and ¥71,542 million in aggregate as of March 31, 2021 and 2020, respectively.

The Group compares VaR calculated by the formula with the actual fluctuation of realized gains and losses to verify that the calculated VaR reflects market risks with a high degree of accuracy.

However, VaR might not reflect market risks in circumstances such as unforeseen wide fluctuations in market circumstances because VaR reflects a certain amount of market risks calculated statistically based on historical fluctuation.

Liquidity risk management

As to liquidity risk, the Group defines liquidity risk management policies and liquidity risk management regulations, and aims to manage stable cash flows. Also, to be prepared for unforeseeable circumstances, the Group defines a contingency plan for liquidity risks and addresses them in a timely manner.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 30 for the details of the fair value of derivatives. Fair values are calculated based on certain assumptions; therefore, fair values may vary according to the assumptions used.

(a) Fair value of financial instruments

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 947,016	¥ 947,016	—
Trading securities	291	291	—
Money held in trust	12,312	12,312	—
Securities:			
Held-to-maturity securities	58,079	58,179	¥ 100
Available-for-sale securities	1,475,901	1,475,901	—
Loans and bills discounted	4,481,150		
Less: Allowance for loan losses	(24,555)		
Loans and bills discounted—net	4,456,595	4,480,085	23,490
Total	¥6,950,194	¥6,973,784	¥23,590
Deposits	¥6,072,473	¥6,072,544	¥ 71
Negotiable certificates of deposit	28,100	28,100	—
Payables under repurchase agreements	126,701	126,701	—
Borrowed money	467,151	467,152	1
Total	¥6,694,425	¥6,694,497	¥ 72
Derivatives to which hedge accounting is not applied	¥ (3,592)	¥ (3,592)	—
Derivatives to which hedge accounting is applied *	369	369	—

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 632,783	¥ 632,783	—
Trading securities	408	408	—
Money held in trust	8,512	8,512	—
Securities:			
Held-to-maturity securities	53,069	53,258	¥ 189
Available-for-sale securities	1,171,810	1,171,810	—
Loans and bills discounted	4,345,574		
Less: Allowance for loan losses	(22,484)		
Loans and bills discounted—net	4,323,090	4,342,129	19,039
Total	¥6,189,672	¥6,208,900	¥19,228
Deposits	¥5,610,659	¥5,610,686	¥ 27
Negotiable certificates of deposit	38,050	38,050	—
Payables under repurchase agreements	140,754	140,754	—
Borrowed money	208,421	208,413	(8)
Total	¥5,997,884	¥5,997,903	¥ 19
Derivatives to which hedge accounting is not applied	¥ 620	¥ 620	—
Derivatives to which hedge accounting is applied	(249)	(249)	—

March 31, 2021	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	\$ 8,554,024	\$ 8,554,024	—
Trading securities	2,628	2,628	—
Money held in trust	111,209	111,209	—
Securities:			
Held-to-maturity securities	524,604	525,508	\$ 904
Available-for-sale securities	13,331,235	13,331,235	—
Loans and bills discounted	40,476,470		
Less: Allowance for loan losses	(221,795)		
Loans and bills discounted—net	40,254,675	40,466,851	212,176
Total	\$62,778,375	\$62,991,455	\$213,080
Deposits	\$54,850,267	\$54,850,908	\$ 641
Negotiable certificates of deposit	253,816	253,816	—
Payables under repurchase agreements	1,144,440	1,144,440	—
Borrowed money	4,219,592	4,219,601	9
Total	\$60,468,115	\$60,468,765	\$ 650
Derivatives to which hedge accounting is not applied	\$ (32,445)	\$ (32,445)	—
Derivatives to which hedge accounting is applied *	3,333	3,333	—

* Interest rate swap designated as a hedging instrument to offset the fluctuation of securities, which are the hedged items, and deferred hedge accounting is applied. The hedging relationships are accounted for based on "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, September 29, 2020).

Assets

Cash and Due from Banks

The carrying amount of cash and due from banks with no maturities represents the fair value because the fair value approximates such carrying amount.

Trading Securities

For securities such as bonds that are held for trading, the fair value is determined based on the prices quoted by the exchange or the financial institutions from which these securities are purchased.

Money Held in Trust

For securities and bonds independently managed in monetary trust, the fair value of equity securities is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased.

Also, trusts for cash segregated as deposits for customers of consolidated subsidiaries engaged in the financial instruments exchange business are based on the prices quoted by the financial institutions from which they are purchased.

Information on money held in trust by classification is included in Note 7, "Money Held in Trust."

Securities

The fair value of equity securities is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

For privately placed guaranteed bonds held by the Bank, the fair value is based on the present value of expected future cash flows, which are adjusted to reflect default risk, amounts to be collected from collateral, guarantees and guarantee fees, and discounted at the market interest rate as of the date of evaluation.

Information on securities by classification is included in Note 6, "Trading Securities and Securities."

Loans and Bills Discounted

For loans with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term as long as the credit status of the borrower has not changed significantly. For loans with fixed interest rates, the fair value is calculated by bundling the type of loans and the internal credit rating using the expected future cash flows, which are discounted by the risk free rate and certain management costs. Certain consumer loans, such as home mortgages, fair value is calculated by discounting the total loan principal with the same rate as a similar loan. For consumer loans that mature within one year, the fair value approximates the carrying value due to their short-term maturities. In addition, as for loans to legally bankrupt borrowers, virtually bankrupt borrowers, and potentially bankrupt borrowers, the fair value is calculated by deducting the allowance, which is calculated based on the present value of the estimated future cash flow or the estimated collection of cash from collateral and guarantee, from the balance in the consolidated balance sheet date. Therefore, the book value approximates the fair value. Regarding loans that do not have repayment terms because the outstanding amount of the loan is limited to the value of collateral assets, the fair value approximates the carrying value because of the estimated repayment periods and conditions of interest.

Liabilities

Deposits and Negotiable Certificates of Deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits are grouped by maturity lengths and their fair value is calculated by discounting future cash flows with the same interest rate as that of accepted new deposits. For the deposits and negotiable certificates of deposits with the repayment period within one year, the fair value approximates the carrying value due to their short-term maturities.

Payables under Repurchase Agreements

The contract terms of payables under repurchase agreements are short (within one year). Therefore, the fair value approximates the carrying value due to their short-term maturities.

Borrowed Money

For borrowed money with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term and the credit status of the Bank and its consolidated subsidiaries has not changed significantly since inception.

For borrowed money with fixed interest rates, the fair value is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the credit risk of the Bank and its consolidated subsidiaries for each classification based on the type and duration of the borrowed money. Also, for borrowed money that mature within one year, the fair value approximates the carrying value due to its short-term maturities.

Derivatives

Information regarding the fair value for derivatives is included in Note 30.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unlisted equity securities *1, *2	¥ 6,220	¥ 6,501	\$ 56,183
Investments in unconsolidated subsidiaries	658	640	5,943
Others	17,742	19,582	160,257
Total	¥24,620	¥26,723	\$222,383

*1 Since the fair values of unlisted stocks cannot be reliably determined, their fair values are not disclosed.

*2 Impairment loss of ¥2 million (\$18 thousand) is recorded for unlisted equity securities for the year ended March 31, 2021.

(5) Maturity Analysis for Financial Assets, Securities and Financial Liabilities with Contractual Maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2021				
Cash and due from banks	¥ 884,683	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities—				
Japanese corporate bonds	9,663	¥ 38,811	¥ 9,397	¥ 208
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	25,000	17,400	150,000	65,000
Japanese local government bonds	9,509	91,811	376,290	678
Japanese corporate bonds	25,197	61,646	34,939	107,225
Other	14,383	79,534	160,458	109,293
Loans and bills discounted *	831,070	1,212,278	958,055	1,401,071
Total	¥1,799,505	¥1,501,480	¥1,689,139	¥1,683,475

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2021				
Deposits	¥5,663,805	¥408,665	¥3	—
Negotiable certificates of deposit	28,100	—	—	—
Payables under repurchase agreements	126,701	—	—	—
Borrowed money	259,351	207,800	—	—
Total	¥6,077,957	¥616,465	¥3	—

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2020				
Cash and due from banks	¥ 565,344	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities—				
Japanese corporate bonds	9,205	¥ 35,674	¥ 7,916	¥ 274
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	49,800	45,400	55,000	30,000
Japanese local government bonds	25,502	39,254	268,051	950
Japanese corporate bonds	7,543	29,811	24,247	100,784
Other	10,904	78,047	155,295	122,375
Loans and bills discounted *	874,200	1,220,656	862,053	1,304,329
Total	¥1,542,498	¥1,448,842	¥1,372,562	¥1,558,712

March 31, 2020	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Deposits	¥5,137,444	¥473,210	¥5	—
Negotiable certificates of deposit	38,050	—	—	—
Payables under repurchase agreements	140,754	—	—	—
Borrowed money	98,222	110,199	—	—
Total	¥5,414,470	¥583,409	¥5	—

March 31, 2021	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and due from banks	\$ 7,990,994	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities—				
Japanese corporate bonds	87,282	\$ 350,565	\$ 84,879	\$ 1,878
Available-for-sale securities with contractual maturities:				
Debt securities:				
Japanese government bonds	225,815	157,167	1,354,891	587,120
Japanese local government bonds	85,891	829,293	3,398,880	6,124
Japanese corporate bonds	227,595	556,824	315,590	968,521
Other	129,916	718,399	1,449,355	987,201
Loans and bills discounted *	7,506,730	10,950,032	8,653,735	12,655,325
Total	\$16,254,223	\$13,562,280	\$15,257,330	\$15,206,169

March 31, 2021	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Deposits	\$51,158,929	\$3,691,311	\$27	—
Negotiable certificates of deposit	253,816	—	—	—
Payables under repurchase agreements	1,144,440	—	—	—
Borrowed money	2,342,616	1,876,976	—	—
Total	\$54,899,801	\$5,568,287	\$27	—

* Loans and bills discounted whose cash flows cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans amounting to ¥66,355 million (\$599,358 thousand) and ¥60,566 million as of March 31, 2021 and 2020, respectively, and loans and bills discounted with no contractual maturities, amounting to ¥12,321 million (\$111,290 thousand) and ¥23,770 million as of March 31, 2021 and 2020, respectively, are not included.

Please see Note 15 for annual maturities of borrowed money.

29. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount, as long as there is no violation of any condition in the contracts.

The total amounts of unused open commitments as of March 31, 2021 and 2020, were ¥1,392,877 million (\$12,581,312 thousand) and ¥1,359,616 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2021 and 2020, were ¥559,449 million (\$5,053,283 thousand) and ¥577,274 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2021 and 2020, were ¥1,358,212 million (\$12,268,196 thousand) and ¥1,327,570 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries can request the customers to pledge collateral such as premises and securities at the execution of the contracts. After execution, the Bank and certain subsidiaries periodically evaluate the customers' financial position based upon the Bank's internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

30. DERIVATIVE INFORMATION

The Bank enters into swaps related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, over-the-counter bond options and stock index options contracts related to securities.

Derivative Transactions to Which Hedge Accounting Is Not Applied as of March 31, 2021 and 2020

March 31, 2021	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Over-the-counter:				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 9,046	¥ 9,046	¥ 337	¥ 337
Variable rate receipt, fixed rate payment	9,046	9,046	(5)	(5)
Over-the-counter:				
Currency-related contracts:				
Currency swap	230,352	199,148	(553)	204
Foreign exchange forward:				
Sell	83,183	22	(3,638)	(3,638)
Buy	5,801	—	250	250
Currency option:				
Sell	111,114	75,709	(4,816)	2,340
Buy	110,951	76,681	4,833	(1,244)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—

March 31, 2020	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Over-the-counter:				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 3,687	¥ 3,687	¥ 182	¥ 182
Variable rate receipt, fixed rate payment	3,687	3,687	(62)	(62)
Over-the-counter:				
Currency-related contracts:				
Currency swap	209,188	158,773	675	1,181
Foreign exchange forward:				
Sell	27,732	109	(362)	(362)
Buy	12,426	—	176	176
Currency option:				
Sell	121,539	84,206	(5,208)	2,458
Buy	121,986	84,812	5,219	(1,223)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—

March 31, 2021	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Over-the-counter:				
Interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	\$ 81,709	\$ 81,709	\$ 3,044	\$ 3,044
Variable rate receipt, fixed rate payment	81,709	81,709	(45)	(45)
Over-the-counter:				
Currency-related contracts:				
Currency swap	2,080,679	1,798,826	(4,995)	1,843
Foreign exchange forward:				
Sell	751,359	199	(32,861)	(32,861)
Buy	52,398	—	2,258	2,258
Currency option:				
Sell	1,003,649	683,850	(43,501)	21,136
Buy	1,002,177	692,629	43,655	(11,237)
Other:				
Sell	—	—	—	—
Buy	—	—	—	—

Notes:

1. Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.
2. Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Futures Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.
3. There were no transactions applicable for stock-related contracts, bond-related contracts, commodities or credit derivatives for the years ended March 31, 2021 and 2020.

Derivative Transactions to Which Hedge Accounting Is Applied as of March 31, 2021 and 2020

2021	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Principal method—				
Interest rate swap—	Securities			
receive float / pay fixed		¥15,000	¥15,000	¥369

2020	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Principal method—				
Interest rate swap—	Securities			
receive float / pay fixed		¥15,000	¥15,000	¥(249)

2021	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Principal method—				
Interest rate swap—	Securities			
receive float / pay fixed		\$135,489	\$135,489	\$3,333

Notes:

1. Deferred hedge accounting is applied principally in accordance with "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry-specific Committees Practical Guideline No. 24) issued by the Japanese Institute of Certified Public Accountants.
2. Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Futures Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.

31. COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥34,143	¥(17,795)	\$308,400
Reclassification adjustments to profit or loss	(6,664)	(1,668)	(60,193)
Amount before income tax effect	27,479	(19,463)	248,207
Income tax effect	(8,124)	5,599	(73,381)
Total	19,355	(13,864)	174,826
Deferred gain (loss) on hedges:			
Adjustments arising during the year	618	(249)	5,582
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	618	(249)	5,582
Income tax effect	(185)	75	(1,671)
Total	433	(174)	3,911
Defined retirement benefit plans:			
Adjustments arising during the year	8,226	(2,028)	74,303
Reclassification adjustments to profit or loss	321	(207)	2,899
Amount before income tax effect	8,547	(2,235)	77,202
Income tax effect	(2,557)	669	(23,097)
Total	5,990	(1,566)	54,105
Total other comprehensive income (loss)	¥25,778	¥(15,604)	\$232,842

32. PER SHARE INFORMATION

a. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of Parent	Weighted-Average Shares		EPS
Year Ended March 31, 2021				
Net income attributable to owners of parent	¥14,723			
Amount not attributable to common shareholders	—			
Basic EPS—Net income available to common shareholders	14,723	37,373	¥393.94	\$3.56
Effect of dilutive securities—Stock acquisition rights		65		
		65		
Diluted EPS—Net income for computation	¥14,723	37,438	¥393.26	\$3.55

	Millions of Yen	Thousands of Shares	Yen
	Net Income Attributable to Owners of Parent	Weighted-Average Shares	EPS
Year Ended March 31, 2020			
Net income attributable to owners of parent	¥12,862		
Amount not attributable to common shareholders	—		
Basic EPS—Net income available to common shareholders	12,862	37,366	¥344.22
Effect of dilutive securities—Stock acquisition rights		56	
		56	
Diluted EPS—Net income for computation	¥12,862	37,422	¥343.71

b. Net Assets per Share

Net assets per share as of March 31, 2021 and 2020, were ¥10,424.06 (\$94.16) and ¥9,368.09, respectively.

Net assets per share of common stock as of March 31, 2021 and 2020, were calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Total net assets	¥403,010	¥366,404	\$3,640,231
Deductions from total net assets:			
Stock acquisition rights	169	161	1,527
Noncontrolling interests	13,263	16,172	119,799
Net assets attributable to common stock at the end of the fiscal year	¥389,578	¥350,071	\$3,518,905
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares in thousands)	37,373	37,368	

33. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On June 18, 2021, the Bank's shareholders authorized an appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends—¥55.00 (\$0.50) per share on common stock	¥2,056	\$18,571

Transition to a Holding Company Structure through a Sole Share Transfer

During the Board of Directors meeting held on May 13, 2021, the Bank resolved to establish a holding company (wholly-owning parent company), Juroku Financial Group, Inc. (the "Holding Company"), by way of a sole share transfer by the Bank (the "Share Transfer") and transition to a holding company structure with an (scheduled) effective date of October 1, 2021, on the condition that the relevant proposals are approved at the Bank's Annual General Meeting of Shareholders and the required approval, etc. from the relevant authorities is obtained.

1. Purpose of the Share Transfer

As a financial institution with its operations in Gifu and Aichi prefectures, the Bank's aim has been to become a comprehensive financial group that builds a future with its local communities and achieves sustainable growth by creating common value through engagement in dialogue with local communities for the purpose of contributing to stimulating the economy. Recently, the Group has been seeking to enhance its group management system in order to respond to rapidly advancing digital transformation and the needs and challenges of our customers and local communities, in addition to SDGs and regional revitalization efforts.

Concurrently, there have been major changes in the business environment surrounding regional financial institutions, such as the

ongoing low-interest policy, intensifying competition across industries and business categories, a shrinking and aging population, and increasing uncertainty about the future market scale due to structural changes in the industry. In order to contribute to the realization of a sustainable society, regional financial institutions must transform their business models and adapt to deregulation.

For these reasons, the Group has decided to transition to a holding company structure in order to expand our business domain such as by establishing new businesses, strengthen collaboration and optimize the allocation of resources within the Group by reforming the thinking and behavior of our officers and employees, enhance auditing and supervisory functions, and accelerate business execution.

Under the Holding Company structure, with the mission of "achieving growth and prosperity for our customers and the local community" as part of our Group management philosophy, the Group will work to enhance corporate value by creating a business structure that can respond flexibly to changes in the business environment in order to support our customers' businesses, in which the Group's management resources are concentrated, and fulfil our obligations toward sustainable regional growth.

In addition, the Holding Company will be a company with an audit and supervisory committee, consisting of three or more directors, the majority of whom are outside directors, further enhancing its corporate governance by strengthening not only the decision-making function, but also the auditing and supervisory function of the board of directors.

Because the Bank will become a wholly owned subsidiary company of the Holding Company through the Share Transfer, the shares of the Bank will be delisted. However, the Group intends to apply to list the shares of the Holding Company—which will be delivered to all shareholders of the Bank as consideration for the shares of the Bank—on the First Section of the Tokyo Stock Exchange, Inc. (the "TSE") and the First Section of the Nagoya Stock Exchange, Inc. (the "NSE"). The date of listing depends on the reviews by the TSE and NSE, but is scheduled for October 1, 2021, which is the date of registration of the establishment of the Holding Company and the effective date of the Share Transfer. This policy means that the stock will effectively remain listed.

2. Summary of the Share Transfer

(1) Schedule of the Share Transfer

Record date of Annual General Meeting of Shareholders	Wednesday, March 31, 2021
Board of Directors to approve the share transfer plan	Thursday, May 13, 2021
Annual General Meeting of Shareholders to approve the share transfer plan	Friday, June 18, 2021
Delisting date of the Bank's shares	Wednesday, September 29, 2021 (subject to change)
Date of registration of establishment of the Holding Company (effective date)	Friday, October 1, 2021 (subject to change)
Listing date of the Holding Company's shares	Friday, October 1, 2021 (subject to change)

However, the above schedule may change due to procedural reasons associated with the Share Transfer or other reasons.

(2) Method of the Share Transfer

This is a sole share transfer in which the Bank will be a wholly-owned subsidiary and the Holding Company will be the wholly-owning parent company through the share transfer.

(3) Details of allotment related to the Share Transfer (share transfer ratio)

Company Name	Juroku Financial Group, Inc. (Wholly-owning parent company established by the share transfer)	The Juroku Bank, Ltd. (Wholly-owned subsidiary after the share transfer)
Share transfer ratio	1	1

1) Share transfer ratio

All shareholders of the Bank immediately before the timing of the acquisition by the Holding Company of all issued shares of the Bank under the Share Transfer will receive an allotment of one share of the common stock of the Holding Company to be established per share of common stock of the Bank that they hold.

2) Share unit number

The Holding Company will adopt a share unit system, and the number of shares constituting a unit will be 100 shares.

3) Basis for calculation of the share transfer ratio

The Share Transfer is a sole share transfer to establish a single parent company of the Bank, and there is no change in the shareholding structure of the Bank or the Holding Company at the time of the Share Transfer; therefore, with the principal concern that no disadvantage be incurred by the shareholders of the Bank, each shareholder will receive an allotment of one share of the common stock of the Holding Company per share of the common stock of the Bank that they hold.

4) Results of calculations by third-party organizations, calculation methods, and basis for calculation

As stated in 3) above, the Share Transfer is a sole share transfer by the Bank, and therefore no calculation of the share transfer ratio has been conducted by a third-party organization.

5) Number of new shares to be delivered through the Share Transfer (subject to change)

37,924,134 shares of common stock (subject to change)

However, if there is a change in the total number of issued shares of the Bank prior to the Share Transfer taking effect, there will also be a change in the above number of new shares to be delivered by the Holding Company. For each treasury share held by the Bank as of the effective date of the Share Transfer, the same number of shares of the common stock of the Holding Company will be allotted. As a result, the Bank will temporarily hold shares of common stock of the Holding Company, which it will dispose of promptly in accordance with laws and regulations.

(4) Matters related to stock acquisition rights and bonds with stock acquisition rights due to the Share Transfer

Regarding stock acquisition rights issued by the Bank, the Holding Company stock acquisition rights with the same details and number as the Bank's stock acquisition rights will be allotted to the holders of the Bank's stock acquisition rights in lieu of the Bank's stock acquisition rights. The Bank does not issue bonds with stock acquisition rights.

(5) Treatment of the new listing of the Holding Company

The Bank intends to apply for a new listing (technical listing) of the shares of the newly established Holding Company on the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange, with a planned listing date of October 1, 2021. In addition, because the Bank will become a wholly-owned subsidiary of the Holding Company through the Share Transfer, the shares of the Bank will be delisted on September 29, 2021 from the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange, ahead of the listing of the Holding Company.

The delisting date is subject to change as it is determined in accordance with the rules of the Tokyo Stock Exchange.

3. Overview of the Holding Company (wholly-owning parent company established by the share transfer) to be established through the Share Transfer (subject to change)

(1) Name	Juroku Financial Group, Inc.
(2) Address	8-26 Kandamachi, Gifu City
(3) Scheduled appointment of representatives and officers	Yukio Murase Chairman (representative director) (currently Chairman and CEO, The Juroku Bank, Ltd.) Naoki Ikeda President (representative director) (currently deputy president, The Juroku Bank, Ltd.) Akihide Ishiguro Deputy president (currently director and managing executive officer, The Juroku Bank, Ltd.) Yukiyasu Shiraki Director (currently director and managing executive officer, The Juroku Bank, Ltd.) Makoto Mishima Director (currently director and managing executive officer, The Juroku Bank, Ltd.)

	Hiroyuki Ota Director (currently president, Juroku TT Securities Co., Ltd.) Kikuo Asano Director (currently outside director, The Juroku Bank, Ltd.) Satoko Ito Director (currently outside director, The Juroku Bank, Ltd.) Naohiko Ishikawa Director (Audit & Supervisory Committee Member) (currently auditor, The Juroku Bank, Ltd.) Shinji Ishihara Director (Audit & Supervisory Committee Member) (currently outside auditor, The Juroku Bank, Ltd.) Rie Tsuge Director (Audit & Supervisory Committee Member) Note: Of the directors, Mr. Kikuo Asano, Ms. Satoko Ito, and of the directors (Audit & Supervisory Committee Members), Mr. Shinji Ishihara and Ms. Rie Tsuge, are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
(4) Business description	1) Business management of a bank and companies able to be subsidiaries under the Banking Act 2) All operations that are incidental or related to the operations set forth in the preceding subparagraph 3) In addition to the operations listed in the two preceding subparagraphs, operations that can be carried out by a bank holding company under the Banking Act
(5) Capital	¥36,000 million (\$325,174 thousand)
(6) Fiscal year-end	March 31

4. Overview of accounting treatment applied to the Share Transfer
As the share transfer corresponds to "transactions under common control" for corporate accounting purposes, there will be no impact on profit or loss.

Establishment of a Subsidiary

During the Board of Directors meeting held on December 18, 2020, the Bank resolved to establish a wholly-owned subsidiary specializing in investment, and established the company on April 1, 2021.

1. Purpose of establishment

In view of the transition to a group management structure centered on the Holding Company, the Group established a subsidiary specializing in investment with the aim of contributing to the revitalization of the local economy by responding to deregulation and expanding business domains, such as providing new services to customers, actively supporting and nurturing venture companies, and supporting companies engaged in business succession and business revitalization.

In addition, through its subsidiary specializing in investment, the Group will consider making a foray into businesses related to regional revitalization and businesses that meet the needs of the times, such as those related to IT and FinTech, and will strive more than ever to support customers' businesses and achieve sustainable regional growth.

2. Overview of subsidiary

(1) Name	NOBUNAGA Capital Village Co., Ltd.
(2) Address	Kyowa No.2 Building, 6-11-1 Kandamachi, Gifu City
(3) Business description	Administration and management of limited investment partnerships (funds), and all operations that are incidental or related to the aforementioned operations
(4) Established	April 1, 2021
(5) Capital	¥50 million (\$452 thousand)
(6) Major shareholders and shareholding ratio	Wholly owned by The Juroku Bank, Ltd.

34. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Group's management is being performed in order to decide how resources are allocated among the Group.

The Group consists of the Bank and seven (seven in 2020) consolidated subsidiaries. The Group provides banking services-based comprehensive financial services and leasing business. The Group operates its business by units which consists of some branches located in a certain range. However, the Group discloses these units as a segment of the banking business because their economic nature is similar to each other. Therefore, the Group consists of two reportable segments: banking business and lease business.

The banking business is operated by the Bank and provides various services such as deposit-taking and lending services, trading securities, securities investment, domestic exchange, foreign exchange, managing bonds, a derivatives business and other related businesses at headquarters and branches of the Bank.

The lease business is operated by Juroku Lease Co., Ltd. It provides leasing business to meet local customers' needs.

b. Methods of Measurement for the Amounts of Income, Profit, Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

c. Information about Income, Profit, Assets, Liabilities and Other Items

	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
2021	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 77,893	¥25,483	¥ 103,376	¥ 7,971	¥ 111,347	—	¥ 111,347
(2) Intersegment transactions	1,171	377	1,548	1,311	2,859	¥ (2,859)	—
Total	¥ 79,064	¥25,860	¥ 104,924	¥ 9,282	¥ 114,206	¥ (2,859)	¥ 111,347
Segment profit	¥ 22,506	¥ 481	¥ 22,987	¥ 2,111	¥ 25,098	¥ (490)	¥ 24,608
Segment assets	7,182,220	83,101	7,265,321	60,093	7,325,414	(87,039)	7,238,375
Other:							
Depreciation	2,700	556	3,256	185	3,441	136	3,577
Amortization of goodwill	245	—	245	207	452	—	452
Interest income	51,288	161	51,449	255	51,704	(629)	51,075
Interest expense	466	197	663	8	671	(135)	536
Allowance for loan losses	3,890	53	3,943	62	4,005	—	4,005
Increase in premises and equipment and intangible assets	1,542	256	1,798	25	1,823	159	1,982

	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
2020	Banking	Lease	Total				
Ordinary income:							
(1) Outside customers	¥ 75,843	¥24,460	¥ 100,303	¥ 6,557	¥ 106,860	—	¥ 106,860
(2) Intersegment transactions	813	675	1,488	1,231	2,719	¥ (2,719)	—
Total	¥ 76,656	¥25,135	¥ 101,791	¥ 7,788	¥ 109,579	¥ (2,719)	¥ 106,860
Segment profit	¥ 18,524	¥ 986	¥ 19,510	¥ 573	¥ 20,083	¥ (586)	¥ 19,497
Segment assets	6,418,957	84,448	6,503,405	54,058	6,557,463	(85,009)	6,472,454
Other:							
Depreciation	3,066	549	3,615	177	3,792	131	3,923
Amortization of goodwill	245	—	245	155	400	—	400
Interest income	54,820	179	54,999	189	55,188	(426)	54,762
Interest expense	2,853	201	3,054	15	3,069	(137)	2,932
Allowance for loan losses	3,140	(21)	3,119	564	3,683	—	3,683
Increase in premises and equipment and intangible assets	1,326	516	1,842	52	1,894	195	2,089

	Thousands of U.S. Dollars						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Lease	Total				
2021							
Ordinary income:							
(1) Outside customers	\$ 703,577	\$230,178	\$ 933,755	\$ 71,999	\$ 1,005,754	—	\$ 1,005,754
(2) Intersegment transactions	10,577	3,405	13,982	11,842	25,824	\$ (25,824)	—
Total	\$ 714,154	\$233,583	\$ 947,737	\$ 83,841	\$ 1,031,578	\$ (25,824)	\$ 1,005,754
Segment profit	\$ 203,288	\$ 4,345	\$ 207,633	\$ 19,067	\$ 226,700	\$ (4,426)	\$ 222,274
Segment assets	64,874,176	750,619	65,624,795	542,796	66,167,591	(786,189)	65,381,402
Other:							
Depreciation	24,388	5,022	29,410	1,671	31,081	1,229	32,310
Amortization of goodwill	2,213	—	2,213	1,870	4,083	—	4,083
Interest income	463,264	1,455	464,719	2,303	467,022	(5,682)	461,340
Interest expense	4,209	1,780	5,989	72	6,061	(1,220)	4,841
Allowance for loan losses	35,137	479	35,616	560	36,176	—	36,176
Increase in premises and equipment and intangible assets	13,928	2,312	16,240	226	16,466	1,437	17,903

Notes:

1. Ordinary income represents total income less certain extraordinary income included in "Other income" in the accompanying consolidated statement of income.
2. "Other" includes business segments of financial instruments business, credit cards, computer services and credit guarantees.
3. Reconciliations mainly represent elimination of intra-segment transactions.
4. Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.

d. Associated Information

(1) Information about services

	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
2021					
Ordinary income— Outside customers	¥40,558	¥21,685	¥25,388	¥23,716	¥111,347

	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
2020					
Ordinary income— Outside customers	¥40,780	¥19,842	¥24,300	¥21,938	¥106,860

	Thousands of U.S. Dollars				
	Lending Service	Securities Services	Leasing	Other	Total
2021					
Ordinary income— Outside customers	\$366,345	\$195,872	\$229,320	\$214,217	\$1,005,754

(2) Geographical information

(a) Operating Revenues

This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

(b) Property and Equipment

This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(3) Information by major customer

This information is not presented because there are no customers for which income account for more than 10% of revenues in the consolidated statement of income.

(4) Information about impairment loss by reportable segment

	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
2021					
Impairment loss on long-lived assets	¥2,005	—	—	—	¥2,005

	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
2020					
Impairment loss on long-lived assets	¥133	—	—	—	¥133

	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
2021					
Impairment loss on long-lived assets	\$18,110	—	—	—	\$18,110

(5) Information about goodwill and negative goodwill by reportable segment

2021	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	¥ 207	—	¥ 452
Goodwill at March 31, 2021	2,385	—	1,713	—	4,098
Gain on negative goodwill	—	—	—	—	—

2020	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	¥ 155	—	¥ 400
Goodwill at March 31, 2020	2,630	—	1,920	—	4,550
Gain on negative goodwill	—	—	—	—	—

2021	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	\$ 2,213	—	\$ 1,870	—	\$ 4,083
Goodwill at March 31, 2021	21,543	—	15,473	—	37,016
Gain on negative goodwill	—	—	—	—	—

Note: "Other" represents goodwill related to the financial instruments business.