

## Notes to Consolidated Financial Statements

The Kiyo Bank, Ltd. and its consolidated subsidiaries  
Years ended March 31, 2021 and 2020

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### 1. Basis of presenting consolidated financial statements

The Kiyo Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (the “Group”) maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Banking Law, in general conformity with the Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made in order to present them in a form which is more familiar to readers outside Japan.

Amounts of less than one million yen have been rounded down. As a result, the totals shown in the financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to US \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

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### 2. Significant accounting policies

**(a) Consolidation** — The consolidated financial statements include the accounts of the Bank and eight (six in 2020) subsidiaries for the year ended March 31, 2021. All significant intercompany transactions and unrealized profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

(Change in scope of consolidation)

The Kiyo Business Service Co., Ltd. (former The Kiyo Business Service Co., Ltd. was renamed Kiyo Partners Co., Ltd.) was included in the scope of consolidation from the year ended March 31, 2021 as it was incorporated through an incorporation-type demerger. In addition, Kiyo Capital Management Co., Ltd. was included in the scope of consolidation from the year ended March 31, 2021 because it was newly incorporated.

(Unconsolidated company)

There are two unconsolidated companies at March 31, 2021 and 2020. These companies are excluded from the scope of consolidation because the results of the company’s operations have no material effect on the consolidated financial position and operating results of the Group in terms of total assets, net income (corresponding to the share), retained earnings (corresponding to the share) and accumulated other comprehensive income (corresponding to the share). These companies are not accounted for by the equity method.

(Affiliate)

There is one company (SHOKU EN Co., Ltd.), of which the Bank owns the voting rights between 20% and 50% but which is not recognized as an affiliate, because it is held by unconsolidated subsidiary, which is engaged in investment business, for the purpose of incubating its investee, not for the purpose of controlling the company.

The fiscal closing date of all the consolidated subsidiaries is March 31.

**(b) Trading account securities** — Trading account securities are stated at fair market value. Gains and losses realized on the sale of such securities and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such securities are computed using the moving average cost.

**(c) Securities** — The Bank and its consolidated subsidiaries classify securities as (1) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (2) equity securities issued by subsidiaries and affiliated companies and (3) all other securities that are not classified in any of the above categories (“available-for-sale securities”). Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. In principle, available-for-sale securities are stated at fair value based on the market price as of the fiscal closing date. Available-for-sale securities for which it is extremely difficult to determine the fair value are stated at acquisition cost determined by the moving average method. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on the sale of such securities are computed using the moving average cost.

**(d) Derivatives and hedge accounting** — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses and gains on the hedged items are recognized.

The following hedge accounting is applied to derivatives:

(Foreign exchange fluctuation risk hedge)

To hedge foreign exchange fluctuation risk arising from foreign currency denominated assets and liabilities of the Bank, the Bank applies the deferral method in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020). Hedge effectiveness is assessed by ensuring the existence of the corresponding foreign currency positions as hedging instruments, such as currency swaps and foreign exchange swaps conducted to mitigate foreign currency exchange fluctuation risk arising from foreign currency denominated monetary receivables and payables, equivalent to foreign currency denominated monetary receivables and payables as hedged items.

(Hedging relationships that apply “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”)

Among the above mentioned hedging relationships, all the hedging relationships subject to the application of “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40, September 29, 2020) have adopted the special treatment prescribed in PITF No. 40. The details of the hedging relationships applying PITF No. 40 are as follows:

Hedge accounting method:	Deferral hedge accounting
Hedging instruments:	Currency swaps
Hedged items:	Monetary receivables and payables denominated in foreign currencies
Type of hedging transactions:	Those which offset market fluctuations

**(e) Depreciation and amortization**

(Tangible fixed assets (excluding lease assets))

Depreciation of tangible fixed assets held by the Bank is generally computed by the declining balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The useful life of tangible fixed assets ranges from 8 to 50 years for buildings and 5 to 20 years for equipment. Tangible fixed assets held by the consolidated subsidiaries are mainly depreciated using the declining balance method based on the estimated useful life of the asset.

(Intangible fixed assets (excluding lease assets))

Intangible fixed assets are amortized by the straight-line method. Software developed or obtained for internal use is amortized by the straight-line method over an estimated useful life of 5 years.

(Lease assets)

Depreciation and amortization of lease assets, including both “Tangible fixed assets” and “Intangible fixed assets,” under leasing transactions that are not deemed to transfer ownership of the leased property to the lessee are computed by the straight-line method over the lease period with a residual value of zero.

**(f) Reserve for possible loan losses** — Based on its own rules for self-assessment, the Bank makes provisions for possible loan losses.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings (“bankrupt borrowers”) or who are in a similar financial condition (“effectively bankrupt borrowers”), the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to any underlying collateral or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming (“likely to become bankrupt borrowers”), the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer’s overall financial condition. For other loans, the reserve for possible loan losses is provided principally based on the estimated losses for the coming one year or three years. The estimated losses are computed using the loss ratio based on the average loan loss ratio for the past definite period based on the actual losses for the past one or three years, with necessary adjustments such as future projections.

All loans are subject to asset assessment by the business related divisions based on the self-assessment standards for assets. The assessment results are audited by the Asset Audit Department independent from the divisions concerned. Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on the rate of losses in the past and for certain doubtful claims in the amount deemed uncollectible based on assessments of the respective claims. For claims against “bankrupt borrowers” and “effectively bankrupt borrowers,” in principle, the amount exceeding the estimated value of collateral and guarantees deemed uncollectible is deducted directly from those claims. At March 31, 2021 and 2020, the deducted amounts were ¥12,067 million (\$108,996 thousand) and ¥14,383 million, respectively.

**(g) Reserve for directors’ retirement benefits** — On June 29, 2004, the Bank abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision has been made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations when the previous system was abolished.

**(h) Reserve for reimbursement of deposits** — Provision is made for future losses from claims on dormant accounts based on historical refund records.

**(i) Provision for contingent losses** — Provision is made for payment on loan-loss burden sharing to credit guarantee corporations in an amount estimated to be paid in the future.

**(j) Accounting for employees’ severance and retirement benefits** — In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods on a benefit formula basis.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated by the straight-line method over 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated.

In calculating the net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries have adopted a simplified method in which the amount required to be paid if all the employees retired voluntarily at the fiscal year end is regarded as retirement benefit obligations.

**(k) Foreign currency translation** — Receivables and payables in foreign currencies of the Bank and its consolidated subsidiaries are translated into Japanese yen at the year-end rates.

**(l) Income taxes** — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset-liability approach based on carryforward loss and the temporary differences between the financial statement bases and tax bases of assets and liabilities.

**(m) Finance leases** — As lessor, revenues and costs of finance leases are recognized when lease payments are made. For finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008, the theoretical value of the assets (after deduction of accumulated depreciation expenses) as of the previous term-end is used to determine the balance sheet amounts of lease investment assets as of April 1, 2008 in accordance with stipulations stated in the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, March 30, 2007).

**(n) Statements of cash flows** — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

**(o) Earnings per share** — Basic earnings per share is computed by deducting dividends for preferred stock from profit attributable to owners of parent and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period. Diluted earnings per share reflect the potential dilution that could occur if preferred stock were converted into common stock.

**(p) Significant accounting estimates**

**Reserve for possible loan losses:**

- a. The Bank recorded reserve for possible loan losses of ¥26,607 million (\$240,330 thousand) in the consolidated financial statements for the year ended March 31, 2021.
- b. Information about details of significant accounting estimates related to the identified items:

**Calculation method and main assumptions:**

The calculation method is stated in Note 2 (f), “Significant accounting policies-Reserve for possible loan losses.”

Based on its own rules for self-assessment, the Bank makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings (“bankrupt borrowers”) or who are in a similar financial condition (“effectively bankrupt borrowers”), the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to any underlying collateral or guarantees. For collateralized or guaranteed claims to bankrupt and effectively bankrupt borrowers, the amount deemed uncollectible, which corresponds to the residual amount after deducting the amount deemed collectible from the assessment value of the collateral and guarantees, is directly deducted from the original amount of claims, in principle.

For the loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming, a reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer’s overall financial condition.

For other loans, a reserve for possible loan losses is provided principally based on the estimated losses for the coming one year or three years. The estimated losses are computed using the loss ratio based on the average loan loss ratio for the past definite period based on the actual losses for the past one or three years, with necessary adjustments such as future projections.

Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on the rate of loss in the past and for certain doubtful claims in the amount deemed uncollectible based on individual assessments of the respective claims.

The Bank assumes COVID-19 will settle down by March 2022, but that its effects on economic activities will continue for an extended period of time. The Bank has recorded reserve for possible loan losses with respect to its categories of debtors considering the available information which will affect the estimates under such assumptions.

**Impacts on the consolidated financial statements for the following year:**

Major customers may experience a decline in operating performances or bankruptcy, the value of collateral may decline, economic circumstances may change, and other unexpected events might occur. In addition, while the Bank assumes that the effects of COVID-19 on economic activities will continue for a certain period, it involves uncertainties and the situations of the COVID-19 pandemic and its impact on economic activities are subject to change.

If events and changes in situations such as the above indeed occur, and the categories of debtors, the amounts estimated to be recoverable from underlying collateral or guarantees, the estimated loss ratio and other major assumptions used to calculate reserve for possible loan losses undergo change, the reserve may need additional provisions, and there may be other significant impacts on the reserve for possible loan losses in the consolidated financial statements for the following year.

**(q) New accounting standards not yet adopted**

The following standard and guidance were issued, but not yet adopted.

- “Accounting Standard for Revenue Recognition” (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 is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

**(2) Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

**(3) Effects of application**

The effects of the new standard and guidance on the consolidated financial statements are expected to be immaterial.

- “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 enhance the comparability with the international accounting standards, the “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively “Fair Value Accounting Standards, etc.”) have been developed and guidance on fair value measurement has been provided. Fair Value Accounting Standards, etc. will be applied to 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 and notes on the breakdowns by level of the fair value of financial instruments were provided.

**(2) Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

**(3) Effects of application**

The effects of the new standard and guidance on the consolidated financial statements are immaterial.

**(r) Change in presentation**

(Accounting Standard for Disclosure of Accounting Estimates)

The Bank applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) for the consolidated financial statements from the year ended March 31, 2021, and included notes concerning significant accounting estimates in the accompanying consolidated financial statements. However, the notes do not include information for the year ended March 31, 2020 pursuant to the transitional treatment prescribed in the proviso of Paragraph 11 of the Standard.

**(s) Additional information**

(Issuance of Treasury Stock to the Employees through the Trust)

The Bank has introduced “Trust-Type Employee Stock Incentive Plan” to fulfill welfare program for the Group employees and to improve business performances by granting incentives to the Group employees toward enhancement of medium and long-term corporate value and enhancing the employees’ awareness of participation in management.

(1) Overview of transactions

The Plan is an incentive plan for all the employees that participate in either “Kiyo Financial Group Employee Stock Ownership Association” or “Kiyo Information System Employee Stock Ownership Association” (collectively “both Associations”).

The Bank has established “Kiyo Financial Group Employee Stock Ownership Association Trust” (hereinafter referred to as the “Trust”). The Trust will acquire in advance the Bank’s shares approximate to the number of shares both Associations may acquire over three and a half years after its inception. Subsequently, the Bank’s shares will be regularly transferred from the Trust to both Associations at market value. When the amounts corresponding to gains on sales of shares are accumulated within the Trust at the termination of the Trust, such amounts will be distributed to the qualified employees who satisfy the requirements as a beneficiary.

In addition, the Bank will assume the obligation to pay for the remaining loan balances pursuant to the guarantee agreement since the Bank guarantees the loans for the Trust in purchasing the Bank’s shares. As such, when the amounts corresponding to losses on sales of shares due to decline in the Bank’s share value are accumulated in the Trust and such loan balances are remaining within the Trust upon termination of the Trust, the Bank will repay the remaining balance.

(2) The Bank’s shares remaining in the Trust

The Bank’s shares remaining in the Trust were recorded as “Treasury stock” under “Net assets” at the carrying amount (excluding incidental expenses) recorded at the Trust. The carrying amount and number of shares of treasury stock were ¥111 million (\$1,002 thousand) and 64 thousand shares as of March 31, 2021 and ¥530 million and 305 thousand shares as of March 31, 2020.

(3) The carrying amount of the borrowed money recorded by applying the gross amount method as of March 31, 2021 and 2020 was ¥202 million (\$1,824 thousand) and ¥590 million, respectively.

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**3. Cash and cash equivalents**

As of March 31, 2021 and 2020, the amounts of cash and cash equivalents at end of year in the consolidated statements of cash flows were in agreement with the amounts of cash and due from banks in the consolidated balance sheets.

#### 4. Trading account securities and other securities

Net valuation gains and losses from trading account securities for the years ended March 31, 2021 and 2020 amounted to ¥(1) million (\$9) thousand and ¥(1) million, respectively.

Investments in unconsolidated subsidiaries (two in 2021 and 2020) in the amounts of ¥123 million (\$1,111 thousand) and ¥247 million are included in “Securities” as of March 31, 2021 and 2020, respectively.

Fair values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair values as of March 31, 2021 and 2020 were as follows:

##### (a) Held-to-maturity debt securities

Type	Millions of yen					
	2021					
	Carrying amount		Fair value		Difference	
Held-to-maturity securities whose fair value exceeds the carrying amount:						
Bonds						
Japanese government bonds	¥	25,057	¥	25,225	¥	167
Corporate bonds		800		803		3
Subtotal	¥	25,857	¥	26,028	¥	170
Held-to-maturity securities whose fair value does not exceed the carrying amount:						
Bonds						
Corporate bonds	¥	1,700	¥	1,700	¥	-
Subtotal	¥	1,700	¥	1,700	¥	-
Total	¥	27,557	¥	27,728	¥	170

Type	Millions of yen					
	2020					
	Carrying amount		Fair value		Difference	
Held-to-maturity securities whose fair value exceeds the carrying amount:						
Bonds						
Japanese government bonds	¥	70,240	¥	70,394	¥	153
Corporate bonds		800		804		4
Subtotal	¥	71,040	¥	71,198	¥	158
Held-to-maturity securities whose fair value does not exceed the carrying amount:						
Bonds						
Japanese government bonds	¥	-	¥	-	¥	-
Subtotal	¥	-	¥	-	¥	-
Total	¥	71,040	¥	71,198	¥	158

Type	Thousands of U.S. dollars					
	2021					
	Carrying amount		Fair value		Difference	
Held-to-maturity securities whose fair value exceeds the carrying amount:						
Bonds						
Japanese government bonds	\$	226,330	\$	227,847	\$	1,508
Corporate bonds		7,226		7,253		27
Subtotal	\$	233,556	\$	235,100	\$	1,535
Held-to-maturity securities whose fair value does not exceed the carrying amount:						
Bonds						
Corporate bonds	\$	15,355	\$	15,355	\$	-
Subtotal	\$	15,355	\$	15,355	\$	-
Total	\$	248,911	\$	250,456	\$	1,535

(b) Available-for-sale securities with available fair values, including trading account securities and beneficial interests in trusts included in “Monetary claims bought,” were as follows:

Type	Millions of yen					
	2021					
	Carrying amount		Acquisition cost		Difference	
Available-for-sale securities whose carrying amount exceeds acquisition cost:						
Stocks	¥	46,045	¥	23,224	¥	22,820
Bonds		355,845		352,064		3,780
Japanese government bonds		88,189		87,018		1,170
Local government bonds		144,974		143,927		1,047
Corporate bonds		122,680		121,118		1,562
Other		272,902		264,129		8,772
Foreign bonds		178,832		174,070		4,761
Other		94,069		90,059		4,010
Subtotal	¥	674,792	¥	639,419	¥	35,373
Available-for-sale securities whose carrying amount does not exceed acquisition cost:						
Stocks	¥	2,710	¥	2,910	¥	(199)
Bonds		179,422		181,489		(2,066)
Japanese government bonds		64,684		66,147		(1,463)
Local government bonds		58,941		59,191		(250)
Corporate bonds		55,797		56,150		(352)
Other		189,178		202,027		(12,849)
Foreign bonds		97,719		103,085		(5,366)
Other		91,459		98,941		(7,482)
Subtotal	¥	371,311	¥	386,427	¥	(15,115)
Total	¥	1,046,104	¥	1,025,846	¥	20,258

Type	Millions of yen					
	2020					
	Carrying amount		Acquisition cost		Difference	
Available-for-sale securities whose carrying amount exceeds acquisition cost:						
Stocks	¥	29,051	¥	16,101	¥	12,950
Bonds		361,080		355,675		5,405
Japanese government bonds		80,863		78,997		1,865
Local government bonds		129,419		128,003		1,415
Corporate bonds		150,797		148,673		2,124
Other		175,681		171,274		4,406
Foreign bonds		153,965		150,216		3,749
Other		21,715		21,058		656
Subtotal	¥	565,813	¥	543,051	¥	22,761
Available-for-sale securities whose carrying amount does not exceed acquisition cost:						
Stocks	¥	10,369	¥	12,769	¥	(2,399)
Bonds		175,910		177,031		(1,121)
Japanese government bonds		46,239		46,570		(331)
Local government bonds		70,406		70,769		(363)
Corporate bonds		59,263		59,691		(427)
Other		231,238		241,583		(10,345)
Foreign bonds		122,498		123,093		(594)
Other		108,739		118,490		(9,750)
Subtotal	¥	417,518	¥	431,385	¥	(13,866)
Total	¥	983,331	¥	974,436	¥	8,895



Type	Thousands of U.S. dollars		
	2021		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	\$ 415,906	\$ 209,773	\$ 206,124
Bonds	3,214,208	3,180,056	34,143
Japanese government bonds	796,576	785,999	10,568
Local government bonds	1,309,493	1,300,036	9,457
Corporate bonds	1,108,120	1,094,011	14,108
Other	2,465,016	2,385,773	79,234
Foreign bonds	1,615,319	1,572,306	43,004
Other	849,688	813,467	36,220
Subtotal	\$ 6,095,131	\$ 5,775,620	\$ 319,510
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	\$ 24,478	\$ 26,284	\$ (1,797)
Bonds	1,620,648	1,639,318	(18,661)
Japanese government bonds	584,265	597,479	(13,214)
Local government bonds	532,390	534,649	(2,258)
Corporate bonds	503,992	507,180	(3,179)
Other	1,708,770	1,824,830	(116,059)
Foreign bonds	882,657	931,126	(48,468)
Other	826,113	893,695	(67,581)
Subtotal	\$ 3,353,906	\$ 3,490,443	\$ (136,527)
Total	\$ 9,449,047	\$ 9,266,064	\$ 182,982

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the fair value. In addition, the difference between acquisition cost and fair value is posted as a loss in the consolidated accounts for the fiscal year (this process is known as “impairment accounting”). The impairment loss recognized on securities for the years ended March 31, 2021 and 2020 was ¥7 million (\$63 thousand) and ¥102 million of stocks, respectively.

The criteria for determining when available-for-sales securities have “significantly declined” are cases in which the fair value has fallen below 70% of the acquisition cost; or the fair value of a debt security under available-for-sales securities has fallen not below 70%, but the credit worthiness of the issuing company has worsened. In these cases, impairment loss is recognized as follows:

- (1) For all the securities whose fair value has fallen below 50% of the acquisition cost, impairment accounting is implemented.
- (2) For securities whose fair value has fallen below 70% but not below 50%, impairment accounting is implemented taking into account internal and external factors such as the business performance of the issuing company, the market price movements, trends of the market environments, etc. For bonds, impairment accounting is implemented taking into account credit worthiness of the issuing company with respect to those whose market prices are deemed unlikely to recover to the acquisition cost.
- (3) For securities whose fair value has fallen, but not below 70% of the acquisition cost and the credit worthiness of the issuing company has worsened, impairment accounting is implemented, if necessary, taking into account its credit worthiness, etc.

(c) There were no bonds classified as held-to-maturity sold during the years ended March 31, 2021 and 2020.

(d) Total sales of available-for-sale securities in the years ended March 31, 2021 and 2020 amounted to ¥357,828 million (\$3,232,119 thousand) and ¥519,806 million, respectively. The related gains and losses for the year ended March 31, 2021 amounted to ¥10,997 million (\$99,331 thousand) and ¥6,957 million (\$62,839 thousand), respectively. The related gains and losses for the year ended March 31, 2020 amounted to ¥14,255 million and ¥12,880 million, respectively.

(e) Net unrealized gains (losses) on available-for-sale securities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S.
	2021	2020	dollars 2021
Difference between acquisition cost and fair value:			
Available-for-sale securities	¥ 20,313	¥ 9,262	\$ 183,479
Deferred tax liabilities	(5,140)	(2,717)	(46,427)
Difference between acquisition cost and fair value (prior to adjustment for non-controlling interests)	15,173	6,544	137,051
Amount corresponding to non-controlling interests	(325)	(245)	(2,935)
Net unrealized gains (losses) on available-for-sale securities	¥ 14,848	¥ 6,299	\$ 134,116

## 5. Loans and bills discounted

Loans and bills discounted at March 31, 2021 and 2020 included the following:

	Millions of yen		Thousands of U.S.
	2021	2020	dollars 2021
Loans to borrowers legally bankrupt	¥ 1,418	¥ 1,716	\$ 12,808
Other delinquent loans	67,379	55,879	608,608
Loans past due over 3 months	2	4	18
Restructured loans	13,650	6,114	123,295
Total	¥ 82,449	¥ 63,715	\$ 744,729

Loans to borrowers legally bankrupt are loans to customers who meet specific credit risk criteria such as undergoing bankruptcy proceedings. Interest is not accrued on these loans. Other delinquent loans are loans other than those included in loans to borrowers legally bankrupt for which the recognition of accrued interest has been suspended after an assessment of the loan's quality. Loans past due over 3 months are loans for which principal and/or interest payments are past due for three months or more.

Restructured loans are loans for which the Bank has granted borrowers certain concessions such as reduced or exempted interest, suspended payments of interest, delayed repayment of principal and/or waivers of claims to allow borrowers to restructure or to provide support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans and loans past due over 3 months.

The Bank applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guidelines No. 24, October 8, 2020) and accounts for bills discounted as financial transactions. The face value of bank acceptances, bills of exchange and bills of lading which were permitted to be sold or pledged without restrictions and which were acquired at a discount amounted to ¥9,143 million (\$82,585 thousand) and ¥15,045 million at March 31, 2021 and 2020, respectively.

The carrying amount of loan participation, which was accounted for as loans to original borrowers in accordance with "Accounting and Presentation of Loan Participations" (JICPA Accounting Practice Committee Report No. 3, November 28, 2014), was ¥1,270 million (\$11,471 thousand) and ¥1,709 million at March 31, 2021 and 2020, respectively.

## 6. Tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2021 and 2020 was ¥44,322 million (\$400,343 thousand) and ¥46,865 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets was ¥4,271 million (\$38,578 thousand) and ¥4,271 million at March 31, 2021 and 2020, respectively.

## 7. Assets pledged as collateral

Assets pledged as collateral at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥ 627,205	¥ 449,930	\$ 5,665,296
Loans and bills discounted	577,698	-	5,218,119
Other assets	293	299	2,646
Total	¥ 1,205,196	¥ 450,230	\$ 10,886,062

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deposits	¥ 36,135	¥ 22,207	\$ 326,393
Payables under securities lending transactions	184,714	161,505	1,668,449
Borrowed money	708,600	247,973	6,400,505
Total	¥ 929,449	¥ 431,686	\$ 8,395,348

In addition to the above assets, the following assets were pledged as collateral for transaction guarantees of foreign exchanges, etc.:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥ 2,242	¥ 2,408	\$ 20,251
Other assets	20,000	20,000	180,652
<i>Cash deposits for futures transactions</i>	1,052	1,052	9,502
<i>Guarantee and leasehold deposits</i>	1,270	1,270	11,471
<i>Cash collateral paid for financial instruments</i>	430	150	3,884

## 8. Deposits

Deposits at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liquid deposits	¥ 2,796,710	¥ 2,364,584	\$ 25,261,584
Fixed-term deposits	1,482,530	1,512,498	13,391,111
Other deposits	134,200	100,858	1,212,175
Negotiable certificates of deposit	43,324	59,563	391,328
Total	¥ 4,456,765	¥ 4,037,503	\$ 40,256,209

## 9. Borrowed money and lease obligations

The weighted average interest rate on the term-end balance of borrowed money was 0.00%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations as of March 31, 2021 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2022	¥ 708,982	\$ 6,403,956	¥ 163	\$ 1,472
2023	141	1,273	136	1,228
2024	104	939	101	912
2025	64	578	43	388
2026	22	198	40	361
2027 and thereafter	-	-	84	758
Total	¥ 709,314	\$ 6,406,955	¥ 570	\$ 5,148

## 10. Employees' severance and retirement benefits

### (a) Overview of the retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank has defined benefit pension plans consisting of a corporate pension plan and a lump-sum payment plan and established a corporate-type defined contribution pension plan. In addition, the Bank has set up a retirement benefit trust.

A consolidated subsidiary has adopted a defined contribution pension plan and participated in general establishment type welfare pension funds and it is accounted for in the same manner as the defined contribution plan since the amount of plan assets corresponding to its contribution cannot be reasonably determined.

Other consolidated subsidiaries have adopted lump-sum payment plans, and net defined benefit liability and severance and retirement benefit expenses are calculated using a simplified method.

### (b) Defined benefit plans, including the plans to which a simplified method is applied

1. The changes in projected 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	¥ 29,585	¥ 29,881	\$ 267,229
Service cost	952	966	8,599
Interest cost	97	97	876
Actuarial differences	291	220	2,628
Benefits paid	(1,510)	(1,580)	(13,639)
Balance at end of year	¥ 29,415	¥ 29,585	\$ 265,694

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	¥ 43,067	¥ 47,733	\$ 389,007
Expected return on plan assets	346	336	3,125
Actuarial differences	12,199	(4,593)	110,188
Contribution from employers	487	549	4,398
Benefits paid	(999)	(957)	(9,023)
Balance at end of year	¥ 55,100	¥ 43,067	\$ 497,696

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded benefit obligation	¥ 29,386	¥ 29,556	\$ 265,432
Plan assets	(55,100)	(43,067)	(497,696)
	(25,714)	(13,510)	(232,264)
Unfunded benefit obligation	29	28	261
Net liability (asset)	¥ (25,685)	¥ (13,482)	\$ (232,002)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net defined benefit liability	¥ 29	¥ 28	\$ 261
Net defined benefit asset	(25,714)	(13,510)	(232,264)
Net liability (asset)	¥ (25,685)	¥ (13,482)	\$ (232,002)

4. The components of severance and retirement benefit expenses 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	¥ 952	¥ 966	\$ 8,599
Interest cost	97	97	876
Expected return on plan assets	(346)	(336)	(3,125)
Recognized actuarial differences	(1,344)	(1,771)	(12,139)
Other	22	38	198
Severance and retirement benefit expenses	¥ (618)	¥ (1,006)	\$ (5,582)

5. The components of remeasurements of defined benefit plans (before tax effect) for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial differences	¥ 10,563	¥ (6,586)	\$ 95,411
Total	¥ 10,563	¥ (6,586)	\$ 95,411

6. The components of accumulated remeasurements of defined benefit plans (before tax effect) as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial differences	¥ 12,733	¥ 2,170	\$ 115,012
Total	¥ 12,733	¥ 2,170	\$ 115,012

7. Plan assets

(1) Components of plan assets as of March 31, 2021 and 2020

Plan assets consisted of the following:

	2021	2020
Stocks	55%	45%
Bonds	14%	16%
General accounts	11%	15%
Cash and deposits	11%	12%
Other	9%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Note: Total plan assets include the assets of the retirement benefit trust established for corporate pension plans and lump-sum severance payment plans representing 53% and 46% of total assets as of March 31, 2021 and 2020, respectively.

(2) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined with consideration for the allocation of plan assets expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2021 and 2020 were as follows (presented at weighted average rates):

	2021	2020
Discount rate	0.3%	0.3%
Long-term expected rate of return on plan assets	0.8%	0.7%
Expected rate of salary increase	4.4%	4.5%

(c) Defined contribution plans

The required contribution to the defined contribution plans of the Bank and its consolidated subsidiaries was ¥195 million (\$1,761 thousand) and ¥193 million for the years ended March 31, 2021 and 2020, respectively.

The multi-employer plan under which the amount of the required contribution is treated as retirement benefit expense is as follows:

(1) Latest funding status of the entire plan

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Amount of plan assets	¥ 245,064	¥ 245,472	\$ 2,213,566
Total amount of actuarial obligations for pension financing calculation purposes and the minimum actuarial reserve	202,774	200,586	1,831,577
<b>Net amount</b>	<b>¥ 42,289</b>	<b>¥ 44,885</b>	<b>\$ 381,979</b>

Notes: 1. The latest funding status as of March 31, 2021 is based on the information available as of March 31, 2020.

2. The latest funding status as of March 31, 2020 is based on the information available as of March 31, 2019.

(2) The share of contribution of pension premiums of the Group against the whole plan for the years ended March 31, 2021 and 2020 (based on the information for the periods from March 1, 2020 through March 31, 2020 and from March 1, 2019 through March 31, 2019) was 0.1%.

(3) Supplementary explanation

Major factors in the net amount above (1) are past service liabilities for the purpose of pension calculation in the amount of ¥34 million (\$307 thousand) and ¥51 million and surplus brought forward of ¥42,324 million (\$382,296 thousand) and ¥44,936 million as of March 31, 2021 (based on information as of March 31, 2020) and 2020 (based on information as of March 31, 2019), respectively.

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## 11. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥37,129 million (\$335,371 thousand) and ¥36,944 million as of March 31, 2021 and 2020, respectively.

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## 12. Shareholders' equity

### (a) Capital stock

The number of shares of the Bank's capital stock as of March 31, 2021 and 2020 was as follows:

	Thousands of shares	
	2021	2020
Authorized:		
Common	120,000	120,000
Total	120,000	120,000

### (b) Retained earnings

Japanese banks are subject to the Corporate Law of Japan (the "Law") and the Banking Law. The Law requires that all shares of common stock be recorded with no par value and that at least 50% of the issue price of new shares be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of their Boards of Directors, to issue shares to existing shareholders without limitation. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Law allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in cases in which a reduction was resolved at the shareholders' meeting.

In addition to requiring an appropriation for a legal reserve in connection with cash payments, the Law imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year for which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

### 13. Changes in net assets

#### (a) Type and number of shares issued and treasury stock

At March 31, 2021 and 2020, the number of shares was as follows:

	Thousands of shares			
	2020	Increase	Decrease	2021
Shares issued:				
Common	70,300	-	-	70,300
Total	70,300	-	-	70,300
Treasury stock:				
Common (*1) (*2)	2,351	604	278	2,677
Total	2,351	604	278	2,677

(\*1) The number of shares of treasury stock at April 1, 2020 and March 31, 2021 includes 305 thousand shares and 64 thousand shares of the Bank held by Kiyo Financial Group Employee Stock Ownership Association Trust (hereinafter referred to as the "Trust"), respectively.

(\*2) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (602 thousand shares), the purchase of shares of less than one unit (2 thousand shares). The decrease in the number of common shares in treasury was due to the transfers resulting from exercise of stock options (36 thousand shares) and the sales by the Trust of common shares (241 thousand shares).

	Thousands of shares			
	2019	Increase	Decrease	2020
Shares issued:				
Common	70,300	-	-	70,300
Total	70,300	-	-	70,300
Treasury stock:				
Common (*1) (*2)	1,933	680	261	2,351
Total	1,933	680	261	2,351

(\*1) The number of shares of treasury stock at April 1, 2019 and March 31, 2020 includes 559 thousand shares and 305 thousand shares of the Bank held by the Trust, respectively.

(\*2) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (678 thousand shares), the purchase of shares of less than one unit (2 thousand shares). The decrease in the number of common shares in treasury was due to the transfers resulting from exercise of stock options (8 thousand shares), the requests for additional purchases of shares of less than one unit (0 thousand shares) and the sales by the Trust of common shares (253 thousand shares).

#### (b) Subscription rights to shares

The outstanding balance of subscription rights to shares of the Bank as of March 31, 2021 and 2020 was ¥100 million (\$903 thousand) and ¥130 million, respectively.

#### (c) Information on dividends

Dividends paid during the year ended March 31, 2021 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	¥ 2,388	¥ 35.00	\$ 21,569	\$ 0.31

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 26, 2020.

2. Record date for all types of shares was March 31, 2020.

3. Effective date for all types of shares was June 29, 2020.

4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 26, 2020 included dividends in an amount of ¥10 million (\$90 thousand) related to the Bank's shares held by the Trust.



Dividends applicable to the year ended March 31, 2021 and whose effective date (i.e. initial payment date) falls after March 31, 2021 were as follows:

	Millions of yen Amount of dividends	Yen Cash dividends per share	Thousands of U.S. dollars Amount of dividends	U.S. dollars Cash dividends per share
Common	¥ 2,369	¥ 35.00	\$ 21,398	\$ 0.31

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2021.

2. Record date for all types of shares was March 31, 2021.

3. Effective date for all types of shares was June 30, 2021.

4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 29, 2021 included dividends in an amount of ¥2 million (\$18 thousand) related to the Bank's shares held by the Trust.

Dividends paid during the year ended March 31, 2020 were as follows:

	Millions of yen Amount of dividends	Yen Cash dividends per share
Common	¥ 2,412	¥ 35.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2019.

2. Record date for all types of shares was March 31, 2019.

3. Effective date for all types of shares was June 28, 2019.

4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 27, 2019 included dividends in an amount of ¥19 million related to the Bank's shares held by the Trust.

#### 14. Stock options

##### (1) Stock option expense

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
General and administrative expenses	¥ 27	¥ 36	\$ 243

##### (2) Gain on forfeited stock options due to unexercised rights

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Other income	¥ 0	¥ -	\$ 0

##### (3) Stock options outstanding at March 31, 2021 were as follows:

###### a. Outline of stock options

	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options
Persons to whom stock subscription rights were allocated	9 directors and 5 executive officers of the Bank; a total of 14 persons	9 directors and 6 executive officers of the Bank; a total of 15 persons	9 directors (excluding directors serving as audit and supervisory committee members) and 6 executive officers of the Bank; a total of 15 persons	7 directors (excluding directors serving as audit and supervisory committee members) and 8 executive officers of the Bank; a total of 15 persons
Number of options granted	Common stock of the Bank 17,300 shares	Common stock of the Bank 26,600 shares	Common stock of the Bank 18,400 shares	Common stock of the Bank 20,700 shares
Date of grant	July 27, 2015	July 29, 2016	July 31, 2017	July 27, 2018
Vesting conditions	Not defined	Not defined	Not defined	Not defined
Applicable service period	Not defined	Not defined	Not defined	Not defined
Exercise period	From July 28, 2015 to July 27, 2045	From July 30, 2016 to July 29, 2046	From August 1, 2017 to July 31, 2047	From July 28, 2018 to July 27, 2048

	5th Stock Options	6th Stock Options
Persons to whom stock subscription rights were allocated	6 directors (excluding directors serving as audit and supervisory committee members) and 11 executive officers of the Bank; a total of 17 persons	6 directors (excluding directors serving as audit and supervisory committee members) and 9 executive officers of the Bank; a total of 15 persons
Number of options granted	Common stock of the Bank 26,400 shares	Common stock of the Bank 17,500 shares
Date of grant	July 26, 2019	July 22, 2020
Vesting conditions	Not defined	Not defined
Applicable service period	Not defined	Not defined
Exercise period	From July 27, 2019 to July 26, 2049	From July 23, 2020 to July 22, 2050

Note: Number of stock options is converted into number of shares.

b. Stock option activity

The following table summarizes the movement of stock options outstanding for the year ended March 31, 2021, in which the number of stock options is converted into the number of shares.

(i) Number of stock options

	Number of shares					
	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options	5th Stock Options	6th Stock Options
Non-vested:						
Outstanding as of March 31, 2020	-	-	-	-	-	-
Granted	-	-	-	-	-	17,500
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	-	17,500
<b>Outstanding as of March 31, 2021</b>	-	-	-	-	-	-
Vested:						
Outstanding as of March 31, 2020	10,300	18,800	14,700	19,200	26,400	-
Vested	-	-	-	-	-	17,500
Exercised	4,100	10,000	6,200	7,400	8,500	700
Forfeited	-	-	-	-	-	400
<b>Outstanding as of March 31, 2021</b>	<b>6,200</b>	<b>8,800</b>	<b>8,500</b>	<b>11,800</b>	<b>17,900</b>	<b>16,400</b>

(ii) Price information

	Yen					
	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options	5th Stock Options	6th Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	1,636	1,636	1,636	1,636	1,636	1,423
Fair value at date of grant	1,678	1,382	1,727	1,823	1,347	1,457

	U.S. Dollars					
	1st Stock Options	2nd Stock Options	3rd Stock Options	4th Stock Options	5th Stock Options	6th Stock Options
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at exercise	14.77	14.77	14.77	14.77	14.77	12.85
Fair value at date of grant	15.15	12.48	15.59	16.46	12.16	13.16

Note: Above information is described after converting into per share data.

(4) Estimation method for fair values of stock options granted

The 6th stock options granted during the year ended March 31, 2021 were valued using the Black-Scholes option pricing model with the following assumptions:

6th Stock Options	
Volatility of stock price (*1)	31.785%
Expected remaining outstanding period (*2)	4.6 years
Expected dividend (*3)	¥35 (\$0.31) per share
Risk-free interest rate (*4)	(0.137)%

(\*1) Stock price volatility is computed based on actual stock prices during the period corresponding to the expected remaining outstanding period (from December 16, 2015 to July 22, 2020).

(\*2) Expected remaining outstanding period is estimated by the method of averaging the difference between the average retirement age and current age of each incumbent grantee.

(\*3) Expected dividend is based on actual dividend paid per common stock for the year ended March 31, 2020.

(\*4) Risk-free interest rate refers to the yield of government bonds for the period corresponding to the expected remaining outstanding period.

(5) Estimation method for number of stock options vested

The Bank uses the method to reflect the actual forfeited options, since it is difficult to reasonably estimate the number of stock options to be forfeited in the future.

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## 15. Other income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Recovery of written-off claims	¥ 1,583	¥ 1,870	\$ 14,298
Gain on sales of stocks and other securities	5,941	4,116	53,662
Gain on disposal of fixed assets	343	95	3,098

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## 16. General and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Salaries and allowances	¥ 13,448	¥ 13,627	\$ 121,470

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## 17. Other expenses

Other expenses for the years ended March 31, 2021 and 2020 included the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on the loans written-off	¥ 1,026	¥ 1,862	\$ 9,267
Loss on sales of stock and other securities	4,438	2,435	40,086
Loss on the devaluation of stocks	11	125	99
Loss on the transfer/sale of loan obligations	188	300	1,698
Loss on disposal of fixed assets	94	53	849
Impairment loss on fixed assets	125	1,513	1,129

#### Impairment loss on fixed assets

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥125 million (\$1,129 thousand) and ¥1,513 million for the years ended March 31, 2021 and 2020, respectively. Details are as follows:

Location	Major use	Asset category	Impairment loss on fixed assets	
			Millions of yen	Thousands of U.S. dollars
			2021	2021
Wakayama Prefecture	Operating offices: 25 locations	Buildings, movables and leasehold rights	¥ 56	\$ 505
Wakayama Prefecture	Idle assets: 3 locations	Land, buildings and movables	9	81
Wakayama Prefecture	Business assets	Movables and software	16	144
Osaka Prefecture	Operating offices: 14 locations	Buildings, movables and leasehold rights	43	388
Total	-	-	¥ 125	\$ 1,129

Location	Major use	Asset category	Impairment loss on fixed assets	
			Millions of yen	
			2020	
Wakayama Prefecture	Operating offices: 29 locations	Land, buildings and movables	¥ 1,452	
Osaka Prefecture	Operating offices: 4 locations	Buildings and movables	60	
Total	-	-	¥ 1,513	

With respect to the calculation of impairment loss on fixed assets, the minimum operational unit recognized for management accounting purposes by the Bank is the single bank branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch. Each unit of idle assets (one “unit” is defined as one plot of land or one building) is treated as a separate and individual unit for accounting purposes. Because the head office, administration center and Bank provided housing and dormitories for the staff of the Bank do not independently generate any cash flows, they are treated as assets held in common by the Bank for accounting purposes. With respect to the consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss on fixed assets for the reporting period, the amount deemed recoverable, i.e., the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards. For immaterial assets, the recoverable value is determined by deducting the estimated cost of disposal from the appraisal value based on the roadside land prices, etc.

## 18. Income taxes

The Bank is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.4% for the years ended March 31, 2021 and 2020. The table below summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2021.

	2021
Statutory tax rate	30.4%
Adjustments:	
Nondeductible expenses for tax purpose (entertainment expenses, etc.)	0.2
Dividend income that is not taxable for income tax purposes	(0.4)
Change in valuation allowance	3.1
Other	0.2
Effective tax rate	33.5%

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 is not disclosed because it was not more than 5% of the statutory tax rate.

Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Deferred tax assets:</b>			
Nondeductible reserve for possible loan losses	¥ 9,207	¥ 8,311	\$ 83,163
Write-down of securities	1,745	2,238	15,761
Carryforward tax loss	76	86	686
Other	4,653	5,274	42,028
Subtotal	15,682	15,910	141,649
Valuation allowance for carryforward tax loss	(76)	(86)	(686)
Valuation allowance for deductible temporary differences	(11,143)	(10,990)	(100,650)
Subtotal	(11,220)	(11,077)	(101,345)
Deferred tax assets	4,462	4,833	40,303
<b>Deferred tax liabilities:</b>			
Net unrealized (gains) losses on available-for-sale securities	(5,144)	(2,722)	(46,463)
Net defined benefit asset	(5,193)	(1,698)	(46,906)
(Gains) losses on retirement benefit trust	(440)	(440)	(3,974)
Other	(905)	(888)	(8,174)
Deferred tax liabilities	(11,684)	(5,750)	(105,536)
Net deferred tax assets (liabilities)	¥ (7,221)	¥ (917)	\$ (65,224)

Net amounts recorded in the consolidated balance sheets after offsetting by each taxable entity at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets	¥ 580	¥ 597	\$ 5,238
Deferred tax liabilities	7,801	1,515	70,463

## 19. Other comprehensive income (loss)

Amounts reclassified to profit in the current period that were recognized in other comprehensive income (loss) in the current or previous periods and the tax effects for each component of other comprehensive income (loss) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains (losses) on available-for-sale securities:			
Increase (decrease) during the year	¥ 15,387	¥ (25,781)	\$ 138,984
Reclassification adjustments	(4,336)	(1,758)	(39,165)
Subtotal before tax	11,051	(27,540)	99,819
Tax benefit (expense)	(2,422)	7,006	(21,876)
Net unrealized gains (losses) on available-for-sale securities	8,629	(20,533)	77,942
Net deferred gains (losses) on hedging instruments:			
Increase (decrease) during the year	(132)	(122)	(1,192)
Reclassification adjustments	186	904	1,680
Subtotal before tax	53	782	478
Tax benefit (expense)	(16)	(237)	(144)
Net deferred gains (losses) on hedging instruments	37	544	334
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	11,908	(4,814)	107,560
Reclassification adjustments	(1,344)	(1,771)	(12,139)
Subtotal before tax	10,563	(6,586)	95,411
Tax benefit (expense)	(3,211)	2,002	(29,003)
Remeasurements of defined benefit plans	7,352	(4,584)	66,407
Total other comprehensive income (loss)	¥ 16,018	¥ (24,573)	\$ 144,684

## 20. Per share information

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 3,607.40	¥ 3,201.86	\$ 32.58
Basic earnings per share	200.97	201.73	1.81
Diluted earnings per share	200.76	201.49	1.81

(Note 1) The calculation of net assets per share as of March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥ 245,699	¥ 220,256	\$ 2,219,302
Amount to be deducted from total net assets:	1,758	2,694	15,879
Subscription rights to shares	100	130	903
Non-controlling interests	1,658	2,564	14,976
Net assets attributable to common stock	243,940	217,561	2,203,414
Number of shares of common stock as of the fiscal year end used in computing net assets per share (thousands of shares)	67,622	67,948	-

(Note 2) The calculation of earnings per share for the years ended March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S.
	2021	2020	dollars 2021
<b>Basic earnings per share:</b>			
Profit attributable to owners of parent	¥ 13,591	¥ 13,719	\$ 122,762
Amount not attributable to common shareholders	-	-	-
Profit attributable to common shareholders of parent	13,591	13,719	122,762
Average number of shares of common stock during the term (thousands of shares)	67,627	68,010	-
<b>Diluted earnings per share:</b>			
Adjustment to profit attributable to owners of parent	-	-	-
Increase in number of shares of common stock (thousands of shares)	71	80	-
Subscription rights to shares (thousands of shares)	71	80	-
Overview of potential shares not included in computing diluted earnings per share due to having no dilutive effect	-	-	-

(Note 3) In computing net assets per share, the Bank's shares held by Kiyo Financial Group Employee Stock Ownership Association Trust, which are recorded as treasury stock under shareholders' equity, are included in the number of treasury stock to be deducted from the total number of issued shares at the fiscal year end and are included in the number of treasury stock to be deducted from the average number of shares during the term in computing basic earnings per share and diluted earnings per share.

The number of shares of such treasury stock deducted in computing net assets per share as of March 31, 2021 and 2020 was 64 thousand shares and 305 thousand shares, respectively, and the average number of shares of treasury stock during the term deducted in computing basic earnings per share and diluted earnings per share for the years ended March 31, 2021 and 2020 was 178 thousand shares and 422 thousand shares, respectively.

## 21. Commitment lines

Loan agreements and commitment line agreements are agreements which oblige the Bank to lend funds up to a certain limit agreed to in advance. The Bank makes the loans upon a borrower's request to draw down funds under the agreements as long as there is no breach of the various terms and conditions stipulated in the agreements. The unused commitment balances related to these agreements at March 31, 2021 and 2020 amounted to ¥451,701 million (\$4,080,037 thousand) and ¥408,842 million, respectively. Of this amount, the unused commitment balances related to agreements with terms of one year or less or that were unconditionally cancelable at any time totaled ¥390,474 million (\$3,526,998 thousand) and ¥346,760 million, respectively.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitment balances will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank to decline a request to draw down funds or to reduce the agreed limit amount when there is a cause to do so, such as when there is a change in the financial condition of the borrower or when it is necessary to protect the Bank's credit. The Bank makes various measures to protect its credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or confirming the obligor's financial condition in accordance with the Bank's established internal procedures.

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## 22. Financial instruments and related disclosures

### 1. Disclosure about Financial Instruments

#### (1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuation in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and engages in derivative transactions.

#### (2) Nature and risk of financial instruments

Financial assets held by the Group consist mainly of loans to domestic customers that are exposed to credit risk arising from the customers' nonperformance of contractual obligations and the risk of interest rate fluctuations. Securities held by the Group consist mainly of debt securities, equity securities and investment trusts, which are held for the purpose of holding to maturity, net investment, strategic investment and trading purposes. These securities are exposed to the credit risk of the issuers, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities consist mainly of deposits, which are exposed to liquidity risk and interest rate fluctuation risk, and other financial assets.

Major risks inherent in derivative transactions include the market risk of fluctuation in interest rates, foreign exchange, stock prices and other market instruments and the credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge these risks, and the market risk of the hedged items is almost entirely offset by the derivatives. Hedging instruments to which hedge accounting is applied are currency swaps, etc. The corresponding hedged items are securities.

#### (3) Risk management system for financial instruments

##### ***Credit risk management***

The Group has established a credit risk management system that includes the "Credit Risk Control Rule" and other various rules and defines the basic credit risk control policy and management system. Specifically, the Review Department conducts reviews according to the risk characteristics of the credit items by identifying the financial position, use of funds, repayment resources and other factors related to credit customers. The Credit Control Department sets up and controls limits to avoid the concentration of credit risk and identifies the quantitative level of credit risk. The Department is also responsible for the maintenance of the credit rating system and reports the measured volume of credit risk to the Board of Directors and risk management committee so that credit risk management may be discussed within the framework of integrated risk control.

##### ***Market risk management***

The Group has established a market risk management system that includes the "Market Risk Control Rule" and other various rules and defines the basic market risk control policy and management system.

##### (i) Interest rate risk management

With respect to interest rate management, the Group regularly measures the volume of interest rate risk arising from assets and liabilities such as securities, loans and deposits and conducts interest rate gap analysis and interest rate sensitivity analysis and reports the outcome to the ALM Strategy Committee and the Risk Control Committee. The Group also has established specific limits on the level of interest rate risk.

##### (ii) Price fluctuation risk management

With respect to price fluctuation risk, the Group controls the level of risk on a daily basis by measuring the risk volume and setting up limits on the level of risk. Securities held for net investment purposes are controlled by setting up additional limits on transactions and losses above those set up by the executive committee in addition to the risk volume control. With respect to shares held for strategic investment purposes, the Group tries to reduce the risk level by limiting the balance and using hedge transactions, etc.

##### (iii) Foreign exchange risk management

The Group identifies the fluctuation risk associated with foreign currency denominated assets and liabilities, controls the risk within the limit determined by the executive committee and works to mitigate the risk using currency swaps, etc.



(iv) Derivative transactions

Derivatives transactions are employed principally and limitedly for hedging purposes. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and controlling operations.

(v) Quantitative information on market risk

Major financial instruments that are affected by interest rate risk that is regarded as major risk factors are call loans, other debt purchased, bonds and investment trusts included in securities, loans and bills discounted, deposits, call money, payables under securities lending transactions and borrowed money. Financial instruments that are affected by price fluctuation risk consist of stocks and investment trusts included in securities.

The Bank calculates Value at Risk (VaR) to capture the effects of income and economic value from interest rate fluctuation and price fluctuation. VaR is made available to internal management. To calculate VaR, the Bank applies the variance and covariance method, using 3 to 6 months as the holding period based on risk characteristics, 99% as the confidence interval and 1 to 5 years as the observation period based on risk characteristics. The amount of risk at March 31, 2021 and 2020 was ¥11,038 million (\$99,701 thousand) and ¥11,040 million, respectively, for interest rate risk and ¥18,714 million (\$169,036 thousand) and ¥20,747 million, respectively, for price fluctuation risk.

For the fiscal year ended March 31, 2021, VaR for strategic investment (equity, investment trust) out of VaR for price fluctuation risk uses modified VaR, that is VaR after deducting valuation gain or loss for the purpose of internal control of the Bank and the above VaR for price fluctuation risk also uses modified VaR. (The modified VaR for strategic investment (equity, investment trust) is zero, since total valuation gain or loss on strategic investment (equity, investment trust) in the amount of ¥17,512 million (\$158,179 thousand) exceeds VaR for the price fluctuation risk in the amount of ¥7,460 million (\$67,383 thousand).)

In addition, the Bank verifies the effectiveness of risk measurement under the variance and covariance method by a back testing protocol that compares VaR to actual income.

In calculating VaR on interest rate risk, the core deposits of liquid deposits are adjusted. Core deposits do not have specified interest rates and are demand deposits that are expected to be held for the long term without demand for withdrawal. VaR is a statistical measure of market risk volume under a certain probability of occurrence based on the past market fluctuations. Accordingly, it may be impossible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

**Liquidity risk management**

The Group has established a liquidity risk management system that includes the “Liquidity Risk Control Rule” and other various rules and defines the basic liquidity risk control policy and management system. The Group tries to control liquidity risk by maintaining stable cash management, securing highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments

In addition to value based on the market price, the fair values of financial instruments include valuations calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the values, the outcome of such calculations may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and any difference as of March 31, 2021 and 2020 are set forth in the table below. Note that unlisted equity securities for which the fair value was extremely difficult to determine were not included in the following table (See Note 2). Also, insignificant items were omitted.

	Millions of yen		
	2021		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 1,216,774	¥ 1,216,774	¥ -
Securities:			
Held-to-maturity securities	27,557	27,728	170
Available-for-sale securities	1,046,066	1,046,066	-
Loans and bills discounted	3,271,208		
Reserve for possible loan losses (*1)	(26,498)		
	<b>3,244,710</b>	<b>3,256,875</b>	<b>12,165</b>
Total assets	¥ 5,535,108	¥ 5,547,444	¥ 12,336
Deposits	¥ 4,413,441	¥ 4,413,475	¥ 34
Payables under securities lending transactions	184,714	184,714	-
Borrowed money	709,314	709,314	-
Total liabilities	¥ 5,307,469	¥ 5,307,504	¥ 34
Derivative transactions (*2)			
Hedge accounting not applied	¥ (824)	¥ (824)	¥ -
Hedge accounting applied	(265)	(265)	-
Total derivative transactions	¥ (1,090)	¥ (1,090)	¥ -

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

(\*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

	Millions of yen		
	2020		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 507,968	¥ 507,968	¥ -
Securities:			
Held-to-maturity securities	71,040	71,198	158
Available-for-sale securities	982,643	982,643	-
Loans and bills discounted	3,072,120		
Reserve for possible loan losses (*1)	(22,823)		
	<b>3,049,297</b>	<b>3,057,917</b>	<b>8,619</b>
Total assets	¥ 4,610,949	¥ 4,619,727	¥ 8,778
Deposits	¥ 4,037,503	¥ 4,037,534	¥ 31
Payables under securities lending transactions	161,505	161,505	-
Borrowed money	249,051	249,051	-
Total liabilities	¥ 4,448,060	¥ 4,448,091	¥ 31
Derivative transactions (*2)			
Hedge accounting not applied	¥ 1,509	¥ 1,509	¥ -
Hedge accounting applied	249	249	-
Total derivative transactions	¥ 1,758	¥ 1,758	¥ -

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

(\*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

	Thousands of U.S. dollars		
	<b>2021</b>		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	\$ 10,990,642	\$ 10,990,642	\$ -
Securities:			
Held-to-maturity securities	248,911	250,456	1,535
Available-for-sale securities	9,448,703	9,448,703	-
Loans and bills discounted	29,547,538		
Reserve for possible loan losses (*1)	(239,346)		
	<b>29,308,192</b>	<b>29,418,074</b>	<b>109,881</b>
<b>Total assets</b>	<b>\$ 49,996,459</b>	<b>\$ 50,107,885</b>	<b>\$ 111,426</b>
Deposits	\$ 39,864,881	\$ 39,865,188	\$ 307
Payables under securities lending transactions	1,668,449	1,668,449	-
Borrowed money	6,406,955	6,406,955	-
<b>Total liabilities</b>	<b>\$ 47,940,285</b>	<b>\$ 47,940,601</b>	<b>\$ 307</b>
Derivative transactions (*2)			
Hedge accounting not applied	\$ (7,442)	\$ (7,442)	\$ -
Hedge accounting applied	(2,393)	(2,393)	-
<b>Total derivative transactions</b>	<b>\$ (9,845)</b>	<b>\$ (9,845)</b>	<b>\$ -</b>

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

(\*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

(Note 1) Method of calculation for fair value of financial instruments

Assets:

**Cash and due from banks**

For deposits without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For deposits with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the maturity is short (less than one year).

**Securities**

The fair value of equity securities is determined using the quoted price on exchanges, and the fair value of debt securities is determined using the price published by the industry group or offered by the financial institutions with which they are transacted. The fair value of investment trusts is determined using the quoted price on exchanges or the price offered by the financial institution with which they are transacted. The fair value of non-publicly traded private placement bonds guaranteed by the Bank is determined using the same calculation method as that of loans.

**Loans and bills discounted**

For loans with variable interest rates which reflect short-term interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as long as the creditworthiness of the borrower has not changed significantly from the time of the loan origination. For loans with fixed interest rates, the fair value is determined based on the aggregate value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. For loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For receivables from bankrupt, effectively bankrupt and likely to become bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the expected loan losses, the carrying amount is presented as the fair value.

For loans which have non-defined repayment due dates because of restricting the amount of the loans to the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value approximates the carrying amount considering the expected repayment schedule and interest rate.

## Liabilities:

### Deposits

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposits is determined using the discounted present value of future cash flows grouped by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

### Payables under securities lending transactions

For payables under securities lending transactions in which the trade term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

### Borrowed money

For borrowed money with variable interest rates linked to short-term market interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the creditworthiness of the Bank and its consolidated subsidiaries did not change significantly after it was executed. For borrowed money with a short-term contract period (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

## Derivative transactions:

Information regarding derivative transactions is provided in Note 23, "Derivative transactions."

(Note 2) Financial instruments for which fair value is extremely difficult to determine are set forth in the table below. These securities are not included in "Available-for-sale securities" under "Assets" in the table "Fair value of financial instruments."

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted equity securities (*1) (*2)	¥ 1,950	¥ 1,646	\$ 17,613
Investment in partnerships (*3)	1,481	1,462	13,377
Total	¥ 3,431	¥ 3,109	\$ 30,990

(\*1) No market price is available for unlisted equity securities, and the fair value is not disclosed since it was extremely difficult to determine.

(\*2) The Bank recognized impairment loss in an amount of ¥3 million (\$27 thousand) and ¥23 million on unlisted equity securities for the years ended March 31, 2021 and 2020, respectively.

(\*3) The fair value of investment in partnerships whose assets consisted of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contract maturities subsequent to the balance sheet date

	Millions of yen					
	2021					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	¥ 1,216,774	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:	89,010	88,470	103,398	142,322	169,633	246,541
Held-to-maturity debt securities:	25,057	-	1,700	-	800	-
Japanese government bonds	25,057	-	-	-	-	-
Corporate bonds	-	-	1,700	-	800	-
Available-for-sale securities with contract maturities:	63,952	88,470	101,698	142,322	168,833	246,541
Japanese government bonds	27,261	42,654	10,213	-	14,569	58,174
Local government bonds	1,716	1,729	45,242	84,575	66,801	3,850
Corporate bonds	11,938	14,482	22,842	15,100	13,498	100,616
Other	23,036	29,604	23,400	42,646	73,963	83,900
Foreign bonds	23,036	29,604	23,400	42,646	73,963	83,900
Loans and bills discounted (*)	690,581	624,359	476,613	302,339	364,194	721,720
Total	¥ 1,996,365	¥ 712,829	¥ 580,012	¥ 444,661	¥ 533,827	¥ 968,262

(\*) Loans and bills discounted at March 31, 2021 do not include ¥68,797 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥22,602 million of those which have non-defined maturities.

Millions of yen						
2020						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	¥ 507,968	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:	87,782	140,716	69,029	141,498	170,151	275,316
Held-to-maturity debt securities:	45,067	25,172	-	-	800	-
Japanese government bonds	45,067	25,172	-	-	-	-
Corporate bonds	-	-	-	-	800	-
Available-for-sale securities with contract maturities:	42,715	115,543	69,029	141,498	169,351	275,316
Japanese government bonds	-	66,471	8,224	6,166	-	46,239
Local government bonds	11,155	2,640	7,856	90,682	77,441	10,049
Corporate bonds	12,002	24,977	25,672	19,402	30,408	97,599
Other	19,557	21,454	27,275	25,246	61,502	121,428
Foreign bonds	19,557	21,454	27,275	25,246	61,502	121,428
Loans and bills discounted (*)	712,081	590,095	465,789	287,124	274,272	658,133
Total	¥ 1,307,832	¥ 730,811	¥ 534,819	¥ 428,622	¥ 444,423	¥ 933,450

(\*) Loans and bills discounted at March 31, 2020 do not include ¥57,596 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥27,026 million of those which have non-defined maturities.

Thousands of U.S. dollars						
2021						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Cash and due from banks	\$ 10,990,642	\$ -	\$ -	\$ -	\$ -	\$ -
Securities	803,992	799,114	933,953	1,285,538	1,532,228	2,226,908
Held-to-maturity debt securities	226,330	-	15,355	-	7,226	-
Japanese government bonds	226,330	-	-	-	-	-
Corporate bonds	-	-	15,355	-	7,226	-
Available-for-sale securities with contract maturities	577,653	799,114	918,598	1,285,538	1,525,002	2,226,908
Japanese government bonds	246,237	385,276	92,250	-	131,596	525,462
Local government bonds	15,499	15,617	408,653	763,932	603,387	34,775
Corporate bonds	107,831	130,810	206,322	136,392	121,922	908,824
Other	208,075	267,401	211,363	385,204	668,078	757,835
Foreign bonds	208,075	267,401	211,363	385,204	668,078	757,835
Loans and bills discounted (*)	6,237,747	5,639,589	4,305,058	2,730,909	3,289,621	6,519,013
Total	\$ 18,032,381	\$ 6,438,704	\$ 5,239,020	\$ 4,016,448	\$ 4,821,849	\$ 8,745,930

(\*) Loans and bills discounted at March 31, 2021 do not include \$621,416 thousand of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and \$204,154 thousand of those which have non-defined maturities.

(Note 4) Repayment schedule of bonds, borrowed money and other interest-bearing liabilities subsequent to the balance sheet date

Millions of yen						
2021						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	¥ 4,153,032	¥ 208,158	¥ 52,249	¥ -	¥ -	¥ -
Payables under securities lending transactions	184,714	-	-	-	-	-
Borrowed money	708,982	245	86	-	-	-
Total	¥ 5,046,729	¥ 208,404	¥ 52,336	¥ -	¥ -	¥ -

(\*) Demand deposits are shown under "Due within 1 year."

Millions of yen						
2020						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	¥ 3,765,199	¥ 223,876	¥ 48,428	¥ -	¥ -	¥ -
Payables under securities lending transactions	161,505	-	-	-	-	-
Borrowed money	248,148	823	79	-	-	-
Total	¥ 4,174,853	¥ 224,699	¥ 48,507	¥ -	¥ -	¥ -

(\*) Demand deposits are shown under "Due within 1 year."

Thousands of U.S. dollars						
2021						
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years but within 7 years	Due after 7 years but within 10 years	Due after 10 years
Deposits (*)	\$ 37,512,708	\$ 1,880,209	\$ 471,944	\$ -	\$ -	\$ -
Payables under securities lending transactions	1,668,449	-	-	-	-	-
Borrowed money	6,403,956	2,212	776	-	-	-
Total	\$ 45,585,123	\$ 1,882,431	\$ 472,730	\$ -	\$ -	\$ -

(\*) Demand deposits are shown under "Due within 1 year."

### 23. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives and the risks and risk control systems for derivatives are described in Note 22, "Financial instruments and related disclosures."

Outstanding derivative contracts which were revalued at fair value and the gains and losses recognized in the consolidated statements of income as of March 31, 2021 and 2020 are set forth in the tables below.

#### Derivatives to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount, fair value and recognized gain (loss) at the balance sheet date designated by transaction type and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with the derivatives themselves.

#### Currency related:

Millions of yen								
2021					2020			
	Contract amount		Fair value	Recognized gain (loss)	Contract amount		Fair value	Recognized gain (loss)
	Total	Over one year			Total	Over one year		
Currency swaps	¥ 992,571	¥ 795,495	¥ 1,381	¥ 1,381	¥ 988,167	¥ 750,299	¥ 1,326	¥ 1,326
Forward foreign exchanges:								
Sell	69,524	-	(2,363)	(2,363)	34,822	-	132	132
Buy	7,938	-	157	157	4,073	-	49	49
Total	-	-	¥ (824)	¥ (824)	-	-	¥ 1,509	¥ 1,509

The transactions are valued at market value, and valuation gains and losses are credited or charged to income. Fair value is determined using the value calculated by the discounted present value.

Thousands of U.S. dollars				
2021				
	Contract amount		Fair value	Recognized gain (loss)
	Total	Over one year		
Currency swaps	\$ 8,965,504	\$ 7,185,394	\$ 12,474	\$ 12,474
Forward foreign exchanges:				
Sell	627,983	-	(21,344)	(21,344)
Buy	71,700	-	1,418	1,418
Total	-	-	\$ (7,442)	\$ (7,442)

The transactions are valued at market value, and valuation gains and losses are credited or charged to income. Fair value is determined using the value calculated by the discounted present value.

#### Derivatives to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, the contract amount and fair value at the balance sheet date by transaction type and by hedge accounting method and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with the derivatives themselves.

**Currency related:**

			Millions of yen		
			<b>2021</b>		
			Contract amount		
Hedge accounting method	Type	Major hedged items	Total	Over one year	Fair value
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	¥ 17,627	¥ 14,985	¥ (265)

## Notes:

- The above transactions are accounted for by deferral hedge accounting in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).
- Fair value is determined using the value calculated by the discounted present value.

			Millions of yen		
			<b>2020</b>		
			Contract amount		
Hedge accounting method	Type	Major hedged items	Total	Over one year	Fair value
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	¥ 14,735	¥ 11,380	¥ 249

## Notes:

- The above transactions are accounted for by deferral hedge accounting in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).
- Fair value is determined using the value calculated by the discounted present value.

			Thousands of U.S. dollars		
			<b>2021</b>		
			Contract amount		
Hedge accounting method	Type	Major hedged items	Total	Over one year	Fair value
Fundamental method	Currency swaps:	Foreign currency denominated loans, securities	\$ 159,217	\$ 135,353	\$ (2,393)

## Notes:

- The above transactions are accounted for by deferral hedge accounting in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).
- Fair value is determined using the value calculated by the discounted present value.

## 24. Segment information

### (a) General information about reportable segments

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors meeting, etc. regularly in order to make decisions about the allocation of resources and assess performance. The Group comprises of the Bank and the eight consolidated subsidiaries, and engages mainly in the banking business, and financial information is controlled based on figures provided by the Bank, which operates the banking business. So, the Group defines the banking business as a reportable segment.

### (b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

The accounting methods used for the reportable segments are the same as those used for the preparation of the consolidated financial statements. Profits for reportable segments are ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest. Profits and transfer sums of intersegment transactions within the Group are based on market prices.

### (c) Information about reportable segment profit or loss, segment assets, segment liabilities and other items

Segment information as of and for the fiscal year ended March 31, 2021 was as follows:

	Millions of yen				
	2021				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ 69,770	¥ 9,138	¥ 78,909	¥ -	¥ 78,909
Intersegment	278	1,574	1,852	(1,852)	-
Total	70,049	10,712	80,762	(1,852)	78,909
Segment profit	19,174	1,253	20,428	(13)	20,415
Segment assets	5,660,262	40,045	5,700,308	(35,840)	5,664,467
Segment liabilities	5,427,065	23,566	5,450,631	(31,863)	5,418,767
Others					
Depreciation	¥ 2,524	¥ 313	¥ 2,838	¥ -	¥ 2,838
Interest income	43,369	53	43,423	(75)	43,347
Interest expense	1,211	74	1,285	(73)	1,212
Gain on disposal of fixed assets	343	-	343	-	343
Loss on disposal of fixed assets	94	0	94	-	94
Impairment loss on fixed assets	125	-	125	-	125
Income taxes	6,469	424	6,893	4	6,898
Increase in tangible and intangible fixed assets	2,344	240	2,584	-	2,584

- Notes:
1. Ordinary income represents total income less certain specific income.
  2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, job referral services, clerical work agency industry, leasing business, venture capital services, investment business, credit card services and electronic data processing related services.
  3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(1,852) million represents intersegment elimination.  
(2) "Reconciliation" of "Segment profit" in the amount of ¥(13) million represents intersegment elimination.  
(3) "Reconciliation" of "Segment assets" in the amount of ¥(35,840) million represents intersegment elimination.  
(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(31,863) million represents intersegment elimination.  
(5) "Reconciliation" of "Interest income" in the amount of ¥(75) million represents intersegment elimination.  
(6) "Reconciliation" of "Interest expenses" in the amount of ¥(73) million represents intersegment elimination.  
(7) "Reconciliation" of "Income taxes" in the amount of ¥4 million represents intersegment elimination.
  4. Segment profit is reconciled to ordinary profit in the consolidated income statement.



Segment information as of and for the fiscal year ended March 31, 2020 was as follows:

	Millions of yen					
	2020					
	Banking Business	Other Business	Total	Reconciliation	Consolidated	
Ordinary income:						
Outside customers	¥ 77,508	¥ 9,250	¥ 86,759	¥ -	¥ 86,759	
Intersegment	286	1,486	1,773	(1,773)	-	
Total	77,795	10,737	88,532	(1,773)	86,759	
Segment profit	20,347	1,303	21,651	35	21,686	
Segment assets	4,725,129	38,836	4,763,965	(35,799)	4,728,166	
Segment liabilities	4,516,220	23,586	4,539,807	(31,896)	4,507,910	
Others						
Depreciation	¥ 2,559	¥ 346	¥ 2,905	¥ -	¥ 2,905	
Interest income	48,363	68	48,432	(78)	48,353	
Interest expense	3,866	77	3,943	(75)	3,867	
Gain on disposal of fixed assets	94	0	95	-	95	
Loss on disposal of fixed assets	52	0	53	-	53	
Impairment loss on fixed assets	1,513	-	1,513	-	1,513	
Income taxes	5,980	424	6,404	7	6,412	
Increase in tangible and intangible fixed assets	4,832	336	5,168	-	5,168	

Notes: 1. Ordinary income represents total income less certain specific income.

2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.

3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(1,773) million represents intersegment elimination.

(2) "Reconciliation" of "Segment profit" in the amount of ¥35 million represents intersegment elimination.

(3) "Reconciliation" of "Segment assets" in the amount of ¥(35,799) million represents intersegment elimination.

(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(31,896) million represents intersegment elimination.

(5) "Reconciliation" of "Interest income" in the amount of ¥(78) million represents intersegment elimination.

(6) "Reconciliation" of "Interest expenses" in the amount of ¥(75) million represents intersegment elimination.

(7) "Reconciliation" of "Income taxes" in the amount of ¥7 million represents intersegment elimination.

4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

Thousands of U.S. dollars

	2021				
	Banking Business	Other Business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	\$ 630,205	\$ 82,539	\$ 712,754	\$ -	\$ 712,754
Intersegment	2,511	14,217	16,728	(16,728)	-
Total	632,725	96,757	729,491	(16,728)	712,754
Segment profit	173,191	11,317	184,518	(117)	184,400
Segment assets	51,126,926	361,710	51,488,646	(323,728)	51,164,908
Segment liabilities	49,020,549	212,862	49,233,411	(287,805)	48,945,596
Others					
Depreciation	\$ 22,798	\$ 2,827	\$ 25,634	\$ -	\$ 25,634
Interest income	391,735	478	392,222	(677)	391,536
Interest expense	10,938	668	11,606	(659)	10,947
Gain on disposal of fixed assets	3,098	-	3,098	-	3,098
Loss on disposal of fixed assets	849	0	849	-	849
Impairment loss on fixed assets	1,129	-	1,129	-	1,129
Income taxes	58,431	3,829	62,261	36	62,306
Increase in tangible and intangible fixed assets	21,172	2,167	23,340	-	23,340

Notes: 1. Ordinary income represents total income less certain specific income.

2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, job referral services, clerical work agency industry, leasing business, venture capital services, investment business, credit card services and electronic data processing related services.

3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of \$(16,728) thousands represents intersegment elimination.

(2) "Reconciliation" of "Segment profit" in the amount of \$(117) thousand represents intersegment elimination.

(3) "Reconciliation" of "Segment assets" in the amount of \$(323,728) thousand represents intersegment elimination.

(4) "Reconciliation" of "Segment liabilities" in the amount of \$(287,805) thousand represents intersegment elimination.

(5) "Reconciliation" of "Interest income" in the amount of \$(677) thousand represents intersegment elimination.

(6) "Reconciliation" of "Interest expenses" in the amount of \$(659) thousand represents intersegment elimination.

(7) "Reconciliation" of "Income taxes" in the amount of \$36 thousand represents intersegment elimination.

4. Segment profit is reconciled to ordinary profit in the consolidated income statement.

#### (d) Information about services

Millions of yen

	2021			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥ 37,780	¥ 20,388	¥ 20,740	¥ 78,909

Millions of yen

	2020			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥ 36,648	¥ 29,215	¥ 20,895	¥ 86,759

Thousands of U.S. dollars

	2021			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	\$ 341,251	\$ 184,156	\$ 187,336	\$ 712,754

Note: Ordinary income represents total income less certain specific income.

**(e) Information about geographic areas**

The information is not required to be disclosed because the amounts of ordinary income and tangible fixed assets in Japan exceeded 90% of the respective total amount for all segments.

**(f) Information about major customers**

The information is not required to be disclosed because ordinary income from any particular outside customer represented less than 10% of consolidated ordinary income.

**(g) Segment information for impairment loss on fixed assets by reportable segment**

	Millions of yen		
	2021		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 125	¥ -	¥ 125

	Millions of yen		
	2020		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 1,513	¥ -	¥ 1,513

	Thousands of U.S. dollars		
	2021		
	Banking business	Other business	Total
Impairment loss on fixed assets	\$ 1,129	\$ -	\$ 1,129

**(h) Segment information on amortization and the unamortized portion of goodwill by reportable segment**

There was no applicable information for the years ended March 31, 2021 and 2020.

**25. Related party transactions**

Significant transactions with the directors of the Bank or major shareholders for the years ended March 31, 2021 and 2020 were as follows:

**Year ended March 31, 2021**

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Akira Danbooru Kogyo Co., Ltd. (Notes 2 and 4)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	¥ 142	Loans and bills discounted	¥ 157
	MORI KEN CO., LTD. (Notes 3 and 4)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	¥ (71)	Loans and bills discounted	¥ 289

\*1 A company in which an officer or his or her relative owns a majority interest

Notes:

- The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
- A relative of Mr. Yasuhiko Akira, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- A relative of Mr. Kazuhiro Yasuyuki, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
- The Bank took out a revolving mortgage on its real estate to secure the loans.

### Year ended March 31, 2020

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Akira Danbooru Kogyo Co., Ltd. (Notes 2 and 4)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	¥ (23)	Loans and bills discounted	¥ 14
	MORI KEN CO., LTD. (Notes 3 and 4)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	¥ 113	Loans and bills discounted	¥ 360

\*1 A company in which an officer or his or her relative owns a majority interest

Notes:

1. The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
2. A relative of Mr. Yasuhiko Akira, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
3. A relative of Mr. Kazuhiro Yasuyuki, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
4. The Bank took out a revolving mortgage on its real estate to secure the loans.

### Year ended March 31, 2021

Type	Name	Business/ Occupation	Ownership	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Akira Danbooru Kogyo Co., Ltd. (Notes 2 and 4)	Production of cardboard boxes	Non-controlled 0.05%, directly	Loans	Loan (Note 1)	\$ 1,282	Loans and bills discounted	\$ 1,418
	MORI KEN CO., LTD. (Notes 3 and 4)	Construction	Non-controlled 0.00%, directly	Loans	Loan (Note 1)	\$ (641)	Loans and bills discounted	\$ 2,610

\*1 A company in which an officer or his or her relative owns a majority interest

Notes:

1. The terms and conditions of the transactions were the same as those applied to general third parties with which the Bank enters into ordinary transactions.
2. A relative of Mr. Yasuhiko Akira, a managing executive officer of the Bank, owns a majority of the voting rights of this company.
3. A relative of Mr. Kazuhiro Yasuyuki, a senior executive officer of the Bank, owns a majority of the voting rights of this company.
4. The Bank took out a revolving mortgage on its real estate to secure the loans.

### Information about parent company or significant affiliates

#### Years ended March 31, 2021 and 2020

Not applicable

### 26. Subsequent events

There were no significant subsequent events to be noted.