

八十二銀行

# 2021 Annual Report

Year ended March 31, 2021



**THE HACHIJUNI BANK, LTD.**

178-8, Okada, Nagano-city 380-8682, Japan  
Phone:(026)227-1182  
<https://www.82bank.co.jp/>

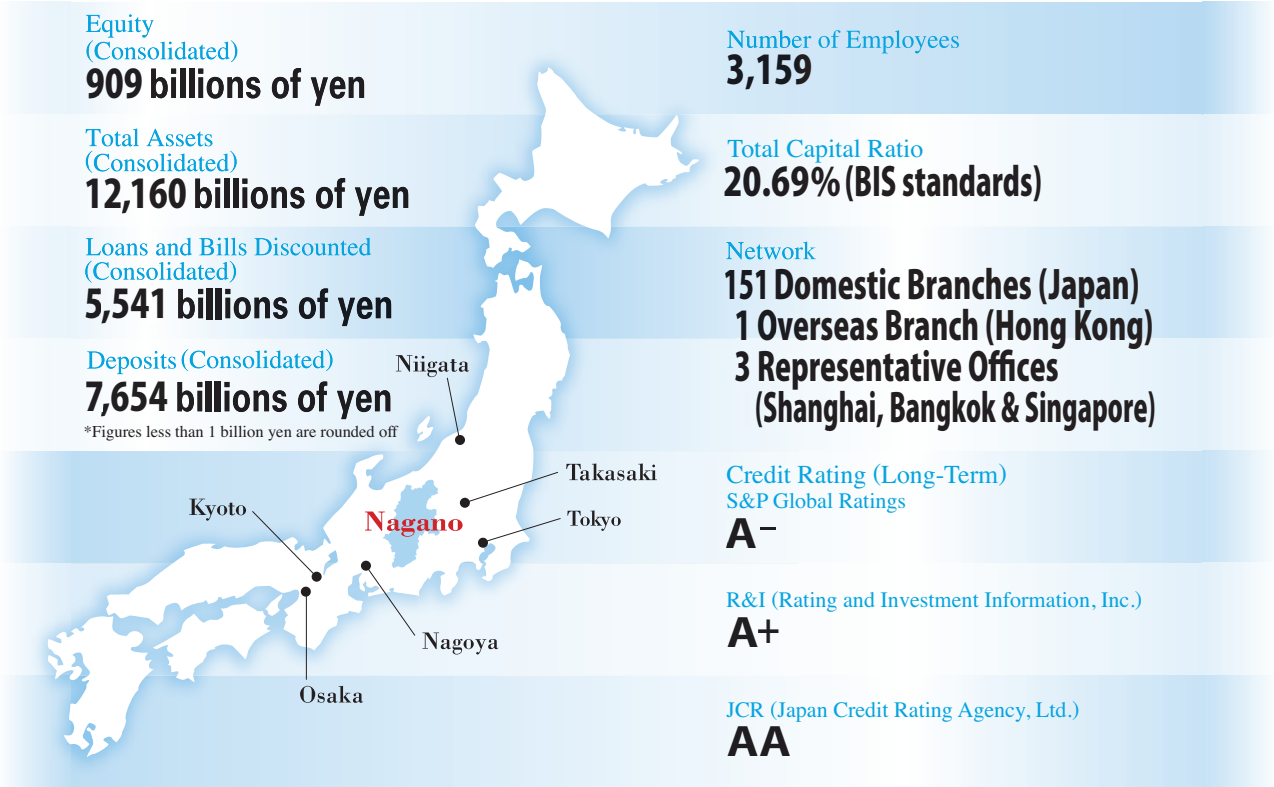


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The Hachijuni Bank, LTD.

# Corporate Outline



as of March 31, 2021



The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are mainly based in Nagano Prefecture, which is geographically located in the center of Japan and is well-known for its coexistence with beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni Bank has consistently maintained sound management policies, and is now playing a significant role as one of the largest regional banks in Japan.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama, Niigata and Gifu Prefectures, as well as in Tokyo, Osaka and Nagoya metropolitan areas. We also have an overseas branch in Hong Kong, as well as, the Shanghai Representative Office, the Bangkok Representative Office, and the Singapore Representative Office.

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Shoichi Yumoto  
Chairman



Masaki Matsushita  
President

## Message from the Management

August 2021

We would like to begin by expressing our sincere gratitude for your patronage.

Since its establishment in 1931, and in tandem with the development of the regional economy, Hachijuni Bank (“the Bank”) has continued to grow and has established itself as a key financial institution within its community. This is in large part due to the long-lasting support and patronage of our shareholders, our customers, and the community, for which we are very grateful.

We have designed our “Annual Report 2021” to present, in an easy-to-understand format, our earnings results and the details of our businesses for the fiscal year ended March 31, 2021. We sincerely hope that this report will help give you a better understanding of the Bank.

In FY2020, the Japanese economy saw the manufacturing sector rebound remarkably in the latter half of the fiscal year due to the recovery of overseas economies led by China, but the non-manufacturing sector, which includes restaurants, transport, and tourism, remained in a severe situation.

Under such conditions, the Bank provided financial support to customers with its full efforts, and the outstanding balance of loans and that of deposits as of the end of FY2020 both marked new records. Although the Bank could not achieve some of the targets under the 31st Long-Term Management Plan “Dare to change; Create the Next Generation” due to drastic changes in the environment caused by COVID-19, we cut costs steadily.

Amid the situation changing radically, the Bank will become a driving force to recover the regional vitality and support wealthy life of regional people through a concerted effort by all its officers and employees. The Bank celebrated its 90th anniversary in August 2021. Taking pride in its track record of protecting the regional economy along with regional people until now, the Bank will continue to fulfill its eternal mission as a leading bank in Nagano Prefecture.

We kindly ask for your continued support and patronage in the years to come; in exchange, we will commit ourselves to doing our utmost to live up to your expectations.

Sincerely yours,

Shoichi Yumoto  
Chairman

Masaki Matsushita  
President

## Management Policies

### Management Philosophy

“Stick firmly to the sound banking principles, thereby contributing to the development of the regional community”

### Medium-Term Management Vision 2021

Supporting Customers and the Region by “Finance × Non-finance × Relations”

Deepening  
life support business

Providing comprehensive  
financial services and functions

Sustainability as a core element  
of business management

Digital reform of  
business operation and organization

Personnel system reform to  
support growth and job satisfaction

### Long-Term Management Guideline

ROE : 5% or higher

### The 31<sup>st</sup> Long-Term Management Plan (April 1, 2018 ~ March 31, 2021)

“Dare to Change; Create the Next Generation”

#### Numerical Targets and Results

	Targets	FY2020 Results
<b>Management Targets</b>	Net income attributable to owners of the parent (for FY2020)	¥25 billion / ¥22.3 billion
	Ratio of consolidated profits to parent company's profits (for FY2020)	1.25 / 1.20
	Dividend payout ratio (consolidated; annual)	Over 30% / 30.6%
<b>Regional Vitality Targets</b>	Number of new business launches (over three years)	1,000 / 1,147
	Number of cases through business matching (sales channel development, etc.) (over three years)	6,000 / 10,797
	Number of cases utilizing private placement bonds, funds, etc. (over three years)	500 / 697
	Number of business successions, M&As, and change/discontinuation of businesses (over three years)	1,000 / 1,295
<b>Environmental Targets</b>	Amount of greenhouse gas emissions reduced (for FY2020)	15% reduced (compared to fiscal 2013) / 19.9% reduced
	Number of new contracts for electronic delivery services (over three years)	3,000 / 6,340
	Number of new contracts for and renewals to e-livret (over three years)	100,000 / 104,998
	Number of environmental investments and loans (over three years)	3,000 / 3,071

### Medium-Term Management Targets

Net income attributable to owners of the parent	¥25 billion or more
Ratio of consolidated profits to parent company's profits	1.25 times or more
Greenhouse gas (CO <sub>2</sub> ) emissions	FY2030: 60% reduction compared to FY2013 FY2023: net zero

Notes: 1. The amount of greenhouse gases (CO<sub>2</sub>) emitted from business facilities and vehicles is to be reduced by 60% from the base year of FY2013 by FY2030 through measures such as the installation of solar power generation systems and purchase of environmentally-friendly equipment.  
2. In addition to the above initiatives to reduce emissions, the Bank will generate net zero emissions by FY2023 through measures such as the use of renewable energy.

# Business Performance and Financial Standings

## Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
For the year:			
Total income	154,000	165,115	1,391,406
Total expenses	122,185	132,407	1,103,954
Income before income taxes	31,815	32,707	287,451
Net income attributable to owners of the parent	22,384	22,077	202,245
Net income per share	¥ 45.73	¥ 44.80	\$ 0.41
At year-end:			
Deposits	7,654,318	6,975,504	69,157,193
Loans and bills discounted	5,541,154	5,395,246	50,064,645
Securities	3,326,241	2,911,132	30,052,781
Total assets	12,160,638	10,470,547	109,872,050
Equity	909,694	748,432	8,219,143
Total capital ratio : <b>Basel 3 standards</b>	20.69%	18.94%	

Notes: 1. Yen figures have been rounded down to the nearest million yen.  
2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.68 to US\$1.00 on March 31, 2021.  
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

## Summary of Business Performance

### Consolidated Business Results

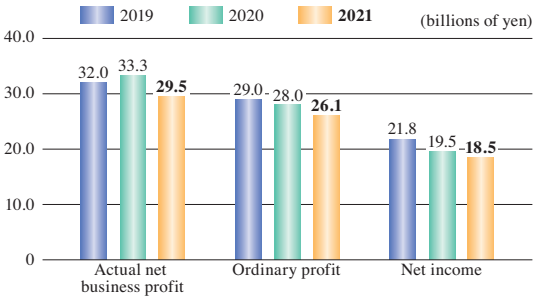
Ordinary profit decreased ¥1,299 million from the previous year to ¥32,147 million while net income attributable to owners of the parent increased ¥306 million to ¥22,384 million because the Bank’s acquisition of additional shares of consolidated subsidiaries reduced its net income attributable to non-controlling interests.

### Non-Consolidated Business Results

Ordinary income decreased ¥11,492 million from a year earlier to ¥112,952 million due to decreases in gains on sales of bonds, interest on loans, gains on money held in trust despite an increase in gains on sales of stocks.

Ordinary expenses decreased ¥9,623 million from a year earlier to ¥86,800 million due to decreases in loss on money held in trust, loss on sales of stocks, loss on sales of bonds, and interest on deposits despite an increase in transfer to general reserve for possible loan losses.

As a result, ordinary profit decreased ¥1,869 million to ¥26,152 million. Net income decreased ¥1,045 million to ¥18,517 million.



## Summary of Financial Standings

### Results of Consolidated Main Accounts

**Outstanding balance of deposits** increased ¥678.8 billion to ¥7,654.3 billion from a year earlier owing to increases in deposits from general corporations and from individuals.

**Outstanding balance of loans and bills discounted** increased ¥145.9 billion to ¥5,541.1 billion due to increases in loans for general corporations and individuals.

**Outstanding balance of securities** increased ¥415.1 billion to ¥3,326.2 billion due mainly to increases in Japanese government bonds and stocks.

### Results of Non-Consolidated Main Accounts

**Outstanding balance of deposits** increased ¥681.5 billion from a year earlier to ¥7,670.7 billion.

**Outstanding balance of loans and bills discounted** increased ¥143.5 billion to ¥5,587.5 billion.

**Outstanding balance of securities** increased ¥413.4 billion to ¥3,333.8 billion.

### Total Capital Ratio (Basel 3 standards)

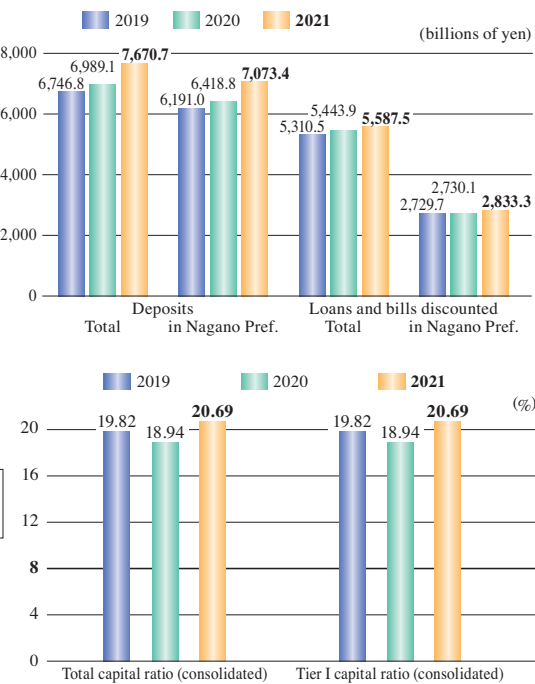
Total capital ratio was 20.69% on a consolidated basis and 19.30% on a non-consolidated basis.

### Profit Sharing

The Bank changed the dividend policy in FY2015 as follows.

Setting the lower limit of dividend per share to ¥5.0 a year, the Bank will positively provide returns to shareholders by stable dividend and purchase of own stocks.

With respect to year-end dividends, the Bank decided to pay ¥8.0 per share. As a result, annual dividends, together with the interim dividend, were ¥14.0 in total.



# Corporate Governance

## Corporate Governance Principle

- The Bank defines the Corporate Governance Principle as the basic policy which regulates all of the Bank’s business activities, keeps the group’s sustainability, enhances corporate value and carries out its social responsibility to realize the Bank’s philosophy.
- The Corporate Governance Principle defines our basic stance toward the “customers,” “shareholders,” “employees,” and the “regional community,” as well as basic policies related to corporate governance, observation of laws, corporate ethics and disclosure of information.

## Organizational Structure

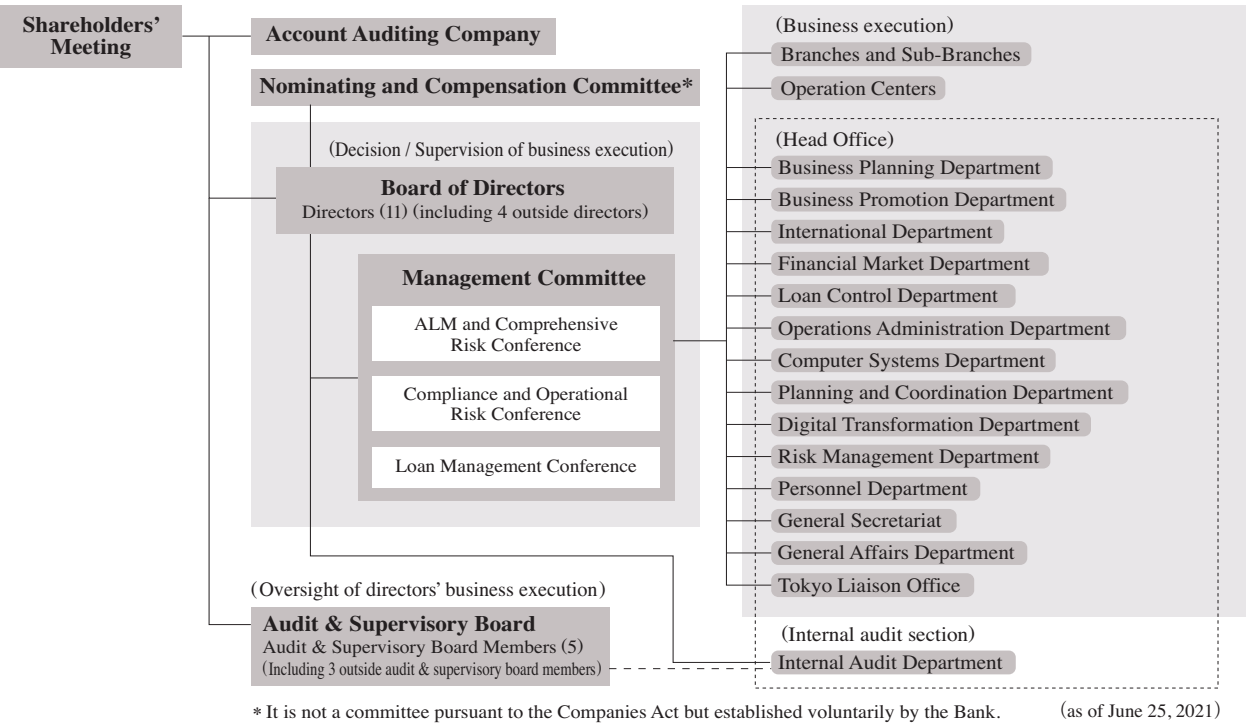
- The Bank appoints audit & supervisory board members (to form an Audit & Supervisory Board) based on the recognition that business oversight function should be separated from business execution function. While the Board of Directors decides and implements business operations, the Audit & Supervisory Board oversees business operations.
- Furthermore, the Bank appoints both outside directors and outside audit & supervisory board members who are not prone to having conflicts of interest with shareholders.

## Decision / Supervision of Business Execution

- Under the Board of Directors, the Management Committee is established with three special conferences: ALM and Comprehensive Risk Conference, Compliance and Operational Risk Conference and Loan Management Conference.
- The Board of Directors is held at least once a month in principle. In this meeting, directors engage in substantial discussions and supervise the status of business operations with one another.
- The Board of Directors consists of seven (7) internal directors and four (4) outside directors and the Management Committee consists of senior executives.
- The Bank has established the “Nominating and Compensation Committee” as an advisory body in an aim to strengthen the independence, objectivity, and accountability of the Board of Directors.

## Oversight of Directors’ Business Execution

- The Audit & Supervisory Board is held every month in principle. It consists of five (5) members including three (3) outside audit & supervisory board members. By attending the Board of Directors and providing appropriate advice, each member strictly oversees the execution of duties of directors. Two full-time audit & supervisory board members may attend the Management Committee and oversee the execution of business operations through inspecting each kind of matter, such as the status of internal controls and branches’ audit results. They regularly discuss with Representative Directors in order to provide their views about management policy or issues, and also discuss with the Account Auditing Company.



## Remuneration

- As for directors’ remuneration, the Bank introduces three types of remuneration: fixed-amount compensation, performance-linked compensation and stock-based compensation.
- The monthly amount of fixed-amount compensation is limited to be within ¥25 million. Performance-linked compensation is based on the Bank’s net income. The form of stock-based compensation is stock options (share options). The amount of stock options is limited to be within ¥100 million in a year, to be decided at the shareholders’ meeting. The payment amount to each director is decided by a consultation of the Board of Directors.
- Audit & supervisory board members’ remuneration is fixed-amount compensation. The monthly amount of such remuneration is limited to be within ¥8 million by the resolutions of the shareholders’ meeting and the payment amount to each member is decided by a consultation of the Audit & Supervisory Board.
- With respect to the proposals for submission to the shareholders’ meeting regarding remuneration of directors and audit & supervisory members and other remuneration-related matters, the Board of Directors receives advice and proposal from the Nominating and Compensation Committee.



Risk Management

Comprehensive Risk Management

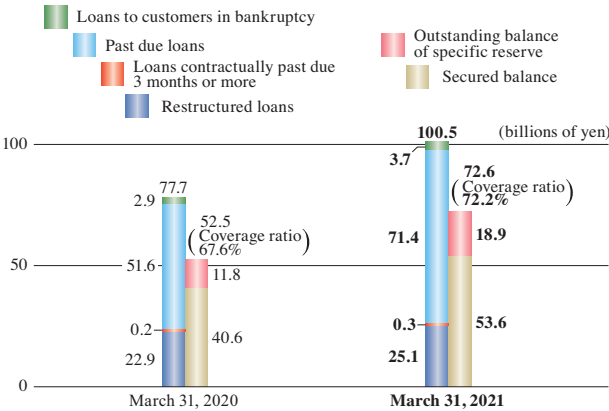
- ▶ The Bank’s Board of Directors defines the basic policy regarding comprehensive risk management to ensure soundness of management and adequacy of its business operations. Targeted main risks are market risk, liquidity risk, operational risk and credit risk as described in the Risk Management Organization Chart (see below). By managing these risks comprehensively and reflecting them in the decision-making process of executives, the Bank restrains risk amount to the appropriate level relative to the Bank’s capacity. The Bank makes a profit plan and allocates management resources suited to each form of risk.
- ▶ ALM and Comprehensive Risk Conference manages market risk, credit risk and liquidity risk. Compliance and Operational Risk Conference manages operation risk, computer system risk, and other operational risk. Loan Management Conference manages more diversified credit risks.

Risk Management Organization Chart



(as of June 25, 2021)

Loans under risk management



Note : Possible amounts of recoveries through disposition of collaterals pledged to the Bank are not included in the foregoing disclosed amounts. Therefore the disclosed amounts do not necessarily represent actual future loss amounts of the Bank.

	March 31, 2020	March 31, 2021
Loans to Customers in Bankruptcy	2.9(0.05%)	3.7(0.06%)
Past Due Loans	51.6(0.94%)	71.4(1.27%)
Loans Contractually Past Due 3 months or more	0.2(0.00%)	0.3(0.00%)
Restructured Loans	22.9(0.42%)	25.1(0.44%)
Total	77.7(1.42%)	100.5(1.79%)
Outstanding Balance of loans and bills discounted	5,443.9	5,587.5

(Loans under risk management as a percentage of outstanding balance of loans and bills discounted)

Regarding Terminologies:

Loans to Customers in Bankruptcy

Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers who are alleged to commence legal corporate rearrangement procedures under Company Rehabilitation Law, Bankruptcy Law, Civil Rehabilitation Law, and/or to customers whose transactions with banks are suspended by the rules of clearing house.

Past Due Loans

Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers other than customers in bankruptcy and customers on

which the Bank granted concessions such as deferral of interest payments in order to support for their management reconstruction.

Loans Contractually Past Due 3 months or more

Loans, either principal or interest payment of which is contractually past due for 3 months or more; excludes loans to customers in bankruptcy and past due loans.

Restructured Loans

Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, deferral of interest payments, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction; excludes loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more.

International Operations

Nagano Prefecture, which is the major business base for the Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. Now there are about 2,900 bases of our customers in other countries, primarily in Asia.

Since the launch of its foreign exchange business in January 1962, the Bank has expanded its international operations to meet the growing needs of customers who operate worldwide.

The Bank maintains a network of overseas bases covering four major Asian cities. In addition to the Hong Kong Branch, which functions as the Asian control center and offers full banking services, we have three representative offices – Shanghai, Bangkok and Singapore.

Leveraging this network – one of the most powerful of any Japanese regional bank – our staff of international banking specialists at headquarters and overseas offices stand ready to offer customers a wide range of support services to meet their needs in overseas transactions, overseas business expansion and business development. The Bank continues to be one of Japan’s leading regional banks in terms of the amount of foreign exchange transactions handled. The Bank offers to parent companies in Japan the capital funds they need to expand overseas and the funds they need to finance their overseas subsidiaries (“parent-subsidary loans”). And we are also promoting initiatives to expand cross-border loans whereby our domestic offices offer direct loans to customers operating around the world, not only in Asia such as China, Thailand, Indonesia, Vietnam and Philippines, but also in America or Europe (as of the end of March 2021). We also handle loans denominated in Thai Baht.

In addition, the Bank can meet the fund-raising needs of customers’ overseas subsidiaries by making the most of our partnership with leading overseas banks.

International Department

- ◆ **Nagano Main Office**  
178-8, Okada, Nagano-City 380-8682, Japan  
Phone: (026)227-1182 Facsimile: (026)226-2982
- ◆ **Tokyo Office**  
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan  
Phone: (03)3242-0082 Facsimile: (03)3277-0146  
SWIFT Address: HABK JPJT

Financial Market Department

- ◆ **Tokyo Office**  
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan  
Phone: (03)3277-0082 Facsimile: (03)3246-4675

Hong Kong

Since its opening in May 1991, the Hong Kong Branch has been expanding with offering the financial services to the customers. As a result, the Bank now handles the large foreign exchange volume due to the Hong Kong Branch. Furthermore, the Hong Kong Branch offers a wide range of services such as providing various information, supporting business expansion for customers who seek to extend business in China and other Asian countries. Aiming to satisfy various needs of customers, the Hong Kong Branch has been offering renminbi-denominated transactions such as deposit, transfer and loan since 2010, and cross-border loans to customers’ subsidiaries in Southeast Asia and mainland China since 2012.

- ◆ **Hong Kong Branch**  
1602-05, 16F The Gateway Tower 2 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong  
Phone: 852-2845-4188 Facsimile: 852-2537-1757 SWIFT Address: HABKHKHH



Singapore / Bangkok

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, there are over about 1,100 customer bases in ASEAN countries.

Singapore is the distribution, financial and economic center in Southeast Asia. The Bank established its Singapore Representative Office in 1997. And in 2007, it established the Bangkok Representative Office, which is the first in Thailand among all regional banks in Japan. Both offices collect and analyze information on the rapidly changing social, financial and economic conditions in the region, and offer the latest information to local customers. In cooperation with the Bank’s head office and domestic branches, both offices help customers to expand their businesses in Southeast Asia.



- ◆ **Representative Office Registered in Singapore**  
16 Raffles Quay, #15-05 Hong Leong Building, Singapore 048581  
Phone: 65-6221-1182 Facsimile: 65-6221-0556
- ◆ **Bangkok Representative Office**  
Bhiraj Tower at EmQuartier 18th floor, Unit1804 689 Sukhumvit Road, North Klongton, Vadhana, Bangkok 10110 Thailand Phone: 66-2261-8226 Facsimile: 66-2261-8227

Shanghai

China is an important huge market for Japan and Nagano Prefecture. Our customers have established over 800 manufacturing and sales facilities in mainland China, and their making inroads to coastal regions are especially remarkable. Since its opening in May 2002, the Shanghai Representative Office supports its customers in their making inroads to China from various aspects and tries to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China.

- ◆ **Shanghai Representative Office**  
8F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, China  
Phone: 86-21-6841-1882 Facsimile: 86-21-6841-2118



# Corporate Social Responsibility (CSR)

## Environmental Conservation Activities

### Environmental Policy



#### Environmental Philosophy

The Hachijuni Bank Group positions environmental conservation activities as elements vital to corporate social responsibility and will contribute to the creation of a sustainable regional community through positive and continual improvements in the environment.

#### Action Program

1. The Group will try to prevent pollution, mitigate the effects of climate change and adapt to climate change by accurately determining the impact of its activities on the environment as well as the impact from the external environment, and will set, achieve, and review its environmental objectives.
2. The Group will comply with all laws, regulations, and agreements concerning the environment.
3. The Group will make efforts to conserve resources and energy toward reducing environmental burden.
4. By providing financial products, services, and information, the Group aims to support its clients who are directly involved with environmental preservation, thereby contributing to improving the local environment.
5. Recognizing the importance of biodiversity which is a blessing of nature, the Group will work to preserve biodiversity.
6. All officers and employees of the Group, and their families, will engage in activities for environmental conservation, as well as enhance their awareness of environmental issues.

### Three Pillars

#### 1 Environmental conservation activities by the Bank's core business

(Target of FY2021) Contribution to customers' activities in environmental improvements by providing environment-friendly financial products

#### 2 Reduction of internal environmental burden

(Target of FY2021) Achievement of the reduction in both environmental burden and the Bank's costs through energy saving and resource conservation

#### 3 Contribution to the regional economy and reinforcement of environmental education

(Target of FY2021) Contribution to the regional community through environmental volunteer activities

### Topics

#### Our replies to CDP rewarded with No. 1 rank in the banking sector

The Bank responded to the CDP 2020 (Climate Change) questionnaire and gained the rating "A-" that is a top rank in the Japanese banking sector. The rating "A-" was the 2nd highest in 9 ranks and it was a high evaluation of the leadership level in the environmental management, reflecting our group-wide efforts for ESG so far as well as the substantial progress in the reduction target of GHG emissions of the 31st Long-Term Management Plan.

#### Development of the Hachijuni Bank Group's Sustainable Investment and Lending Policy

To contribute to the realization of the sustainable regional society, the Bank will actively invest or lend for favorable sectors that have positive impacts on environment, society, and economy. By contrast, the Bank will respond carefully to the investment or lending for unfavorable sectors that have negative impacts on environment and society in order to avoid or mitigate their impacts.

### Our Initiatives to Address Global Warming

#### Current State of Greenhouse Gas Emissions

Beginning in FY2014, the Bank has calculated GHG emissions up to Scope 3, including emissions in its supply chains.

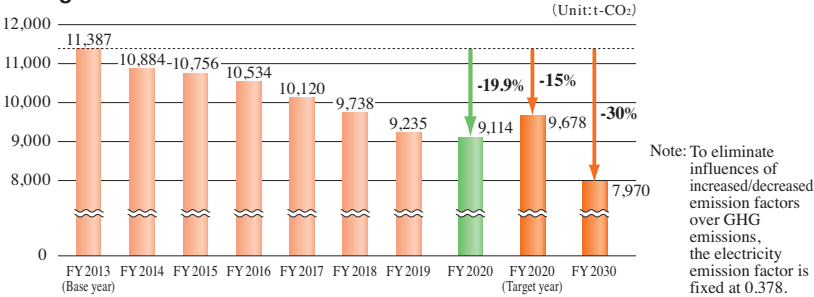
		(Unit:t-CO <sub>2</sub> )	
Items		FY2019	FY2020
Scope 1	Direct emissions		
	Heavy oil, kerosene, city gas, gasoline, propane gas	2,661	2,689
Scope 2	Energy-derived indirect emissions		
	Electricity	7,894	7,352
Scope 3		14,701	13,315
	1 Purchased goods & services	2,600	2,238
	2 Capital goods	6,985	5,426
	3 Fuel and energy-related activities not included in Scope 1 or 2	1,549	1,724
	4 Transportation and delivery (upstream)	1,526	1,849
	5 Waste generated in operations	41	123
	6 Emissions from employee travel	522	511
	7 Employee commuting	1,478	1,444
Total		25,256	23,356

Note1: Categories 8, 9, 10, 11, 12, 13 and 14 of scope 3 were zero. Category 15 of scope 3 was not calculated.  
Note2: The above figures were authorized by Lloyd's Register Quality Assurance Limited (LRQA) as the third party guaranteee.

#### Reduction Targets for Greenhouse Gas Emissions

During FY2020, the Bank reduced GHG emissions by 19.9% from the base year of FY2013, a reduction larger than its target of 15%. The Bank has set a challenge target for FY2030-a 30% reduction in GHG emissions from the base year of FY2013.

#### Change in GHG emissions



### Results of Environmental Accounting for Fiscal Year 2020

#### Environmental conservation cost

		(millions of yen)	
Classification		FY2019	FY2020
Business area cost		699	140
	Resource circulation cost	31	36
	Pollution prevention cost	0	0
	Global environmental conservation cost (*1)	668	104
Administrative activity cost		65	73
	Personnel cost	42	55
	Disclosure of environment information and advertisement	14	13
	Maintenance of environmental management system	4	3
	Monitoring of environmental burden	5	2
Social activity cost (*2)		18	18
Total		782	231

#### Economic benefit associated with environmental conservation activities

		(millions of yen)	
Item		FY2019	FY2020
Income		1,369	1,367
	Income from environment-related loans	1,351	1,329
	Income from EB contracts	9	18
	Income from ISO14001 consultations	9	20
Cost saved (*3)		7	77
Total		1,376	1,444

\*1 Installation cost of LED, installation cost of solar power systems

\*2 Support funds for "Hachijuni-no-Mori," donations to Nagano Environment Conservation Associations

\*3 The amount reduced in utilities expenses, supplies expenses and expenses for disposing of wastes through energy and resource saving efforts (stated by straight comparison with the previous fiscal year)  
A negative figure means an increase from the previous fiscal year.

#### Environmental conservation benefit (Reduction of carbon dioxide emission)

		(t-CO <sub>2</sub> )	
Classification		FY2019	FY2020
CO <sub>2</sub> emission reduced by the Bank's internal efforts (by straight comparison with the previous fiscal year)		503	123
CO <sub>2</sub> emission reduced by customers through the help of the Bank's core businesses		556,486	627,830
Total		556,989	627,953

### ISO14001 Certification

- The Bank received the ISO14001 certification for its head office in March 1999, which was a first for a regional bank in Japan. It expanded the scope of this certification to all domestic branches in March 2002. A total of 164 offices (as of March 31, 2021) and nearly 4,400 employees are involved in this effort.

### Contribution to the Region and Society

- As members of the "Hachijuni Volunteer Club," our employees are encouraged to participate in various social activities which include community cleaning campaigns, forest management programs, collaborations in events, and others. Our offices are also working actively in their own unique ways by cooperating in major events such as the "Nagano Prefecture Judan Ekiden (ekiden relay race through Nagano Prefecture)," welfare-related activities and collection volunteers, along with environmental volunteer activities. During FY2020, a total of around 1,400 of our employees worked as volunteers.
- To further support volunteers and motivate them, the Bank introduced the "Special Holiday System to Encourage Volunteer Activities."
- The Bank established the "Nagano Economic Research Institute" in 1984 as a think tank to contribute to the advancement and development of the regional community in response to its highly sophisticated needs.
- The Bank also established the "Hachijuni Culture Foundation" in 1985 to contribute to the development of the regional community, specifically in arts and culture.



# Status of Initiatives to Address the TCFD Recommendations

Below we have outlined the status of initiatives to address climate change aligned with the basic disclosure items of the TCFD recommendations: Governance, Strategy, Risk Management, and Metrics and Targets.

## Governance

Recommended Disclosures of the TCFD Recommendations	The organization's governance around climate-related risks and opportunities
Status of the Bank's Initiatives	<div><div><div>➤ Established the Hachijuni Bank Group's Environmental Policy, and progress of environmental initiatives is being assessed by the Sustainability Committee, chaired by the President, with a structure that incorporates the response to climate change in the management strategy.</div><div>➤ Established SDGs Key Themes that include response to climate change to realize a sustainable regional community at the Management Committee. Each division establishes annual initiatives based on the SDGs Activities Policy established at the beginning of the fiscal year, with the administration department managing the progress and reporting to management.</div><div>➤ Environment-related targets are set, with progress reported to the Management Committee and the Board of Directors.</div></div><div><div>Board of Directors</div><div>Management Committee</div><div>Sustainability Committee</div></div></div>

## Strategy

Recommended Disclosures of the TCFD Recommendations	The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning				
Status of the Bank's Initiatives	<div><div><div><b>Overall</b><div>➤ Newly established the Hachijuni Bank Group's Sustainable Investment and Lending Policy and strengthened the Group-wide structure to promote core business initiatives for the transition to a decarbonized society, apart from newly establishing an administration department for sustainability-related measures.</div><div>➤ Identify climate-related risks and opportunities when formulating the annual environmental policy.</div><div>➤ Manage risk appropriately while being aware of the following climate-related risks and opportunities, and the impact on business activities; proactively promoted the provision of financial products and services that contribute to mitigation of and adaption to climate change.</div></div><div><b>Risk</b><div>➤ Recognize transition risks and physical risks as climate-related risks.</div><div>➤ Recognize as a transition risk the possible increase in credit risks of customers subject to stricter climate-related regulations, etc. in the process of transitioning to a decarbonized society.</div><div>➤ Recognize as a physical risk the possible increase in credit risks due to deterioration of business performance caused by stagnation of customers' business and impairment of collateral value from natural disasters caused by climate change.</div></div><div><div><b>Opportunities</b><div>➤ Anticipate increased business opportunities such as finance for renewable energy business and the provision of consulting to support customers' transition to a decarbonized society. (A cumulative of approximately ¥242.7 billion was extended in environmental investments and loans* from FY2018 to FY2020)</div><div>➤ Anticipate an increase in social prestige due to appropriate initiatives and disclosure as a company.</div></div><div><div>* Environmental investments and loans: Investments and loans in funds to purchase renewable energy and energy saving equipment, funds to build environmentally-friendly buildings, and green bonds, etc.</div></div></div><div><div><b>Scenario Analysis</b><table><tr><td><b>Transition Risk</b></td><td><div>➤ We analyzed the impact of the introduction of a carbon tax as an example of strengthening policy for transition to a decarbonized society looking at two sectors, "energy" and "automobiles and transportation."</div><div>➤ The results of the analysis suggest an increase in cumulative credit costs of approximately ¥5 billion to ¥6 billion by 2050.</div></td></tr></table></div><tr><td><b>Physical Risk</b></td><td><div>➤ We analyzed the deterioration in earnings and impairment of collateral value for customers in the event of major flooding caused by climate change in the Chikuma River Basin in Nagano Prefecture with reference to aspects such as 4°C scenario (The IPCC's RCP 8.5 scenario).</div><div>➤ The results of analysis suggest an increase in cumulative credit costs of up to approximately ¥6 billion.</div></td></tr></div></div></div>	<b>Transition Risk</b>	<div>➤ We analyzed the impact of the introduction of a carbon tax as an example of strengthening policy for transition to a decarbonized society looking at two sectors, "energy" and "automobiles and transportation."</div> <div>➤ The results of the analysis suggest an increase in cumulative credit costs of approximately ¥5 billion to ¥6 billion by 2050.</div>	<b>Physical Risk</b>	<div>➤ We analyzed the deterioration in earnings and impairment of collateral value for customers in the event of major flooding caused by climate change in the Chikuma River Basin in Nagano Prefecture with reference to aspects such as 4°C scenario (The IPCC's RCP 8.5 scenario).</div> <div>➤ The results of analysis suggest an increase in cumulative credit costs of up to approximately ¥6 billion.</div>
<b>Transition Risk</b>	<div>➤ We analyzed the impact of the introduction of a carbon tax as an example of strengthening policy for transition to a decarbonized society looking at two sectors, "energy" and "automobiles and transportation."</div> <div>➤ The results of the analysis suggest an increase in cumulative credit costs of approximately ¥5 billion to ¥6 billion by 2050.</div>				
<b>Physical Risk</b>	<div>➤ We analyzed the deterioration in earnings and impairment of collateral value for customers in the event of major flooding caused by climate change in the Chikuma River Basin in Nagano Prefecture with reference to aspects such as 4°C scenario (The IPCC's RCP 8.5 scenario).</div> <div>➤ The results of analysis suggest an increase in cumulative credit costs of up to approximately ¥6 billion.</div>				

Since the above results of analysis are based on certain assumptions, we continue to improve and refine the scenario analysis, etc.

## Risk Management

Recommended Disclosures of the TCFD Recommendations	The way how the organization identifies, assesses, and manages climate-related risks
Status of the Bank's Initiatives	<div><div>➤ Climate-related risk is deemed to be a significant risk and the impact of climate change on customers is dealt with under the credit risk management framework.</div><div>➤ The policies for initiatives to deal with the coal-fired power generation business and the deforestation business have been established in the Hachijuni Bank Group's Sustainable Investment and Lending Policy as sectors identified as being highly likely subject to a negative impact from climate change.</div></div>

## Metrics and Targets

Recommended Disclosures of the TCFD Recommendations	The metrics and targets used to assess and manage relevant climate-related risks and opportunities
Status of the Bank's Initiatives	<div><div><div>➤ Established the Hachijuni Bank Group's Sustainable Investment and Lending Policy, which includes a policy not to invest in new coal-fired power generation projects.</div><div>➤ Aim to achieve a sustainable finance of cumulative ¥1.5 trillion (including ¥1 trillion in the environmental area) in the 10 year period from FY2021 to FY2030.</div><div>➤ Generate net zero GHG emissions by FY2023.</div><div>➤ Reduce its GHG emissions by 60% from the base year of FY2013 by FY2030.</div></div><div><div><b>Change in GHG emissions</b></div><div><div><div>(Unit:t-CO<sub>2</sub>)</div><div><div><div>15,000</div><div>10,000</div><div>5,000</div><div>0</div></div><div><div>14,633</div><div>11,554</div><div>10,557</div><div>10,041</div><div>5,853</div></div><div><div>FY2013</div><div>FY2018</div><div>FY2019</div><div>FY2020</div><div>FY2023</div><div>FY2030</div></div></div><div><div>Net zero</div><div>-60%</div></div></div><div>Note: The amount of greenhouse gases (CO<sub>2</sub>) emitted from business facilities and vehicles is to be reduced by 60% from the base year of FY2013 by FY2030 through measures such as the installation of solar power generation systems and purchase of environmentally-friendly equipment. In addition to the above initiatives to reduce emissions, the Bank will generate net zero emissions by FY2023 through measures such as the use of renewable energy.</div></div></div></div>

Topic: Formulation of the Hachijuni Bank Group's Sustainable Investment and Lending Policy
<div>The Hachijuni Bank Group's Sustainable Investment and Lending (*) Policy has been formulated to solve environmental and social issues such as climate change and the aging society with low birth rate and to contribute to the realization of a sustainable society.</div> <div>* Investment and lending that solve environmental and social issues and contribute to the realization of a sustainable society</div>

Board of Directors

Shoichi Yumoto  
Chairman

Takahiko Asai  
Deputy President

Hiroyuki Miyahara  
Managing Director

Shohei Hidai  
Managing Director

Sokichi Kurosawa  
Outside Director

Eiji Kanzawa  
Outside Director

Masaki Matsushita  
President

Yuichi Sato  
Managing Director

Shinji Sato  
Managing Director

Kayo Tashita  
Outside Director

Miyako Hamano  
Outside Director

Audit & Supervisory Board Members

Yoshimi Kitazawa  
Audit & Supervisory Board Member

Takeshi Kadota  
Outside Audit & Supervisory Board Member

Kiyohito Yamasawa  
Outside Audit & Supervisory Board Member

Chishu Minemura  
Audit & Supervisory Board Member

Yasuyoshi Wada  
Outside Audit & Supervisory Board Member

The ratio of outside directors : 36%

The ratio of female directors : 18%

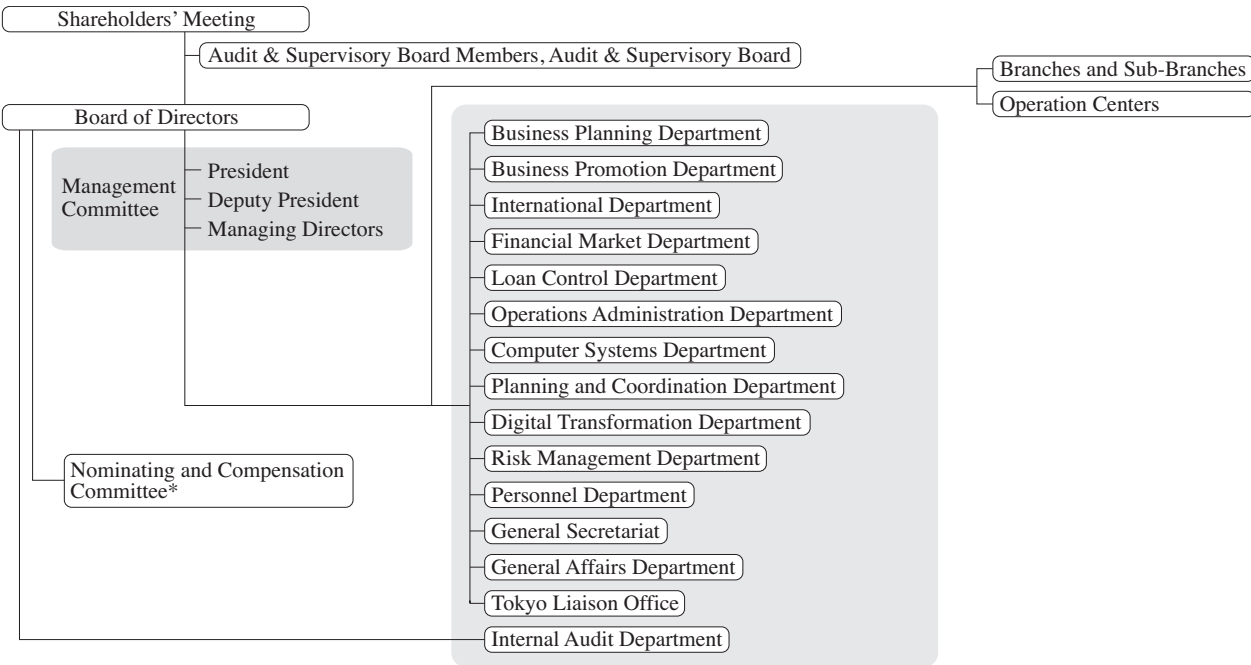
(as of June 25, 2021)

Independent Auditor’s Report

Deloitte.

Deloitte Touche Tohmatsu LLC  
Marunouchi Nijubashi Building  
3-2-3 Marunouchi  
Chiyoda-ku, Tokyo 100-8360  
Japan  
Tel: +81 (3) 6213 1000  
Fax: +81 (3) 6213 1005  
www2.deloitte.com/jp/en

Organization



\* It is not a committee pursuant to the Companies Act but established voluntarily by the Bank. (as of June 25, 2021)

Major Affiliated Companies

The Hachijuni Bank, Ltd.		Date of establishment		Line of business	
	Hachijuni Securities Co., Ltd.	● May 1949	● Securities business		
	Hachijuni Lease Co., Ltd.	● June 1974	● Leasing		
	Hachijuni Card Co., Ltd.	● August 1982	● Credit card business		
	Hachijuni Credit Guarantee Co., Ltd.	● December 1983	● Guarantee to consumer loan		
	Hachijuni System Development Co., Ltd.	● December 1983	● Development of computer systems		
	Hachijuni Capital Co., Ltd.	● September 1984	● Venture capital for high-tech companies		
	Hachijuni Staff Service Co., Ltd.	● September 1986	● Placement of temporary working staff		
	Yamabiko Services Co., Ltd.	● June 2000	● Credit collection and management		
	Hachijuni Auto Lease Co., Ltd.	● October 2005	● Leasing		

(as of June 25, 2021)

Major Shareholders

Name	Number of shares in thousands	%	Name	Number of shares in thousands	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,356	6.60	MUFG Bank, Ltd.	12,364	2.52
Custody Bank of Japan, Ltd. (Trust Account)	20,207	4.12	Shin-Etsu Chemical Co., Ltd.	11,830	2.41
Meiji Yasuda Life Insurance Company	17,867	3.64	Showa Shoji Co., Ltd.	11,820	2.41
Nippon Life Insurance Company	17,000	3.47	Aioi Nissay Dowa Insurance Co., Ltd.	10,391	2.12
State Street Bank and Trust Company 505223	13,138	2.68	NORTHERN TRUST CO. (AVFC) SUB A/C USL NON-TREATY	9,114	1.86

(as of March 31, 2021)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Hachijuni Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of The Hachijuni Bank, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.



Appropriateness of borrower categories in determination of allowance for credit losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Hachijuni Bank, Ltd. (the "Bank") records an allowance for credit losses in accordance with the internally developed charge-off and allowance standards, as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for credit losses" to the consolidated financial statements. In particular, for loans to large borrowers who are classified as "in danger of bankruptcy," the allowance for credit losses is determined as an excess of unsecured and non-guaranteed portions of the loans over recoverable amounts based on the cash flows reflecting the borrowers financial conditions. In accordance with the self-assessment standard of assets, all loans are assessed by the sales departments and these assessment results are approved by the asset assessment department, which is independent of the sales departments, and audited by the internal audit department.</p> <p>As a result, loans and bills discounted of ¥5,541,154 million, which represented 46% of total assets, and allowance for credit losses of ¥45,351 million were recorded in the consolidated financial statements as of March 31, 2021.</p> <p>If borrower categories of large borrowers are downgraded from "need attention" to "in danger of bankruptcy," the amount of allowance for credit losses changes significantly due to the determination as an excess of unsecured and non-guaranteed portions of the loans over recoverable amounts based on the cash flows reflecting the borrowers financial conditions. Therefore, the determination of borrower categories has a significant impact on the Bank's operating results.</p> <p>In addition, for certain borrowers, borrower categories are determined by evaluating the reasonableness and feasibility of business plans prepared by borrowers, such as business improvement plans. As described in Note 3, "Significant Accounting Estimates" to the consolidated financial statements, business plans are based on certain assumptions regarding sales forecasts, expense forecasts and debt repayment plans. In particular, as the following assumptions are highly uncertain and involve the subjective judgment by management. Therefore, the evaluation of their reasonableness and feasibility requires careful consideration.</p> <ul style="list-style-type: none"> <li>Revenue plans, including unit sales prices and sales volumes;</li> <li>Expense plans, including procurement costs and other expenses; and</li> <li>Impact of COVID-19.</li> </ul>	<p>After selecting some large borrowers classified as a "need attention" or "in danger of bankruptcy" borrower category based the evaluation of their business plans, in accordance with certain criteria, our audit procedures to examine the appropriateness of borrower categories, included the following, among others:</p> <p>With regard to the business plans used by the Bank to determine borrower categories, we evaluated discrepancies between business plans and actual results and the causes of these discrepancies by inquiring of the persons in charge of the asset assessment department and inspecting related documents, and examined the reasonableness of the assumptions included in the business plans.</p> <p>We tested the design and operating effectiveness of internal controls over the determination of borrower categories, including the evaluation of business plans used by the Bank, by inquiring of the persons in charge of the asset assessment department and the internal audit department and inspecting related documents.</p> <p>We examined the reasonableness of the assumptions included in the business plans used by the Bank to determine borrower categories through the following audit procedures, among others:</p> <ul style="list-style-type: none"> <li>With regard to the revenue plans, we examined whether the unit sales prices were consistent with information available outside the Bank, including published policies of the government, and whether the sales volume was consistent with the borrower's production capacity and information available outside the Bank, including consumption trends, by inquiring of the persons in charge of the asset assessment department and inspecting related documents.</li> <li>With regard to the expense plans, we examined whether procurement prices of raw materials, etc. were consistent with available external information and whether estimated expenses were consistent with the entire business plans by inquiring of the persons in charge of the asset assessment department and inspecting related documents.</li> </ul>

Therefore, we identified the appropriateness of borrower categories of large borrowers who were classified as "need attention" or "in danger of bankruptcy" based on the evaluation of their business plans as a key audit matter.	<ul style="list-style-type: none"> <li>We examined whether the impact of COVID-19 on borrowers was consistent with available external information by inquiring of the persons in charge of the asset assessment department and inspecting related documents.</li> </ul>
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#### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

*Deloitte Touche Tohmatsu LLC*

June 28, 2021

# Financial Section

## Consolidated Balance Sheet March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>ASSETS:</b>			
Cash and due from banks (Notes 6 and 28)	¥ 2,753,959	¥ 1,650,752	\$ 24,882,180
Call loans and bills bought	30,000	22,821	271,051
Monetary claims bought	98,202	78,869	887,269
Trading assets (Notes 7, 14 and 29)	12,157	29,559	109,839
Money held in trust (Notes 8 and 14)	80,015	79,301	722,945
Securities (Notes 9, 14 and 28)	3,326,241	2,911,132	30,052,781
Loans and bills discounted (Notes 10, 14, 28 and 30)	5,541,154	5,395,246	50,064,645
Foreign exchanges (Note 11)	34,417	20,019	310,967
Lease receivables and investments in leases (Note 26)	69,989	69,549	632,360
Other assets (Note 14)	141,736	155,098	1,280,593
Property, plant, and equipment—net (Note 12)	33,778	34,343	305,189
Intangible assets—net (Note 12)	4,747	5,041	42,898
Asset for employees' retirement benefits (Note 17)	42,139	20,856	380,729
Deferred tax assets (Note 25)	2,023	2,287	18,286
Customers' liabilities for acceptances and guarantees (Note 13)	35,424	33,229	320,059
Allowance for credit losses	(45,351)	(37,560)	(409,750)
<b>TOTAL</b>	<b>¥ 12,160,638</b>	<b>¥ 10,470,547</b>	<b>\$ 109,872,050</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits (Notes 14, 15 and 28)	¥ 7,654,318	¥ 6,975,504	\$ 69,157,193
Negotiable certificates of deposit (Note 28)	139,665	257,674	1,261,882
Call money and bills sold (Note 28)	676,745	845,982	6,114,433
Payables under repurchase agreements	77,627	79,770	701,369
Payables under securities lending transactions (Notes 14 and 28)	784,779	537,369	7,090,526
Trading liabilities (Notes 7 and 29)	3,066	3,444	27,708
Borrowed money (Notes 14, 16 and 28)	1,639,118	785,947	14,809,531
Foreign exchanges (Note 11)	1,330	544	12,024
Other liabilities	104,351	128,242	942,819
Liability for employees' retirement benefits (Note 17)	11,667	12,494	105,417
Provision for reimbursement of deposits	823	894	7,441
Provision for contingent losses	1,316	984	11,894
Reserve under special laws	12	9	110
Deferred tax liabilities (Note 25)	120,695	60,022	1,090,494
Acceptances and guarantees (Note 13)	35,424	33,229	320,059
<b>Total liabilities</b>	<b>11,250,943</b>	<b>9,722,115</b>	<b>101,652,907</b>
<b>EQUITY (Notes 18 and 33):</b>			
Common stock—authorized, 2,000,000 thousand shares; issued, 511,103 thousand shares in 2021 and 2020	52,243	52,243	472,020
Capital surplus	59,181	54,173	534,712
Stock acquisition rights (Note 19)	272	365	2,459
Retained earnings	492,869	477,336	4,453,104
Treasury stock—at cost, 21,544 thousand shares in 2021 and 21,840 thousand shares in 2020	(11,629)	(11,789)	(105,074)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	294,333	185,821	2,659,322
Deferred gain (loss) on hedges	4,426	(17,414)	39,993
Defined retirement benefit plans	14,594	(382)	131,860
<b>Total</b>	<b>906,291</b>	<b>740,353</b>	<b>8,188,397</b>
<b>Noncontrolling interests</b>	<b>3,402</b>	<b>8,078</b>	<b>30,745</b>
<b>Total equity</b>	<b>909,694</b>	<b>748,432</b>	<b>8,219,143</b>
<b>TOTAL</b>	<b>¥ 12,160,638</b>	<b>¥ 10,470,547</b>	<b>\$ 109,872,050</b>

See notes to consolidated financial statements.



## 19

Thousands	Millions of Yen												
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Noncontrolling Interests	Total Equity
							Valuation Difference on Available-for-Sale Securities	Deferred Gain (Loss) on Hedges	Defined Retirement Benefit Plans	Total			
511,103	¥ 52,243	¥ 34,484	¥ 359	¥ 462,187	¥ (8,845)	¥ 205,593	¥ (11,386)	¥ 2,107	¥ 736,742	¥ 28,767	¥ 765,509		
				22,077 (6,928)	(3,000) 56				22,077 (6,928) (3,000) 56		22,077 (6,928) (3,000) 56		
		19,689	6			(19,772)	(6,027)	(2,489)	19,689 (28,283)	(20,689)	19,689 (48,972)		
511,103	52,243	54,173	365	477,336	(11,789)	185,821	(17,414)	(382)	740,353	8,078	748,432		
				22,384 (6,851)					22,384 (6,851)		22,384 (6,851)		
		(6) 5,014	(93)		159	108,512	21,840	14,977	153 5,014 145,237	(4,675)	153 5,014 140,561		
511,103	¥ 52,243	¥ 59,181	¥ 272	¥ 492,869	¥ (11,629)	¥ 294,333	¥ 4,426	¥ 14,594	¥ 906,291	¥ 3,402	¥ 909,694		

Thousands of U.S. Dollars (Note 1)										
	Accumulated Other Comprehensive Income								Noncon- trolling Interests	Total Equity
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Gain (Loss) on Hedges	Defined Retirement Benefit Plans		
\$ 472,020	\$ 489,463	\$ 3,303	\$ 4,312,761	\$ (106,516)	\$ 1,678,903	\$ (157,339)	\$ (3,459)	\$ 6,688,137	\$ 72,989	\$ 6,762,126
			202,245					202,245		202,245
			(61,903)					(61,903)		(61,903)
			(2)					(2)		(2)
			1,384					1,384		1,384
			45,308					45,308		45,308
			(844)					1,312,226		1,269,982
								(42,243)		1,269,982
\$ 472,020	\$ 534,712	\$ 2,459	\$ 4,453,104	\$ (105,074)	\$ 2,659,322	\$ 39,993	\$ 131,860	\$ 8,188,397	\$ 30,745	\$ 8,219,143

## 18

Consolidated Statement of Comprehensive Income						
Year Ended March 31, 2021						
	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2021		2020		2021	
NET INCOME	¥	22,524	¥	23,224	\$	203,513
OTHER COMPREHENSIVE INCOME (LOSS) (Note 31):						
Unrealized gain (loss) on available-for-sale securities		109,092		(20,835)		985,654
Deferred gain (loss) on derivatives under hedge accounting		21,840		(6,027)		197,332
Defined retirement benefit plans		14,988		(2,495)		135,420
Total other comprehensive income (loss)		145,921		(29,358)		1,318,406
COMPREHENSIVE INCOME (LOSS)	¥	168,446	¥	(6,134)	\$	1,521,920
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
Owners of the parent	¥	167,715	¥	(6,211)	\$	1,515,316
Noncontrolling interests		730		77		6,603

See notes to consolidated financial statements.

**Consolidated Statement of Cash Flows**  
**Year Ended March 31, 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2021	2020	2021	
OPERATING ACTIVITIES:				
Income before income taxes	¥ 31,815	¥ 32,707	\$ 287,451	
Adjustments for:				
Income taxes—paid	(7,886)	(7,100)	(71,255)	
Depreciation and amortization	5,847	5,842	52,828	
Impairment losses	266	421	2,405	
(Increase) decrease in allowance for credit losses	7,790	(3,664)	70,386	
Interest income	(77,797)	(81,763)	(702,901)	
Interest expense	6,863	12,762	62,010	
Interest received	81,171	83,793	733,390	
Interest paid	(7,874)	(12,822)	(71,143)	
Net increase in loans and bills discounted	(145,908)	(133,299)	(1,318,294)	
Net increase in borrowed money	853,171	148,056	7,708,451	
Net increase in deposits	678,813	240,657	6,133,117	
Net increase in call loans and bills bought	(26,511)	(8,741)	(239,534)	
Net decrease in call money and bills sold	(171,380)	(127,986)	(1,548,431)	
Net increase in due from banks, excluding due from the Bank of Japan	(9,303)	(6,347)	(84,058)	
Net increase in payables under securities lending transactions	247,409	16,278	2,235,359	
Other—net	(100,887)	(297,357)	(911,523)	
Total adjustments	1,333,783	(171,272)	12,050,808	
Net cash provided by (used in) operating activities	1,365,598	(138,565)	12,338,259	
INVESTING ACTIVITIES:				
Purchases of investment securities	(913,255)	(1,224,960)	(8,251,315)	
Proceeds from sales of investment securities	294,629	756,079	2,661,992	
Proceeds from maturities of investment securities	360,905	302,395	3,260,805	
Payments for increase in money held in trust	(9,839)	(30,262)	(88,899)	
Proceeds from decrease in money held in trust	8,408	25,728	75,968	
Purchases of fixed assets	(6,887)	(7,213)	(62,227)	
Proceeds from sales of fixed assets	1,583	1,481	14,307	
Net cash used in investing activities	(264,455)	(176,751)	(2,389,368)	
FINANCING ACTIVITIES:				
Payments to acquire treasury stock		(3,000)	(2)	
Proceeds from sales of treasury stock			2	
Dividends paid	(6,851)	(6,928)	(61,903)	
Dividends paid to noncontrolling interests	(9)	(19)	(86)	
Payments of changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(382)	(1,057)	(3,451)	
Net cash used in financing activities	(7,243)	(11,005)	(65,441)	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3	(3)	33	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,093,903	(326,326)	9,883,483	
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	1,628,509	1,954,835	14,713,674	
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 6)	¥ 2,722,413	¥ 1,628,509	\$ 24,597,157	

See notes to consolidated financial statements.

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2021**

**1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.68 to \$1, the rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Consolidation** – The consolidated financial statements as of March 31, 2021, include the accounts of the Bank and its nine significant subsidiaries (together, the "Group").

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

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

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

**b. Cash Equivalents** – For the purpose of reporting of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

**c. Trading Assets and Liabilities** – Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the consolidated balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the consolidated balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the consolidated balance sheet dates.

**d. Securities** – Securities other than investments in unconsolidated subsidiaries and associated company are classified into three categories, based principally on the Group's intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income; (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using straight-line method; and (c) available-for-sale securities, which are not classified as either of the aforementioned securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities for which a fair value is not reliably determined are stated at cost computed using the moving-average method.

In addition, investments in unconsolidated subsidiaries and associated company that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

**e. Securities in Money Held in Trust** – Securities included in "Money held in trust" are stated at fair value.

**f. Property, Plant, and Equipment** – Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 1 to 50 years for buildings and from 3 to 20 years for equipment.

**g. Software** – Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally five years).

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



**i. Allowance for Credit Losses** – The allowance for credit losses is recorded as follows in accordance with predetermined amortization and allowance standards.

Bankrupt:

Borrowers in which facts of legal or formal management failure have occurred, such as bankruptcy, corporate rehabilitation, and transaction suspension at a clearing house

Defacto bankrupt:

Borrowers who are unable to meet their obligations

In danger of bankruptcy:

Borrowers who are not currently in a state of bankruptcy but are likely to fall into bankruptcy in the future

Need Special Attention:

Borrowers who need to manage all or part of the loans requiring attention (loan conditions relaxed loans and loans overdue for three months or more)

Need Attention:

Borrowers who have problems with lending conditions or repayment performance, business conditions are sluggish or unstable, and need to be managed in the future

Normal:

Borrowers with good performance and no financial problems

- (a) Loans to “Bankrupt” and “Defacto Bankrupt,” Loans in excess of collateral are recorded for any amounts that may not be recovered.
- (b) Loans to “In danger of bankruptcy,” the expected amount of collateral disposal and the expected amount of recovery by guarantee are deducted from the amount of the loan. Of the remaining balance (hereinafter referred to as "non-conservation amount"), the amount deemed necessary is recorded.
- For large borrowers with a certain amount of credit or more, the bank estimates the allowance for loan losses by the method below.
- (1) The bank comprehensively judges an borrower’s situation and estimates a recoverable amounts by cash flow.
- (2) The allowance for loan losses is the balance of non-conservation amounts less the recoverable amounts estimated step 1.
- For debtors of debtors other than those mentioned above, an allowance for loan losses is provided by multiplying the non-conservation amount by the expected loss rate calculated from the bankruptcy probability from past periods.
- (c) For loans to “Need Special Attention” and “Need Attention”, the difference between the cash flow “the discounted cash flow method” discounted at the original contracted interest rate and the carrying amount of the receivable would be recorded as the allowance for loan losses.
- (d) For loans to “Need Special Attention” and “Need Attention” other than (c) , and “Normal” , the allowance for loan losses is recorded based on the expected loss rate calculated from the probability of bankruptcy in the past certain period.

(Note1) Grouping in calculating the probability of bankruptcy  
The probability of bankruptcy is allocated to six categories, including one normal division, three “Need Attention” divisions and two bankruptcy concerns.  
“Need Attention” divisions are classified according to the comprehensive judgment of the creditworthiness of the borrower and the existence of loans with relaxed loan terms.

(Note2) A certain period in which the expected loss rate will be estimated in the future

Allowance for doubtful accounts is determined based on the expected loss rate for normal loans over the next one year and for loans requiring attention over the period corresponding to the average remaining life of the loans. The average remaining period is 44 months for top level of “Need Attention”, 40 months for lower level of “Need Attention” and 41 months for “Need Special Attention”.

(Note3) Changes in the probability of bankruptcy probability and future prospects

The probability of bankruptcy used to calculate the allowance is determined by comparing the average value of the last three determination periods with the long-term average value, considering the entity’s business cycle. The average value for the three most recent determination periods is calculated by including necessary revisions such as the current circumstances and future projections.

Based on the self-assessment standard of assets, all receivables are assessed by the asset assessment department, which is independent from the sales department, and the internal audit department provides an assessment of these results.

**j. Asset and Liability for Employees' Retirement Benefits** – The Group has a contributory funded pension plan and noncontributory unfunded retirement benefit plans, together covering substantially all of their employees.

The Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

**k. Provision for Reimbursement of Deposits** – A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

**l. Provision for Contingent Losses** – A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of estimated future contributions based on subrogate performance, etc.

**m. Reserve under Special Laws** – A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

**n. Stock Options** – In December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance that require companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

**o. Leases** – Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

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

**q. Foreign Currency Transactions** – Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the consolidated balance sheet date.

**r. Derivatives and Hedging Activities** – Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Bank adopted portfolio hedging in accordance with Industry Committee Practical Guidelines No. 24 issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under portfolio hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is accessed by each group.

Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Committee Practical Guidelines No. 25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging instruments in accordance with the strict hedging criteria for external mirror transactions stipulated in the Industry Committee Practical Guidelines No. 24 and No. 25. Therefore, the Bank accounts for the gains and losses on these swap transactions in its earnings or defers until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

**s. Per Share Information** – Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

#### Allowance for credit losses

- (a) Allowance for credit losses were ¥45,351 million (\$ 409,750 thousand) as of March 31, 2021.  
Allowance for credit losses by “the collectible amount from cash flow method” were ¥8,207million (\$74,155 thousand).  
Allowance for credit losses by “the discounted cash flow method” were ¥4,942million (\$44,652 thousand).
- (b) Information that contributes to understanding the content of significant accounting estimates for the identified item

(1) Determination method

The allowance for credit losses is recorded in accordance with predetermined amortization and allowance standards.

(2) Key assumptions

(i) The business plan used to determine debtor classification and used to estimate future cash flow by “the collectible amount from cash flow method” and “the discounted cash flow method”.

Sales forecast, expense forecast and future outlook for debt repayment plan in the business plan are assumed as follows :

- Period affecting business performance in the industry or industry to which the debtor belongs
- Market growth potential and market price trends in the industry or industry to which the debtor belongs

(ii) The impact of COVID-19 infection

The performance of the Bank for on and after the fiscal year ended March 31, 2021, may be affected depending on the COVID-19 infection and its impact on the economic environment.

The Bank assumes that the credit risk of loans and claims will be affected to some extent and the financial capacity for repayment of obligators will weaken because of the spread of the COVID-19 infection. However, the Bank calculates the allowance for credit losses based on the assumption that credit losses will not significantly increase.

The assumption is uncertain. Therefore, the performance of the Bank for on and after the fiscal year ended March 31, 2021, may be affected depending on the COVID-19 infection and its impact on the economic environment.

There are no significant changes to the assumptions regarding the effects of the COVID-19 infection from the “Additional Information” provided in the consolidated financial statements for the year ended March 31, 2020, and independent auditor’s report.

(iii) Impact on consolidated financial statements for the next consolidated fiscal year

If the assumptions used in the estimation at the end of the current consolidated fiscal year change due to changes in the debtor's business environment, including the status of the COVID-19 infection, the debtor classification, “the collectible amount from cash flow method”, and “the discounted cash flow method”, changes in the estimated amount of future cash flows may have a significant impact on the allowance for credit losses recorded in the consolidated financial statements for the next consolidated fiscal year.

#### 4. NEW ACCOUNTING PRONOUNCEMENTS

**Accounting Standard for Fair Value Measurement** (ASBJ Statement No.30 on July 4, 2019)

**Implementation Guidance on Accounting Standard for Fair Value Measurement** (ASBJ Guidance No.31 on July 4, 2019)

**Accounting Standard for Financial Instruments** (ASBJ Statement No.10 on July 4, 2019)

**Implementation Guidance for Disclosure of Fair Value of Financial Instruments** (ASBJ Guidance No.19 on March 31, 2020)

(a) Overview

In order to enhance comparability of financial statements among domestic and overseas companies, ASBJ developed an “Accounting Standard for Fair Value Measurement” and issued a new standard together with its implementation guidance. The section which adopted the accounting standard and implementation guidance are financial instruments defined by “Accounting Standard for Financial Instruments”.

(b) Scheduled date of adoption

The Group expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Group expects the impact to the financial statement of the adoption of this accounting standard to be immaterial.

#### 5. CHANGES IN PRESENTATION

**Application for Accounting Standards for Disclosure of Accounting Estimates**

Accounting Standards for Disclosure of Accounting Estimates (ASBJ Statement No.31 on March 31, 2020) have been applied from the consolidated financial statements for the end of the current consolidated fiscal year, and notes regarding important accounting estimates are included. In the notes, the contents related to the previous consolidated fiscal year are not described in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the accounting standard.

#### 6. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and due from banks	¥ 2,753,959	¥ 1,650,752	\$ 24,882,180
Due from banks, excluding amounts due from the Bank of Japan	(31,546)	(22,242)	(285,022)
Cash and cash equivalents	¥ 2,722,413	¥ 1,628,509	\$ 24,597,157

#### 7. TRADING ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Trading assets:			
Trading securities	¥ 776	¥ 790	\$ 7,015
Financial derivatives	3,381	3,788	30,553
Other trading assets	7,998	24,980	72,269
Total	¥ 12,157	¥ 29,559	\$ 109,839
Trading liabilities			
—Financial derivatives	¥ 3,066	¥ 3,444	\$ 27,708

#### 8. MONEY HELD IN TRUST

The aggregate fair value of money held in trust that is listed on stock exchanges or over-the-counter markets as of March 31, 2021 and 2020, is as follows:

	Fair Value		
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Money held in trust—Trading	¥ 80,015	¥ 79,301	\$ 722,945

#### 9. SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Securities:			
National government bonds	¥ 1,181,265	¥ 1,000,967	\$ 10,672,803
Local government bonds	352,304	362,245	3,183,090
Corporate bonds	496,811	465,527	4,488,716
Equity securities	498,081	332,004	4,500,193
Other securities	797,778	750,387	7,207,977
Total	¥ 3,326,241	¥ 2,911,132	\$ 30,052,781

The securities placed under unsecured lending agreements are included in the above national government bonds in the amount of ¥242,496 million (\$2,190,970 thousand) and ¥186,244 million as of March 31,2021 and 2020, respectively.

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in securities were ¥49,130 million (\$443,896 thousand) and ¥45,268 million as of March 31,2021 and 2020, respectively.

In the following description, in addition to "Securities" in the consolidated balance sheet, also presented are beneficial interests in trust investments within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2021 and 2020, are as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 97,078	¥ 394,382	¥ 179	¥ 491,281
Debt securities	2,018,191	24,169	12,079	2,030,281
Other securities	807,067	28,472	11,310	824,229
Held-to-maturity	99	2		102

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 95,408	¥ 230,604	¥ 839	¥ 325,173
Debt securities	1,806,147	30,048	7,556	1,828,640
Other securities	741,744	28,643	13,835	756,553
Held-to-maturity	99	3		103
		Thousands of U.S. Dollars		
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 877,110	\$ 3,563,271	\$ 1,625	\$ 4,438,756
Debt securities	18,234,475	218,372	109,139	18,343,708
Other securities	7,291,901	257,249	102,188	7,446,962
Held-to-maturity	902	19		922

Proceeds from sales of available-for-sale securities for the years ended March 31, 2021 and 2020, were ¥299,342 million (\$2,704,572 thousand) and ¥758,063 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥11,663 million (\$105,381 thousand) and ¥2,030 million (\$18,342 thousand), respectively, for the year ended March 31, 2021, and ¥16,640 million and ¥5,425 million, respectively, for the year ended March 31, 2020.

#### 10. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Bills discounted	¥ 11,041	¥ 14,246	\$ 99,763
Loans on bills	140,858	146,157	1,272,662
Loans on deeds	4,766,930	4,547,511	43,069,486
Overdrafts	622,324	687,331	5,622,733
Total	¥ 5,541,154	¥ 5,395,246	\$ 50,064,645

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥3,720 million (\$33,618 thousand) and ¥2,982 million as of March 31, 2021 and 2020, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥71,661 million (\$647,462 thousand) and ¥51,968 million as of March 31, 2021 and 2020, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥316 million (\$2,858 thousand) and ¥237 million as of March 31, 2021 and 2020, respectively.

Of total loans, restructured loans amounted to ¥25,136 million (\$227,107 thousand) and ¥22,908 million as of March 31, 2021 and 2020, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

#### 11. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets:			
Due from foreign banks	¥ 29,652	¥ 16,191	\$ 267,908
Foreign exchange bills bought	4,357	3,516	39,366
Foreign exchange bills receivable	408	311	3,692
Total	¥ 34,417	¥ 20,019	\$ 310,967
Liabilities:			
Overdrafts from foreign banks	¥ 43	¥ 48	\$ 394
Foreign exchange bills sold	199	146	1,798
Foreign exchange bills payable	1,088	349	9,832
Total	¥ 1,330	¥ 544	\$ 12,024

#### 12. PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment as of March 31, 2021 and 2020, net of accumulated depreciation of ¥72,936 million (\$658,989 thousand) and ¥72,335 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Land	¥ 11,337	¥ 11,652	\$ 102,437
Buildings	11,016	11,109	99,532
Construction in progress	360	606	3,256
Other tangible fixed assets	11,064	10,974	99,964
Software	4,136	4,427	37,375
Other intangible fixed assets	611	613	5,522
Total	¥ 38,526	¥ 39,384	\$ 348,088

As of March 31, 2021 and 2020, deferred gains for tax purposes of ¥7,913 million (\$71,497 thousand) and ¥7,921 million, respectively, on property, plant, and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant, and equipment.

#### 13. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills, and issuances of guarantees. The contra account included in the assets side of the consolidated balance sheet represents the Bank's potential claim against applicants.

#### 14. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets pledged:			
Trading assets	¥ 5,999		\$ 54,202
Cash (other assets)	408	¥ 408	3,692
Securities	1,685,027	1,264,234	15,224,320
Loans and bills discounted	1,320,480	282,490	11,930,610
Total	¥ 3,011,915	¥ 1,547,132	\$ 27,212,826
Related liabilities:			
Deposits	¥ 51,199	¥ 53,359	\$ 462,587
Payables under securities lending transactions	784,779	537,369	7,090,526
Borrowed money	1,625,543	774,489	14,686,872
Total	¥ 2,461,521	¥ 1,365,219	\$ 22,239,985



In addition to the above, assets pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Money held in trust	¥	¥ 490	
Securities	¥ 7,161	5,136	\$ 64,706
Cash (other assets)	25	25	225
Cash collateral received for financial instrument liabilities (other assets)	8,386	14,047	75,776
Deposits to central counterparty (other assets)	77,166	92,900	697,203

Additionally, initial margin of futures markets and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Initial margin of futures markets	¥ 1,188	¥ 1,326	\$ 10,733
Guarantee deposits on office space	763	830	6,896

## 15. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current deposits	¥ 365,393	¥ 312,685	\$ 3,301,352
Ordinary deposits	4,647,489	4,060,970	41,990,330
Savings deposits	57,431	55,136	518,894
Deposits at notice	6,274	7,307	56,686
Time deposits	2,396,871	2,358,795	21,655,871
Other deposits	180,857	180,609	1,634,057
Total	¥ 7,654,318	¥ 6,975,504	\$ 69,157,193

## 16. BORROWED MONEY

As of March 31, 2021 and 2020, the weighted-average annual interest rates applicable to borrowed money were 0.01% and 0.17%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 1,223,056	\$ 11,050,385
2023	182,859	1,652,143
2024	102,328	924,540
2025	128,618	1,162,079
2026	18	171
2027 and thereafter	2,236	20,210
Total	¥ 1,639,118	\$ 14,809,531

## 17. RETIREMENT AND PENSION PLANS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans.

In the contributory funded pension plan, the Group adopted a cash balance plan that each employee has a "hypothetical account balance," which accumulates pay credits based on each salary level, interest credits based on the trend of market interest rate, and pay retirement lump-sum grants or pension, based on their salary and length of service. Some funded pension plan contributed to employee pension trust.

In the noncontributory unfunded plan, the Group pays retirement lump-sum grants based on salary and length of service.

Employees whose service with the Bank or its domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

In addition, some consolidated subsidiaries adopt the simplified method to calculate their liability for employees' retirement benefit and retirement benefit costs.

(1) The changes in defined benefit obligation, excluding the ones calculated by the simplified method, (3) below, 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	¥ 54,210	¥ 55,606	\$ 489,791
Current service cost	2,092	2,185	18,907
Interest cost	74	22	677
Actuarial gains	(741)	(935)	(6,701)
Benefits paid	(3,066)	(2,794)	(27,704)
Others	122	124	1,107
Balance at end of year	¥ 52,692	¥ 54,210	\$ 476,078

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, 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	¥ 62,913	¥ 66,569	\$ 568,430
Expected return on plan assets	1,027	1,087	9,281
Actuarial gains (losses)	20,735	(3,798)	187,344
Contributions from the employer	766	779	6,922
Benefits paid	(1,948)	(1,848)	(17,607)
Others	122	124	1,107
Balance at end of year	¥ 83,616	¥ 62,913	\$ 755,479

(3) The changes in liability for employees' retirement benefits calculated by the simplified method 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	¥ 341	¥ 289	\$ 3,089
Net periodic benefit cost	222	101	2,014
Benefits paid	(112)	(49)	(1,014)
Balance at end of year	¥ 452	¥ 341	\$ 4,088

(4) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including that calculated by the simplified method (3) above is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 44,627	¥ 45,875	\$ 403,213
Plan assets	(86,999)	(66,362)	(786,047)
Total	(42,372)	(20,486)	(382,834)
Unfunded defined benefit obligation	11,900	12,124	107,521
Net asset arising from defined benefit obligation	¥ (30,471)	¥ (8,361)	\$ (275,312)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for employees' retirement benefits	¥ 11,667	¥ 12,494	\$ 105,417
Asset for employees' retirement benefits	(42,139)	(20,856)	(380,729)
Net asset arising from defined benefit obligation	¥ (30,471)	¥ (8,361)	\$ (275,312)

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 2,092	¥ 2,185	\$ 18,907
Interest cost	74	22	677
Expected return on plan assets	(1,027)	(1,087)	(9,281)
Recognized actuarial losses (gains)	28	(720)	259
Net periodic benefit costs calculated by the simplified method	222	101	2,014
Others	166	170	1,508
Net periodic benefit costs	¥ 1,558	¥ 672	\$ 14,084

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial gains (losses)	¥ 21,505	¥ (3,583)	\$ 194,304

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial (gains) losses	¥ (20,931)	¥ 573	\$ (189,121)

(8) Plan assets

### a. Components of plan assets

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

	2021	2020
Debt investments	15.52 %	19.51 %
Equity investments	58.61	47.82
General account assets of life insurance companies	17.60	23.73
Cash and cash equivalents	2.39	2.44
Others	5.88	6.50
Total	100.00 %	100.00 %

Employee pension trusts for the years ended March 31, 2021 and 2020, are 45.72% and 34.80%, respectively, and are included in the total above.

### b. Method of determining the expected rate of return on plan assets

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

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

	2021	2020
Discount rates	0.0%–0.3%	(0.1)%–0.2%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	10.0%	10.0%

## 18. EQUITY

The significant provisions in the Banking Law and the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. Increases / Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must 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 aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution by the shareholders.

### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a

legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends upon resolution by the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock upon resolution by the Board of Directors.

19. STOCK ACQUISITION RIGHTS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective periods. Stock-based compensation expenses were ¥59 million (\$533 thousand) and ¥63 million for the years ended March 31, 2021 and 2020, respectively.

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	9 directors	105,700 shares	July 28, 2008	¥ 1 (\$0.01)	From July 29, 2008, to July 28, 2033
2009 Stock Option	8 directors	135,900 shares	July 27, 2009	¥ 1 (\$0.01)	From July 28, 2009, to July 27, 2034
2010 Stock Option	8 directors	150,000 shares	August 2, 2010	¥ 1 (\$0.01)	From August 3, 2010, to August 2, 2035
2011 Stock Option	8 directors	150,000 shares	August 8, 2011	¥ 1 (\$0.01)	From August 9, 2011, to August 8, 2036
2012 Stock Option	8 directors	150,000 shares	August 6, 2012	¥ 1 (\$0.01)	From August 7, 2012, to August 6, 2037
2013 Stock Option	7 directors	129,300 shares	August 5, 2013	¥ 1 (\$0.01)	From August 6, 2013, to August 5, 2038
2014 Stock Option	8 directors	133,800 shares	July 22, 2014	¥ 1 (\$0.01)	From July 23, 2014, to July 22, 2039
2015 Stock Option	8 directors	78,900 shares	July 27, 2015	¥ 1 (\$0.01)	From July 28, 2015, to July 27, 2040
2016 Stock Option	8 directors	150,000 shares	July 25, 2016	¥ 1 (\$0.01)	From July 26, 2016, to July 25, 2041
2017 Stock Option	7 directors	109,600 shares	July 24, 2017	¥ 1 (\$0.01)	From July 25, 2017, to July 24, 2042
2018 Stock Option	8 directors	150,000 shares	July 23, 2018	¥ 1 (\$0.01)	From July 24, 2018, to July 23, 2043
2019 Stock Option	8 directors	150,000 shares	July 22, 2019	¥ 1 (\$0.01)	From July 23, 2019, to July 22, 2044
2020 Stock Option	7 directors	150,000 shares	July 20, 2020	¥ 1 (\$0.01)	From July 21, 2020, to July 20, 2045

The stock option activity is as follows:

Year Ended March 31, 2020	Stock Option				
	2008	2009	2010	2011	2012
	(Shares)				
Nonvested					
March 31, 2019—Outstanding	21,200	28,000	30,600	46,600	46,600
Granted					
Canceled					
Vested					
March 31, 2020—Outstanding	21,200	28,000	30,600	46,600	46,600
Vested					
March 31, 2019—Outstanding					
Vested					
Exercised					
Canceled					
March 31, 2020—Outstanding					

Year Ended March 31, 2021	Stock Option				
	2008	2009	2010	2011	2012
	(Shares)				
Nonvested					
March 31, 2020—Outstanding	21,200	28,000	30,600	46,600	46,600
Granted					
Canceled					
Vested					
March 31, 2021—Outstanding				15,200	15,200
Vested					
March 31, 2020—Outstanding					
Vested	21,200	28,000	30,600	31,400	31,400
Exercised	21,200	28,000	30,600	31,400	31,400
Canceled					
March 31, 2021—Outstanding					
Exercise price	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)
Average stock price at exercise	¥423 (\$ 3.82)	¥423 (\$ 3.82)	¥423 (\$ 3.82)	¥423 (\$ 3.82)	¥423 (\$ 3.82)
Fair value price at grant date	¥617 (\$ 5.57)	¥512 (\$ 4.62)	¥452 (\$ 4.08)	¥374 (\$ 3.37)	¥410 (\$ 3.70)
	Stock Option				
	2013	2014	2015	2016	2017
	(Shares)				
Year Ended March 31, 2020					
Nonvested					
March 31, 2019—Outstanding	52,900	49,400	52,100	99,000	109,600
Granted					
Canceled					
Vested			15,400	29,200	23,600
March 31, 2020—Outstanding	52,900	49,400	36,700	69,800	86,000
Vested					
March 31, 2019—Outstanding			15,400	29,200	23,600
Vested			15,400	29,200	23,600
Exercised					
Canceled					
March 31, 2020—Outstanding					
Year Ended March 31, 2021					
Nonvested					
March 31, 2020—Outstanding	52,900	49,400	36,700	69,800	86,000
Granted					
Canceled					
Vested					
March 31, 2021—Outstanding	24,100	22,500	13,200	25,200	20,400
Granted	28,800	26,900	23,500	44,600	65,600
Vested					
March 31, 2020—Outstanding					
Vested	24,100	22,500	13,200	25,200	20,400
Exercised	24,100	22,500	13,200	25,200	20,400
Canceled					
March 31, 2021—Outstanding					
Exercise price	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)
Average stock price at exercise	¥423 (\$ 3.82)	¥423 (\$ 3.82)	¥423 (\$ 3.82)	¥423 (\$ 3.82)	¥423 (\$ 3.82)
Fair value price at grant date	¥602 (\$ 5.43)	¥628 (\$ 5.67)	¥927 (\$ 8.37)	¥455 (\$ 4.11)	¥689 (\$ 6.22)

	Stock Option		
	2018	2019	2020
Year Ended March 31, 2020	(Shares)		
Nonvested			
March 31, 2019—Outstanding	150,000		
Granted		150,000	
Canceled			
Vested	29,200		
March 31, 2020—Outstanding	120,800	150,000	
Vested			
March 31, 2019—Outstanding			
Vested	29,200		
Exercised	29,200		
Canceled			
March 31, 2020—Outstanding			
Year Ended March 31, 2021			
Nonvested			
March 31, 2020—Outstanding	120,800	150,000	
Granted			150,000
Canceled			
Vested	25,200	23,100	
March 31, 2021—Outstanding	95,600	126,900	150,000
Vested			
March 31, 2020—Outstanding			
Vested	25,200	23,100	
Exercised	25,200	23,100	
Canceled			
March 31, 2021—Outstanding			
Exercise price	¥1 (\$ 0.01)	¥1 (\$ 0.01)	¥1 (\$ 0.01)
Average stock price at exercise	¥423 (\$ 3.82)	¥423 (\$ 3.82)	
Fair value price at grant date	¥443 (\$ 4.00)	¥413 (\$ 3.73)	¥391 (\$ 3.53)
The Assumptions Used to Measure the Fair Value of the 2020 Stock Option			
Estimate method:	Black-Scholes option pricing model		
Volatility of stock price:	37.47%		
Estimated remaining outstanding period:	21 months		
Estimated dividend:	¥14 per share		
Risk-free interest rate:	(0.167)%		
20. OTHER OPERATING INCOME			
Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:			
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on foreign exchange transactions	¥ 698	¥ 700	\$ 6,312
Gains on sales of bonds	6,188	16,047	55,910
Income on lease transaction and installment receivables	30,842	31,101	278,662
Other	2,920	2,965	26,384
Total	¥ 40,649	¥ 50,814	\$ 367,270

21. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of equity securities	¥ 7,202	¥ 2,689	\$ 65,074
Gains on money held in trust	606	3,000	5,475
Other	3,195	2,800	28,875
Total	¥ 11,004	¥ 8,490	\$ 99,424

22. OTHER OPERATING EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loss on sales of bonds	¥ 3,778	¥ 6,972	\$ 34,138
Loss on write-down of bonds		20	
Cost of lease transaction and installment receivables	30,139	30,399	272,311
Other	115	34	1,041
Total	¥ 34,033	¥ 37,426	\$ 307,491

23. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Salaries and related expenses	¥ 24,104	¥ 24,416	\$ 217,789
Other	34,916	35,038	315,471
Total	¥ 59,021	¥ 59,455	\$ 533,260

24. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Charge-off of loans	¥ 5	¥ 11	\$ 45
Losses on sales of equity securities	459	3,676	4,150
Valuation losses on equity securities	110	853	997
Losses on money held in trust	1,323	4,638	11,955
Losses on sales of real estate	66	355	602
Impairment losses	266	421	2,405
Other	3,825	4,227	34,561
Total	¥ 6,056	¥ 14,184	\$ 54,719

25. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of 30.35% and 30.35% for the years ended March 31, 2021 and 2020, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020, are as follows:



	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for credit losses	¥ 12,525	¥ 10,192	\$ 113,169
Liability for employees' retirement benefits	180	2,472	1,633
Valuation difference on available-for-sale securities	7,151	6,705	64,610
Deferred losses on hedges	1,283	9,315	11,592
Valuation losses on equity securities	1,372	1,552	12,396
Depreciation	2,957	3,000	26,724
Accrued enterprise tax	486	312	4,399
Impairment losses	1,501	1,485	13,567
Other	2,170	2,094	19,606
Less—valuation allowance	(3,061)	(3,113)	(27,664)
Total deferred tax assets	26,567	34,016	240,035
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	134,869	87,127	1,218,555
Gain on contribution of securities to employee retirement benefit trust	1,665	1,665	15,048
Deferred losses on hedges	3,211	1,727	29,019
Asset for employees' retirement benefits	4,393		39,698
Other	1,098	1,231	9,922
Total deferred tax liabilities	145,239	91,751	1,312,243
Net deferred tax liabilities	¥ (118,671)	¥ (57,734)	\$ (1,072,207)

Reconciliation is not presented for the years ended March 31, 2021 and 2020, because the difference was immaterial (less than 5% of the normal statutory tax rate).

## 26. LEASES

### Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gross lease receivables	¥ 58,995	¥ 60,540	\$ 533,023
Estimated residual values	7,634	7,393	68,979
Estimated maintenance cost	(1,517)	(1,495)	(13,710)
Unearned interest income	(3,796)	(3,971)	(34,300)
Investments in leases	¥ 61,315	¥ 62,467	\$ 553,991

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

March 31	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due in 1 year or less	¥ 2,500	¥ 2,026	\$ 22,596
Due from 1 to 2 years	2,078	1,630	18,778
Due from 2 to 3 years	1,672	1,236	15,114
Due from 3 to 4 years	1,221	893	11,033
Due from 4 to 5 years	716	619	6,471
Due after 5 years	387	657	3,503
Total	¥ 8,577	¥ 7,063	\$ 77,497

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due in 1 year or less	¥ 18,078	¥ 18,647	\$ 163,342
Due from 1 to 2 years	14,420	14,877	130,288
Due from 2 to 3 years	10,897	11,205	98,459
Due from 3 to 4 years	7,288	7,716	65,855
Due from 4 to 5 years	4,066	4,217	36,737
Due after 5 years	4,243	3,875	38,340
Total	¥ 58,995	¥ 60,540	\$ 533,023

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 3,272	¥ 3,221	\$ 29,571
Due after 1 year	4,128	4,080	37,300
Total	¥ 7,401	¥ 7,302	\$ 66,871

## 27. RELATED-PARTY TRANSACTIONS

Related-party transactions for the fiscal year ended March 31, 2021 is not applicable.

Related-party transactions for the fiscal year ended March 31, 2020 is as follows:

Related Party	Category	Description of the Transaction	2020	
			Amounts of Transactions	Balance at End of the Year
			Millions of Yen	Millions of Yen
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts) ¥ 11	¥ 10

## 28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short term and the long term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management ("ALM") to avoid negative effects of interest movements. In managing interest rate movements, the Bank utilizes derivatives.

The Bank and certain consolidated subsidiaries also hold securities for sale to customers.

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

#### (a) Loans

The Bank provides loans mainly to domestic customers but does not focus on specific groups of companies. These loans are exposed to credit risk in the case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Bank's main business area, is approximately 50%. As such, the Bank's credit risk is likely to deteriorate if there are negative changes in the economy in Nagano Prefecture.

#### (b) Securities

Securities are mainly bonds, stocks, investment trusts, and corporate investment funds. These securities are classified into categories, such as (1) securities held to maturity, (2) securities available for sale, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk, and liquidity risk.

#### (c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk, and liquidity risk.

#### (d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments to hedge the Bank's portfolio under ALM and to enhance the Bank's profit. Derivatives include interest rate swaps, interest cap transactions, and currency exchange swaps. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

## (3) Risk Management for Financial Instruments

#### (a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating, and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the head office. These two sections monitor and check each other. Every loan from the business branches is examined in many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

#### (b)Market risk management (interest rate risk, foreign exchange risk, and market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering the market and the Bank's conditions, the Bank updates its Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the management committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding, and limit of valuation losses, as necessary. It also defines the threshold that should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits, as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

### Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk ("VaR") for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivative transactions under ALM.

### Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management Policy.

### Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Certain consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

### The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion, including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values, and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

### Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments,and VaR is multiplied by a certain stress (1 to 1.45 times) to calculate market risk amount.For calculating VaR, the historical simulation method (confidence interval of 99.9%; observation period of 1,250 days; and holding period of 10 days for Bank's trading business, 240 days for Bank's banking business, and 120 days for others) has been adopted.

The VaRs in the Bank's trading business are ¥1,188 million (\$10,738 thousand) and ¥1,128 million and the VaRs in the Bank's banking business are ¥464,470 million (\$4,196,519 thousand) and ¥334,874 million as of March 31, 2021 and 2020, respectively.

The Bank conducts backtesting to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model that the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may

be cases where market risk cannot be captured in situations when market conditions change dramatically beyond what has been experienced historically.

(c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long term and short term under ALM.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 29 for the details of the fair value of derivatives.

(a) Fair value of financial instruments

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥2,753,959	¥2,753,959	
Securities:			
Held to maturity	99	102	¥ 2
Available for sale	3,294,985	3,294,985	
Loans and bills discounted	5,541,154		
Allowance for credit losses	(37,999)		
Subtotal	5,503,155	5,538,471	35,316
Total	¥11,552,200	¥11,587,518	¥ 35,318
Deposits	¥7,654,318	¥7,654,382	¥ (64)
Negotiable certificates of deposit	139,665	139,665	
Call money and bills sold	676,745	676,745	
Payables under securities lending transactions	784,779	784,779	
Borrowed money	1,639,118	1,638,907	210
Total	¥10,894,627	¥10,894,480	¥ 146
Derivative transactions:			
Hedge accounting not applied	¥ (1,093)	¥ (1,093)	
Hedge accounting applied	4,237	4,237	
Total	¥ 3,143	¥ 3,143	

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥1,650,752	¥1,650,752	
Securities:			
Held to maturity	99	103	¥ 3
Available for sale	2,881,760	2,881,760	
Loans and bills discounted	5,395,246		
Allowance for credit losses	(30,648)		
Subtotal	5,364,597	5,409,025	44,427
Total	¥9,897,209	¥9,941,640	¥ 44,430
Deposits	¥6,975,504	¥6,975,534	¥ (29)
Negotiable certificates of deposit	257,674	257,674	
Call money and bills sold	845,982	845,982	
Payables under securities lending transactions	537,369	537,369	
Borrowed money	785,947	785,957	(9)
Total	¥9,402,478	¥9,402,518	¥ (39)
Derivative transactions:			
Hedge accounting not applied	¥ 258	¥ 258	
Hedge accounting applied	(25,781)	(25,781)	
Total	¥ (25,522)	¥ (25,522)	

March 31, 2021	Thousands of U.S.Dollars		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	\$24,882,180	\$ 24,882,180	
Securities:			
Held to maturity	902	922	\$ 19
Available for sale	29,770,375	29,770,375	
Loans and bills discounted	50,064,645		
Allowance for credit losses	(343,328)		
Subtotal	49,721,316	50,040,401	319,084
Total	\$104,374,775	\$ 104,693,879	\$ 319,104
Deposits	\$ 69,157,193	\$ 69,157,777	\$ (584)
Negotiable certificates of deposit	1,261,882	1,261,882	
Call money and bills sold	6,114,433	6,114,433	
Payables under securities lending transactions	7,090,526	7,090,526	
Borrowed money	14,809,531	14,807,625	1,905
Total	\$98,433,566	\$ 98,432,245	\$ 1,321
Derivative transactions:			
Hedge accounting not applied	\$ (9,879)	\$ (9,879)	
Hedge accounting applied	38,282	38,282	
Total	\$ 28,402	\$ 28,402	

Cash and Due from Banks

Carrying values of cash and due from banks that have no maturity dates are approximately equivalent to fair values.

Regarding due from banks with maturity dates, the carrying values of products with short maturities (less than one year) are equivalent to the fair values.

Securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed in public.

Fair values of private placement bonds with guarantees are measured at the total amounts of the principal and interest discounted at market rates, plus spreads. The spreads are defined in internal guidelines.

Information relating to securities for holding purpose is included in Note 9.

Loans

Because floating-rate loans are immediately affected by the movement of interest rates, the carrying amounts of these loans are equivalent to fair values in cases where the credit risk of debtors has not totally changed from the execution of the loans.

For fixed-rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines.

For fixed-rate loans other than business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The carrying amounts of fixed-rate loans other than business funds with short maturity (less than one year) are equivalent to the fair values.

For loans to “Bankrupt”, “Defacto Bankrupt” and “In danger of bankruptcy”, a reserve for possible loan losses calculated from the current value of expected future cash flows or from the expected amount to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the book values at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The carrying amounts of such loans are assumed to be equivalent to the fair values because of the loans' period and conditions.

Deposits and Negotiable Certificates of Deposit

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the consolidated balance sheet date (book values). For time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

Call Money and Bills Sold and Payables under Securities Lending Transactions

Carrying value of these whose terms are short (within one year) approximates the fair value and is therefore deemed equal to the fair value.

Borrowed Money

Because floating-rate borrowed money is immediately affected by the movement of interest rates, the carrying value of this borrowed money is equivalent to fair value in cases where the credit risk of consolidated subsidiaries has not totally changed from when the money was borrowed.

The fair value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowings. The carrying value of borrowed money whose term is short (within one year) approximates the fair value and is therefore deemed equal to the fair value.

Derivatives

Information on the fair value of derivatives is included in Note 29.

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

March 31	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in equity instruments that do not have a quoted market price in an active market	¥ 30,059	¥ 28,309	\$ 271,592

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

March 31, 2021	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	¥ 2,637,362	¥ 5				
Call loans and bills bought	30,000					
Securities	150,563	350,164	¥ 265,884	¥ 250,075	¥ 446,495	¥ 937,559
Held to maturity		100				
National government bonds		100				
Available for sale	150,563	350,064	265,884	250,075	446,495	937,559
National government bonds	40,100	58,000	8,000	16,000	302,500	696,500
Local government bonds	16,272	66,600	53,907	150,157	47,735	12,604
Corporate bonds	42,747	144,854	108,691	41,079	47,183	106,903
Loans and bills discounted	1,073,054	1,166,176	857,356	498,974	439,503	858,058
Total	¥ 3,890,980	¥ 1,516,345	¥ 1,123,241	¥ 749,049	¥ 885,999	¥ 1,795,617

March 31, 2020						
Due from banks	¥ 1,531,924	¥ 5				
Securities	241,503	324,804	¥ 248,175	¥ 139,015	¥ 439,639	¥ 818,920
Held to maturity		100				
National government bonds		100				
Available for sale	241,503	324,804	248,075	139,015	439,639	818,920
National government bonds	101,373	85,420	22,483		197,008	594,580
Local government bonds	19,267	25,373	87,093	91,047	123,030	16,432
Corporate bonds	81,837	169,559	49,254	11,028	52,163	99,698
Loans and bills discounted	1,124,622	1,053,905	832,377	445,346	444,177	808,866
Total	¥ 2,898,050	¥ 1,378,714	¥ 1,080,553	¥ 584,361	¥ 883,816	¥ 1,627,787

March 31, 2021	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	\$ 23,828,719	\$ 45				
Call loans and bills bought	271,051					
Securities	1,360,345	3,163,752	\$ 2,402,284	\$ 2,259,443	\$ 4,034,115	\$ 8,470,900
Held to maturity		903				
National government bonds		903				
Available for sale	1,360,345	3,162,848	2,402,284	2,259,443	4,034,115	8,470,900
National government bonds	362,305	524,033	72,280	144,560	2,733,104	6,292,916
Local government bonds	147,023	601,741	487,059	1,356,684	431,292	113,877
Corporate bonds	386,223	1,308,771	982,030	371,156	426,301	965,883
Loans and bills discounted	9,695,106	10,536,468	7,746,263	4,508,260	3,970,938	7,752,604
Total	\$ 35,155,223	\$ 13,700,265	\$ 10,148,547	\$ 6,767,703	\$ 8,005,053	\$ 16,223,504



(6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2021	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 6,838,739	¥ 770,193	¥ 32,826	¥ 3,725	¥ 6,103	¥ 2,730
Negotiable certificates of deposit	139,615	50				
Call money and bills sold	676,745					
Payables under securities lending transactions	784,779					
Borrowed money	1,223,056	285,187	128,637	17	2,219	
Total	¥ 9,662,936	¥ 1,055,431	¥ 161,463	¥ 3,742	¥ 8,322	¥ 2,730
March 31, 2020						
Deposits	¥ 6,173,279	¥ 755,758	¥ 33,264	¥ 4,598	¥ 8,604	
Negotiable certificates of deposit	257,674					
Call money and bills sold	845,982					
Payables under securities lending transactions	537,369					
Borrowed money	414,413	298,876	72,628	17	11	
Total	¥ 8,228,719	¥ 1,054,634	¥ 105,892	¥ 4,615	¥ 8,616	
March 31, 2021						
March 31, 2021	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	\$ 61,788,398	\$ 6,958,743	\$ 296,585	\$ 33,657	\$ 55,142	\$ 24,665
Negotiable certificates of deposit	1,261,430	451				
Call money and bills sold	6,114,433					
Payables under securities lending transactions	7,090,526					
Borrowed money	11,050,385	2,576,684	1,162,250	157	20,053	
Total	\$ 87,305,175	\$ 9,535,879	\$ 1,458,835	\$ 33,814	\$ 75,195	\$ 24,665

29. DERIVATIVES

Derivatives that the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate swaps and interest rate options
Currency-related transactions:	Currency swaps, currency options, and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures and bond future options
Other transactions:	Earthquake derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers to maximize the profit of their own trading account and to manage the potential risks in their own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates, or prices of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values, and market risks are reported periodically to the responsible executive officers and the ALM Committee, where evaluations and analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2021

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)
Interest Rate-Related Transactions								
Listed— interest-rate futures: Selling Buying								
Over the counter— interest rate swaps: Receipt fixed— payments floating								
	¥ 133,470	¥ 114,820	¥ 1,037	¥ 1,037	\$1,205,909	\$1,037,413	\$ 9,370	\$ 9,370
Receipt floating— payments fixed								
	69,883	61,313	(1,815)	(1,815)	631,397	553,974	(16,407)	(16,407)
Receipt floating— payments floating								
Over the counter— interest rate options: Selling Buying								
Currency-Related Transactions								
Over the counter— currency swaps								
Over the counter— currency futures: Selling Buying								
	95,537	3,038	(4,169)	(4,169)	863,182	27,455	(37,669)	(37,669)
	90,581	2,232	3,854	3,854	818,410	20,174	34,826	34,826
Over the counter— currency options: Selling Buying								
	40,808	31,238	(1,126)	900	368,710	282,244	(10,173)	8,135
	40,808	31,238	1,126	(282)	368,710	282,244	10,173	(2,556)
Foreign exchange swaps								
Stock-Related Transactions								
Listed— stock index futures: Selling Buying								
Listed— stock index options: Selling Buying								
Bond-Related Transactions								
Listed—bond futures: Selling Buying								
Listed— bond futures options: Selling Buying								
Other Transactions								
Over the counter— earthquake derivatives								
	2,935		(39)	(39)	26,517		(357)	(357)
	2,935		39	39	26,517		357	357

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2021

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥1,037,968	¥1,020,474	¥ 5,402

Currency-Related Transactions				
Currency swaps	Foreign currency	42,390	30,990	(1,944)
Foreign exchange swaps	loans and deposits	43,740		1,253

Bond-Related Transactions				
Listed—bond futures—selling	Available-for-sale securities	248,939		(474)
Over the counter—bond options: Selling Buying	Available-for-sale securities			

		Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	\$9,378,106	\$9,220,045	\$ 48,811

Currency-Related Transactions				
Currency swaps	Foreign currency	383,000	280,000	(17,569)
Foreign exchange swaps	loans and deposits	395,201		11,326

Bond-Related Transactions				
Listed—bond futures—selling	Available-for-sale securities	2,249,183		(4,285)
Over the counter—bond options: Selling Buying	Available-for-sale securities			

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	¥ 3,230	¥ 3,230	
Interest rate swaps—Receipt floating—payments fixed		9,894	9,703	

		Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	\$ 29,183	\$ 29,183	
Interest rate swaps—Receipt floating—payments fixed		89,395	87,675	

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2020

		Millions of Yen			
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions					
Listed—interest-rate futures: Selling Buying					
Over the counter—interest rate swaps: Receipt fixed—payments floating		¥ 52,575	¥ 48,334	¥ 974	¥ 974
Receipt floating—payments fixed		52,051	47,611	(630)	(630)
Receipt floating—payments floating		200			
Over the counter—interest rate options: Selling Buying		7 7			

Currency-Related Transactions					
Over the counter—currency swaps					
Over the counter—currency futures: Selling Buying		68,058 67,099	1,608 1,211	(99) 14	(99) 14
Over the counter—currency options: Selling Buying		19,201 19,201	12,482 12,482	(718) 718	624 (183)
Foreign exchange swaps					

Currency-Related Transactions					
Over the counter—currency swaps					
Over the counter—currency futures: Selling Buying		68,058 67,099	1,608 1,211	(99) 14	(99) 14
Over the counter—currency options: Selling Buying		19,201 19,201	12,482 12,482	(718) 718	624 (183)
Foreign exchange swaps					

Currency-Related Transactions					
Over the counter—currency swaps					
Over the counter—currency futures: Selling Buying		68,058 67,099	1,608 1,211	(99) 14	(99) 14
Over the counter—currency options: Selling Buying		19,201 19,201	12,482 12,482	(718) 718	624 (183)
Foreign exchange swaps					

Currency-Related Transactions					
Over the counter—currency swaps					
Over the counter—currency futures: Selling Buying		68,058 67,099	1,608 1,211	(99) 14	(99) 14
Over the counter—currency options: Selling Buying		19,201 19,201	12,482 12,482	(718) 718	624 (183)
Foreign exchange swaps					

Currency-Related Transactions					
Over the counter—currency swaps					
Over the counter—currency futures: Selling Buying		68,058 67,099	1,608 1,211	(99) 14	(99) 14
Over the counter—currency options: Selling Buying		19,201 19,201	12,482 12,482	(718) 718	624 (183)
Foreign exchange swaps					

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2020

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥ 100,000	¥ 80,000	¥ 403
Receipt floating—payments fixed		894,999	852,437	(29,565)

Currency-Related Transactions				
Currency swaps	Foreign currency	44,115	14,125	53
Foreign exchange swaps	loans and deposits	62,747		851

Bond-Related Transactions				
Listed—bond futures—selling	Available-for-sale securities	200,816		2,475
Over the counter—bond options: Selling Buying	Available-for-sale securities			

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt fixed —payments floating	Loans and deposits	¥ 3,015	¥ 3,015	
Interest rate swaps—Receipt floating—payments fixed		10,041	9,551	

30. LOAN COMMITMENTS

The Group issues commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,628,141 million (\$14,710,351 thousand) and ¥1,680,566 million as of March 31, 2021 and 2020, respectively.

As a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

31. OTHER COMPREHENSIVE INCOME (LOSS)

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

		Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:				
Gains (losses) arising during the year	¥ 165,386	¥ (19,861)		\$1,494,277
Reclassification adjustments to profit or loss	(8,997)	(9,612)		(81,294)
Amount before income tax effect	156,388	(29,473)		1,412,983
Income tax effect	(47,296)	8,637		(427,328)
Subtotal	109,092	(20,835)		985,654
Deferred gain (loss) on derivatives under hedge accounting:				
Gains (losses) arising during the year	27,884	(13,048)		251,936
Reclassification adjustments to profit or loss	3,473	4,391		31,383
Amount before income tax effect	31,357	(8,656)		283,320
Income tax effect	(9,517)	2,628		(85,987)
Subtotal	21,840	(6,027)		197,332
Defined retirement benefit plans:				
Adjustments arising during the year	21,476	(2,863)		194,045
Reclassification adjustments to profit or loss	28	(720)		259
Amount before income tax effect	21,505	(3,583)		194,304
Income tax effect	(6,517)	1,088		(58,884)
Subtotal	14,988	(2,495)		135,420
Total other comprehensive income (loss)	¥ 145,921	¥ (29,358)		\$1,318,406

32. PER SHARE DATA

(1)Basic EPS for the years ended March 31, 2021 and 2020, is as follows:

		Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
		Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2021					
Basic EPS—net income available to common shareholders	¥ 22,384	489,491	¥ 45.73	\$ 0.41	
Effect of dilutive—stock acquisition rights		617			
Diluted EPS—net income for computation	¥ 22,384	490,109	¥ 45.67	\$ 0.41	

Year Ended March 31, 2020					
Basic EPS—net income available to common shareholders	¥ 22,077	492,770	¥ 44.80		
Effect of dilutive— stock acquisition rights		722			
Diluted EPS—net income for computation	¥ 22,077	493,492	¥ 44.73		

(2)Net assets per share for the years ended March 31, 2021 and 2020, were as follows:

		Yen		U.S. Dollars
		2021	2020	2021
Net assets per share	¥ 1,850.68	¥ 1,512.45	\$ 16.72	

The net assets per share figure is calculated on the basis of the following:

		Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Net assets	¥ 909,694	¥ 748,432	\$ 8,219,143	
Less stock acquisition rights	272	365	2,459	
Less noncontrolling interests	3,402	8,078	30,745	
Net assets attributable to common shareholders	¥ 906,019	¥ 739,988	\$ 8,185,938	
		Thousands of Number of Shares		
		2021	2020	
Number of common stock at fiscal year-end used for calculation of net assets per share		489,558	489,263	



33. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2021, were approved at the Bank's shareholders' meeting held on June 19, 2021:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 (\$0.07) per share	¥ 3,916	\$ 35,385

34. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in

deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the banking and leasing segments. Banking consists of the banking and credit card businesses. Leasing consists of the leasing business.

(2) Methods of Measurement for Sales, Profit (Loss), Assets, Liabilities, and Other Items

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

(3) Information about Ordinary Income, Profit, Assets, Liabilities, and Other Items

	Millions of Yen						
	2021						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Ordinary income: Outside customers Intersegment	¥ 115,206 1,030	¥ 33,106 489	¥ 148,313 1,519	¥ 5,655 34	¥ 153,969 1,554	¥ (1,554)	¥ 153,969
Total	¥ 116,236	¥ 33,595	¥ 149,832	¥ 5,690	¥ 155,523	¥ (1,554)	¥ 153,969
Segment profit	¥ 28,376	¥ 1,447	¥ 29,823	¥ 2,366	¥ 32,190	¥ (42)	¥ 32,147
Segment assets	12,089,818	96,998	12,186,817	33,253	12,220,070	(59,431)	12,160,638
Segment liabilities	11,227,579	60,108	11,287,687	19,528	11,307,216	(56,273)	11,250,943
Other :							
Depreciation	3,779	2,017	5,797	49	5,847		5,847
Interest income	77,828	52	77,880	122	78,002	(205)	77,797
Interest expense	6,830	205	7,036	21	7,057	(194)	6,863
Loss on disposal of assets	66		66		66		66
Impairment losses of assets	266		266		266		266
Income taxes	8,222	367	8,589	703	9,292	(2)	9,290
Increase in property, plant, and equipment and intangible assets	3,298	3,581	6,879	7	6,887		6,887

	Millions of Yen						
	2020						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Ordinary income: Outside customers Intersegment	¥ 127,156 920	¥ 33,741 563	¥ 160,897 1,483	¥ 4,179 35	¥ 165,077 1,518	¥ (1,518)	¥ 165,077
Total	¥ 128,076	¥ 34,304	¥ 162,381	¥ 4,215	¥ 166,596	¥ (1,518)	¥ 165,077
Segment profit	¥ 30,000	¥ 2,258	¥ 32,259	¥ 1,222	¥ 33,482	¥ (34)	¥ 33,447
Segment assets	10,408,428	99,438	10,507,866	22,545	10,530,412	(59,864)	10,470,547
Segment liabilities	9,703,062	64,260	9,767,322	11,527	9,778,850	(56,734)	9,722,115
Other :							
Depreciation	3,836	1,961	5,797	44	5,842		5,842
Interest income	81,757	80	81,837	135	81,972	(209)	81,763
Interest expense	12,732	205	12,938	19	12,958	(195)	12,762
Impairment losses of assets	353	1	355		355		355
Income taxes	421		421		421		421
Increase in property, plant, and equipment and intangible assets	8,572	529	9,101	382	9,484		9,483

	Thousands of U.S. Dollars						
	2021						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Ordinary income: Outside customers Intersegment	\$ 1,040,898 9,308	\$ 299,120 4,421	\$ 1,340,018 13,729	\$ 51,100 315	\$ 1,391,119 14,044	\$ (14,044)	\$ 1,391,119
Total	\$ 1,050,206	\$ 303,541	\$ 1,353,747	\$ 51,415	\$ 1,405,163	\$ (14,044)	\$ 1,391,119
Segment profit	\$ 256,383	\$ 13,076	\$ 269,459	\$ 21,379	\$ 290,839	\$ (380)	\$ 290,458
Segment assets	109,232,191	876,383	110,108,574	300,442	110,409,017	(536,967)	109,872,050
Segment liabilities	101,441,808	543,084	101,984,892	176,444	102,161,337	(508,429)	101,652,907
Other :							
Depreciation	34,150	18,231	52,381	447	52,828		52,828
Interest income	703,185	472	703,657	1,102	704,760	(1,858)	702,901
Interest expense	61,713	1,858	63,572	196	63,769	(1,758)	62,010
Loss on disposal of assets	602		602		602		602
Impairment losses of assets	2,404		2,404	1	2,405		2,405
Income taxes	74,288	3,321	77,609	6,353	83,962	(23)	83,938
Increase in property, plant, and equipment and intangible assets	29,798	32,363	62,161	66	62,227		62,227

(4) Information about Services

	Millions of Yen				
	2021				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 43,276	¥ 53,409	¥ 33,106	¥ 24,176	¥ 153,969

	Millions of Yen				
	2020				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 46,995	¥ 59,043	¥ 33,741	¥ 25,298	¥ 165,077

	Thousands of U.S. Dollars				
	2021				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	\$ 391,004	\$482,556	\$299,120	\$218,438	\$1,391,119

(5) Information about Geographical Areas

a. Ordinary income

This information is not disclosed as the domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income.

b. Tangible fixed assets

This information is not disclosed as the domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet.

(6) Information about Major Customers

This information is not disclosed as ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statement of income.