

I N T E G R A T E D R E P O R T

2021

Year ended March 31, 2021

The Hyakujushi Bank, Ltd.



The Bank’s Operational Foundation

Whereas the Bank’s home location of Kagawa Prefecture may be Japan’s smallest prefecture in terms of size, within that compact area the region boasts comfortable living conditions offering urban conveniences in harmony with an abundance of natural scenery, in addition to its warm climate exemplified by the Seto Inland Sea and a natural environment that experiences few natural disasters.

Fundamental data on Kagawa Prefecture

	Japan	Kagawa	Ranking
Area (km²)	377,975	1,876	47th
Population (thousand)	126,160	956	39th
Per capita GDP (thousand yen)	4,432	3,975	22nd
Average bank balance per household (thousand yen)	12,939	16,575	3rd
Active job openings-to-applicants ratio	1.55	1.78	9th

* Source: “Kagawa from the Perspective of 100 Indicators 2021” Kagawa Prefecture

Feature
1

Industrial structure adapts well to change

Home to factories of Japan’s top-ranking corporations engaged in fields that include construction machinery, automotive components, and electrical machinery, Kagawa Prefecture attracts a large number of such companies’ partner enterprises equipped with sophisticated core manufacturing technologies mainly in those fields. The prefecture also hosts large factories that handle basic materials such as chemicals, coal, and non-ferrous metals, mainly located in industrials zones situated in the prefecture’s coastal

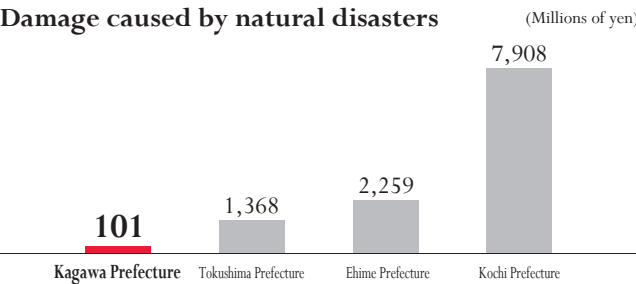
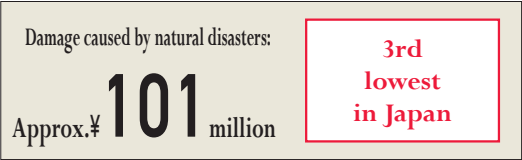
region. In addition, many food-related companies handling frozen foods, seasonings and other such products have operations there.

As such, Kagawa Prefecture tends to be resilient to economic shocks due to its well-balanced industrial structure not skewed toward any particular industry. Another distinctive feature of Kagawa is its many niche leaders that are active in numerous specialized market segments.

Feature
2

Temperate environment and an abundance of natural scenery with few natural disasters

Kagawa Prefecture features an environment conducive to achieving business continuity plans, given its temperate climate throughout the year and infrequency of earthquakes, tsunamis and other such natural disasters.



* Source: “2021 Kagawa Illustrated by 100 Indicators,” Kagawa Prefecture

Feature
3

Transportation and logistics hub

Kagawa Prefecture plays an important role as a hub for transportation and logistics serving as a gateway to Japan’s Shikoku region. It is accordingly equipped with an extensive regional transportation network that includes Seto Ohashi Bridge, Shikoku Odan Expressway, Takamatsu Airport, and Takamatsu Port. The prefecture serves as a key logistics point within the Shikoku Region given that it enables convenient access to the Tokyo metropolitan area and the Kansai region. In addition, Takamatsu Airport has been striving to serve as an international airport by developing routes connecting with respective Asian countries.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Financial Highlights

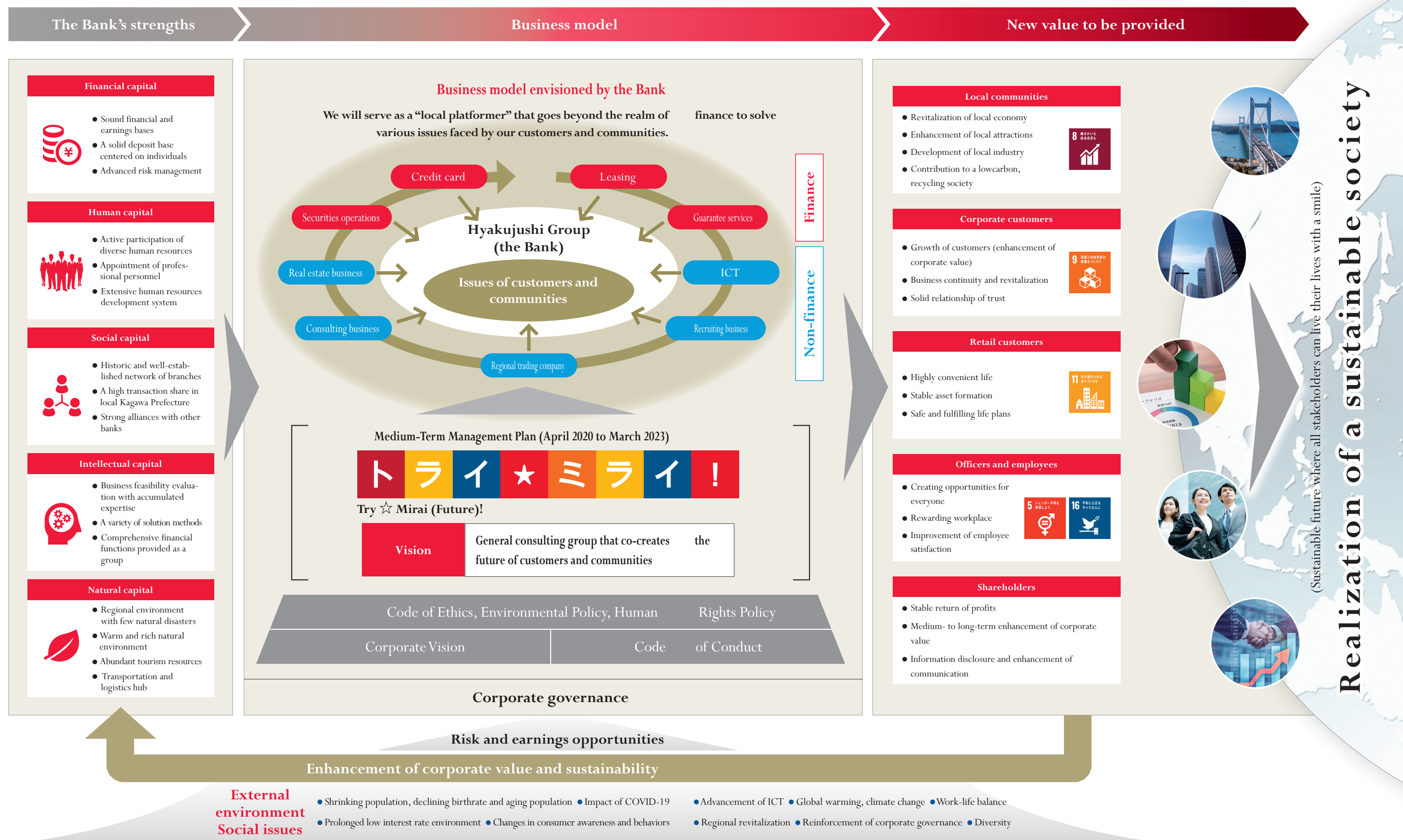
For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2021	2020	2019	2018	2017	2021
FORTHEYEAR:						
Total income	¥68,989	¥76,895	¥77,292	¥80,890	¥90,552	\$623,150
Total expenses	63,877	65,928	68,477	65,775	71,655	576,975
Profit before income taxes	5,111	10,966	8,814	15,114	18,897	46,165
Income taxes-current	3,402	3,518	3,565	3,720	5,145	30,728
Income taxes-deferred	(855)	(266)	(450)	807	3,050	(7,722)
Profit attributable to non-controlling interests	—	—	115	359	1,054	—
Profit attributable to owners of parent	2,565	7,715	5,584	10,227	9,645	23,168
ATYEAR-END:						
Loans and bills discounted	3,035,782	2,847,316	2,825,869	2,833,526	2,776,554	27,421,027
Securities and trading account securities	1,272,956	1,259,734	1,046,956	1,031,025	1,444,834	11,498,112
Foreign exchange assets	9,429	9,793	5,750	6,997	3,684	85,168
Other assets	1,057,396	837,097	1,017,044	905,507	701,461	9,551,043
Total assets	5,375,569	4,953,946	4,895,624	4,777,061	4,926,538	48,555,406
Deposits and negotiable certificates of deposit	4,525,292	4,155,267	4,044,109	4,053,820	4,160,361	40,875,187
Foreign exchange liabilities	1,341	296	352	241	145	12,112
Other liabilities	557,229	548,544	564,580	419,385	472,896	5,033,230
Total liabilities	5,083,870	4,704,115	4,609,048	4,473,454	4,633,409	45,920,603
Common stock	37,322	37,322	37,322	37,322	37,322	337,114
Capital surplus	30,486	30,486	30,486	30,486	26,332	275,368
Retained earnings	173,620	173,374	167,615	164,359	160,985	1,568,241
Treasury stock	(2,071)	(1,999)	(2,041)	(2,096)	(6,220)	(18,706)
Total stockholders’ equity	239,357	239,184	233,382	230,072	218,420	2,162,017
Net unrealized gains on other securities, net of taxes	42,595	15,048	47,822	49,722	49,012	384,743
Net deferred gains (losses) on hedging instruments, net of taxes	2,720	(7,447)	(1,121)	(39)	(1,231)	24,568
Revaluation reserve for land	7,928	7,976	8,540	8,741	8,557	71,610
Remeasurements of defined benefit plans	(945)	(4,971)	(2,109)	4,984	2,139	(8,535)
Total accumulated other comprehensive income	52,299	10,605	53,131	63,408	58,478	472,396
Share subscription rights	41	41	61	124	142	370
Non-controlling interests	—	—	—	10,000	16,087	—
Total net assets	291,699	249,831	286,576	303,606	293,129	2,634,802
Total liabilities and net assets	¥5,375,569	¥4,953,946	¥4,895,624	¥4,777,061	¥4,926,538	\$48,555,406

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the common accounting practice in Japan.
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥110.71 to US\$1.00 on March 31, 2021.

Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank’s management as of the time of writing. Actual results may therefore differ substantially from such statements.

Hyakujushi Group's Value Creation Process



Message from the President



By providing new value in our unique way, we aim to become a general consulting group that co-creates the future of customers and communities.

Yujiro Ayada

Yujiro Ayada, President

[memo]

This photo was taken in the executive meeting room located in the Bank's head office. The calligraphy displayed on the wall behind President Yujiro Ayada was created by the late Masayoshi Ohira, who was from Kagawa Prefecture and served as Prime Minister of Japan at the time. The writing depicts the words of Lao Tzu who, according to the Shiji (Records of the Grand Historian), said that "a good merchant secretly hides his goods and appears to possess nothing," conveying the notion that a wise man does not unnecessarily show off his abilities.

Forward

I sincerely thank you for your continued patronage of the Hyakujushi Bank.

Since its establishment, the Bank has grown together with its

customers and communities as a local leading bank, building up its foundation of today. I am deeply grateful to all of you as this would not have been possible without your warm support.

External environment and understanding of the current situation

The business environment surrounding the Bank is becoming harsher due to the continued low interest rate environment, intensifying competition with neighboring banks, and entry of companies from other industries. In addition, factors that include a shrinking population in conjunction with a declining birthrate and aging population over the medium- to long-term are likely to substantially affect local economic growth in Kagawa Prefecture, which serves as the primary base of the Bank's operations. As such, we must increase the Bank's sustainability by agilely addressing these changes in the business environment.

In particular, the local economy has been greatly affected by restrictions imposed on domestic and international production and consumption activities amid proliferation of COVID-19 since the outset of 2020. Meanwhile, whereas gradual recovery

seems likely as more people get vaccinated, the return of economic and social stability is bound to take a while, which gives rise to the need for us to confront prevailing realities assuming that uncertainty will persist until that time. Moreover, we need to adopt work arrangements that are compatible with new lifestyles under the so-called "new normal" premised on the assumption that society will co-exist with coronavirus rather than fully returning to the pre-pandemic status quo.

Whereas the Bank has been placing emphasis on business resources thus far under the notion that its top priority is that of facilitating customer liquidity and providing business support, going forward we seek to focus on furnishing assistance that involves revamping business models in a manner that renders them more suited to these new social realities.

Looking toward transformation to a general consulting group

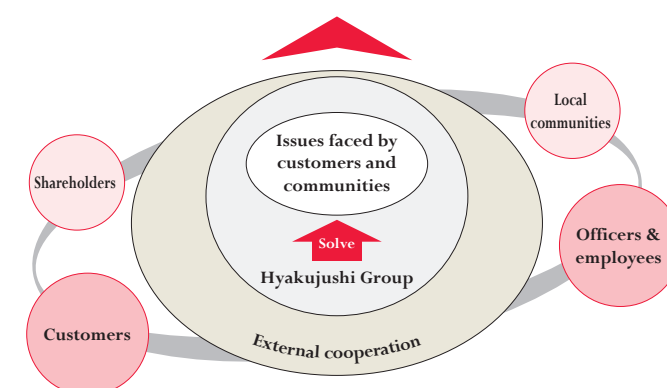
● The "Try ☆ Mirai (Future)!" medium-term management plan

We strive to achieve the Corporate Vision of "prosper together with customers and communities" amid the substantially changing business environment. To such ends, we will adhere to our unwavering mission serving as a regional financial institution of developing extensive familiarity with issues encountered by our customers and local communities, and then becoming thoroughly involved in resolving such challenges. However, we must also contend with realities in terms of difficulties inherent in flexibly and accurately addressing the various challenges associated with increasing diversification, complexity and sophistication relying solely on a traditional banking framework.

Underpinned by this realization, we embarked on the medium-term management plan "Try ☆ Mirai (Future)!" in FY 2020 with the aim of taking on the challenge of creating a prosperous future for our local communities by taking action as a local platformer in addressing various issues encountered by our customers and local communities, extending beyond

the realm of finance. With our sights set on achieving objectives of "Try ☆ Mirai (Future)!", we formulated three key strategies: transformation to a general consulting group, development of human resources with high market value, and structural reforms leading to the future.

Co-create a future where stakeholders can live their lives with a smile



Message from the President

Key strategy 1 Transformation to a general consulting group

We will take on the goal of “transformation to a general consulting group” that offers one-stop services encompassing the entire process from identifying issues to providing solutions with the aim of increasing value for our corporate and retail customers as well as our local communities.

● Corporate customers

When it comes to corporate customers, our efforts will involve engaging in more extensive dialogue starting from evaluation of business feasibility, fully understanding actual state of management and the business outlook, and thoroughly carrying out business and financial support.

Having assigned Corporate Solution Advisors (SAs) of the Head Office with substantial problem-solving skills to major locations in Kagawa Prefecture in FY 2020, we have embarked on initiatives to swiftly and accurately resolve customer concerns and operational issues in conjunction with relationship managers at our branches.

We have also been taking steps to upgrade our menu of solution options. In the field of ICT, we have formed a business alliance with freee K.K. with the aim of promoting digital transformation (DX) initiatives of our customers who operate SMEs and sole proprietorships. We have also started offering fee-based consulting services in the realms of the medical and long-term care business as well as overseas expansion support leveraging the Bank’s strengths, and have made full-scale entry into core human resources recruitment in collaboration with our group company Hyakujushi Jinzai Center Corporation. We aim to extend beyond merely offering solutions in the future, and will accordingly consider possibilities involving full-fledged entry into the field of management consulting,



particularly in terms of providing support for corporate business diagnosis and planning.

● Retail customers

With regard to retail customers, our efforts will involve comprehensively providing financial infrastructure and services that align with needs of different stages of life and lifestyles.

In FY 2020, we have assigned Life Plan Advisors (LPAs) to our respective branches so that they can help make customer life plans a reality. We have also assigned Life Plan Consultants (LPCs) of the Head Office equipped with highly specialized knowledge to support LPAs at our major locations.

We have also been expanding non-face-to-face channels in order to improve customer service and streamline branch administrative work, and have released the “114 Digital Procedure App” with capabilities that include ATM card reissuance and change of address. In the near future, we aim to provide services that enable users to complete most of their banking transactions online through their smartphone banking app.

● Community involvement

We strive to contribute to the sustainable growth of our communities, which involves extending beyond serving our customers to fulfilling needs for development of local economies and addressing risks of climate change.

From August to December 2020, the Bank engaged in its “114 Tenohira Project” which has involved simultaneously adopting digital customer service and contributing to our communities. Through the project, we enabled our customers to gain experience making digital transactions that helped them avoid the three Cs (crowded places, close contact settings, and closed spaces) during the COVID-19 pandemic, enlisting online banking, smartphone applications and other such services, and we furthermore contributed proceeds calculated based on the number of such banking transactions. The number of banking transactions exceeded our initial target given the project’s popularity with many customers, thereby enabling us to contribute proceeds to Kagawa Prefecture for the sake of helping to prevent the spread of COVID-19.

Under the Shikoku Alliance^{*1}, the regional trading company SHIKOKU BRAND inc. embarked on branding and promotion of Shikoku resources, as well as development of sales channels for those resources, upon its establishment through joint investment of the four Shikoku Alliance banks in April 2020. Although COVID-19 made for a difficult start, the entity received more than 250 inquiries over the one-year period and has encountered steady increases in its number of new contracts.

We also continue to work on activities implemented from the perspective of the Sustainable Development Goals (SDGs) proposed by the United Nations. This has involved establishing

the “Hyakujushi Bank’s Environmental Policy” and the “Hyakujushi Bank’s Human Rights Policy” to serve as basic policies in April 2020, and establishing the “Environmental and Social Management Policy for Financing and Investment Activity” in December. Going forward, we plan to gradually expand our scope of SDGs in conjunction with our local communities and customers by supporting business and other endeavors with the aim of helping to achieve a decarbonized society with our sights set on addressing climate change risk.

^{*1}The Shikoku Alliance is based on a comprehensive partnership agreement signed by four first-tier regional banks in Shikoku in November 2016 with the aim of revitalizing Shikoku, while maintaining management independence.

Key strategy 2 Development of human resources with high market value

We recognize that human resource development and provision of opportunities to play an active role are important themes with respect to the Bank transforming to a general consulting group and achieving sustainable growth. As such, we have been taking steps to achieve “development of human resources with high market value” by actively promoting diverse human resources, striving to balance childcare and long-term care with work, and creating comfortable working environments.

In FY 2020, we embarked on efforts to facilitate customer-oriented sales activities from a medium- to long-term perspective, which involved significantly overhauling our branch awarding system and accordingly shifting to evaluations

that place emphasis on activities and processes such as customer relationship building, from evaluations that focused on achievements previously.

In addition, we initiated a new personnel system in April 2021. This involved adopting a reorganized course system to realize diverse work styles and diversity, and also creating a scheme that enables early promotion to higher positions.

Key strategy 3 Structural reforms leading to the future

We have been adapting to the rapidly changing business environment by engaging in “structural reforms leading to the future,” which has involved boldly revamping our revenue and cost structure and accordingly shifting to a more robust earnings structure that is not readily susceptible to the market environment.

To augment our top line, we have been redoubling efforts involving structured finance, seeking to maximize total profit/loss from marketable securities investment^{*2}, and revamping our fee structure.

In addition, we have also been taking steps to reduce credit costs by adopting a credit screening model enlisting artificial intelligence, and also to implement low-cost practices, which involves reorganizing the network of bank branches, reducing administrative workloads, and curbing costs.

^{*2}Total profit/loss from marketable securities investment is calculated as the sum of realized profit/loss from marketable securities investment (profitability) plus valuation profit/loss (soundness).

FY 2021 Forecasts

As detailed thus far, initiatives we have been implementing under the medium-term management plan “Try ☆ Mirai (Future)!” have been proceeding largely as planned. Moreover, the three indicators listed as management targets also indicate favorable results for FY 2021, unlike FY 2020 when the Bank recorded substantial marketable securities impairment, in that the consolidated capital ratio and non-consolidated OHR are poised to exceed their respective final year targets ahead of schedule, albeit consolidated profit is likely to end up slightly below target.

Type	Management indicators	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (final target)
Profitability	Consolidated profit	¥2.5 billion	¥5.5 billion	¥6.0 billion or higher
Soundness	Consolidated capital ratio	9.35%	9.0%	9.0% or higher
Efficiency	Non-consolidated OHR (gross operating profit basis)	76.76%	74%	75% or less

Conclusion

We will prudently and boldly proceed with business operations in a manner that involves demonstrating our resilience in adapting to the changing business environment amid a prevailing mix of risks and growth opportunities. We aspire for the Bank to create a virtuous cycle whereby it achieves growth by robustly meeting the expectations of its customers, employees,

local communities, and shareholders, and returns generated profits and value to communities. In so doing, we strive to realize a future where all stakeholders can live their lives with a smile.

I sincerely thank you and humbly request your continued support and patronage of the Bank.

Overview of the Medium-Term Management Plan

Plan title **トライ★ミライ!** (FY 2020 to FY 2022)
Try ☆ Mirai (Future)!

Co-create a future where stakeholders can live their lives with a smile

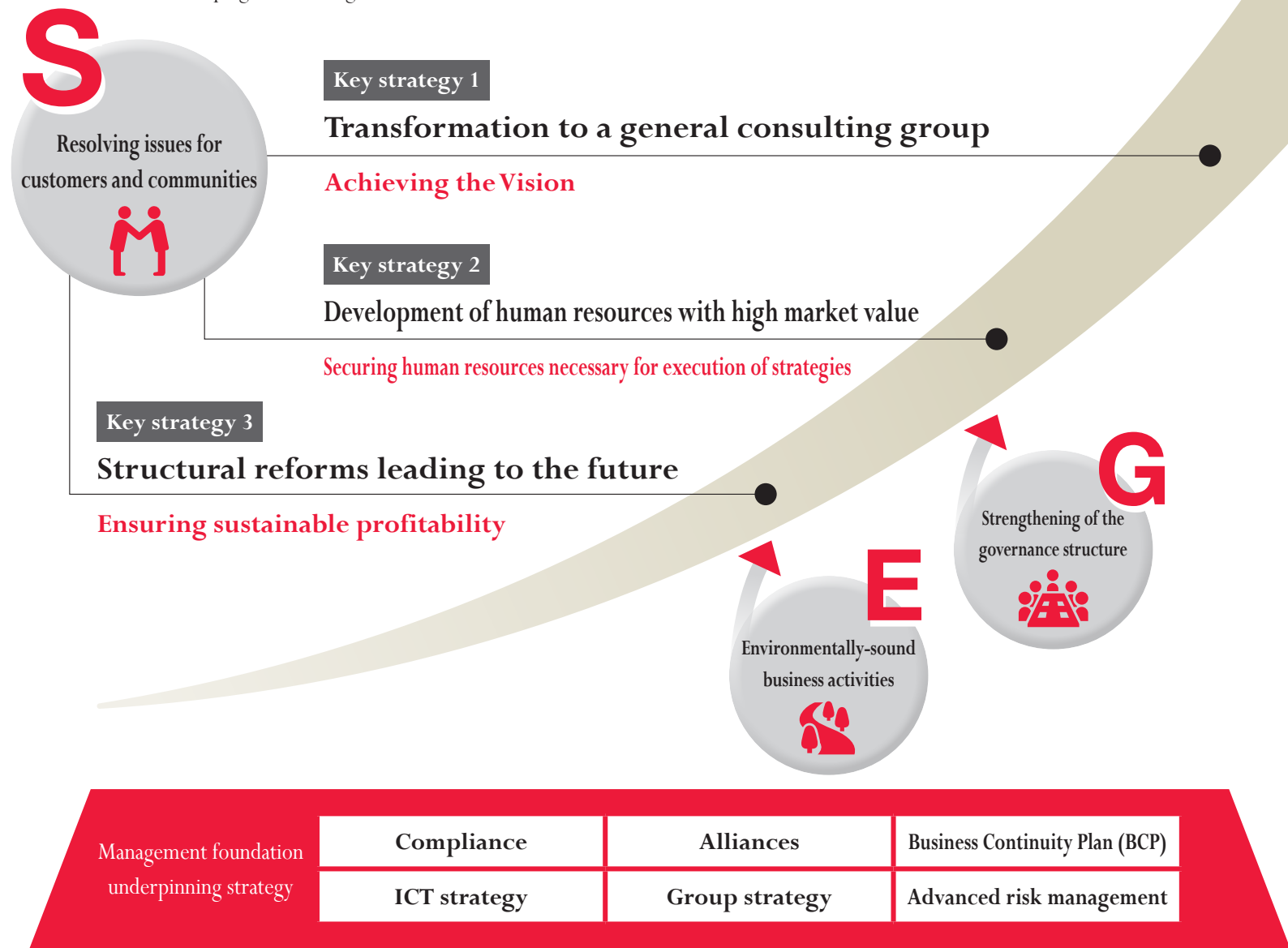
Basic policy The Hyakujushi Group has become a “local platformer” that extends beyond the realm of finance toward achieving a sustainable society amid increasingly severe social circumstances locally. As such, the Bank will take on challenges of co-creating a future where various stakeholders are able to live their lives with a smile by resolving issues faced by its customers and local communities.

Creation of common value with customers and communities

We will engage in customer-centered consulting practices that involve extensive dialogue in order to ensure that our efforts to create value for our customers and communities lead to increased trust and growth of the Bank.

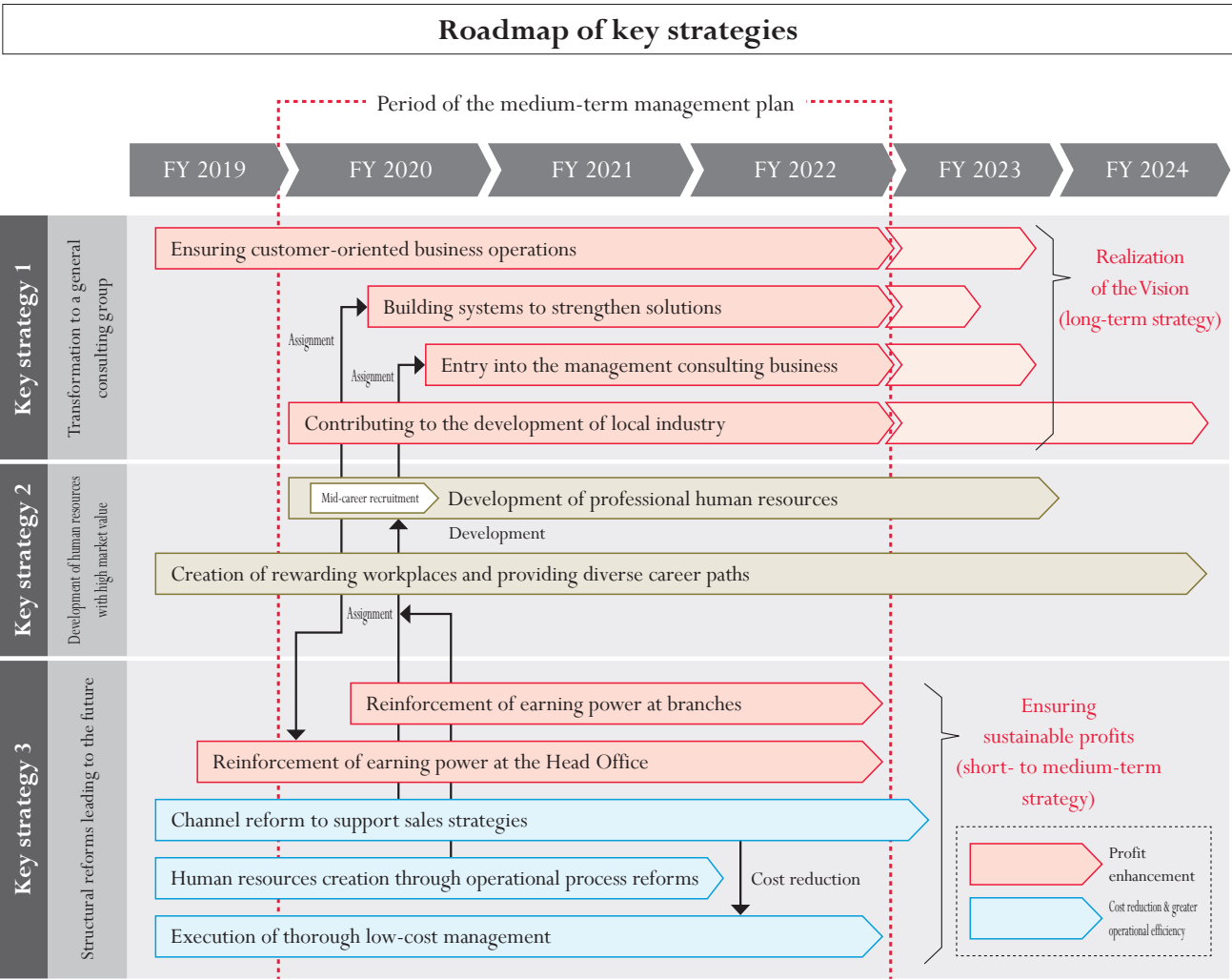
Establishment of a competitive advantage

We will strategically invest our business resources in key strategic areas, thereby improving operational efficiency while also developing and securing human resources.



Vision

By providing new value in our unique way, we aim to become a general consulting group that co-creates the future of customers and communities.

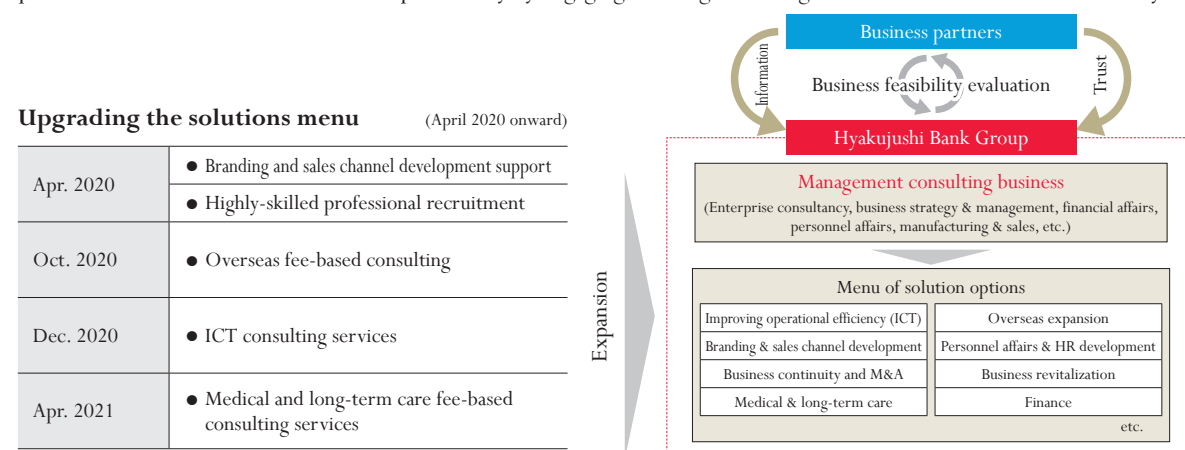


Key strategy 1 Transformation to a general consulting group

We will engage in efforts seeking transformation to a general consulting group that co-creates the future of customers and communities by actively taking on challenges in new fields that transcend beyond the realm of finance, which will involve breaking away from traditional banking business centered on deposits and loans.

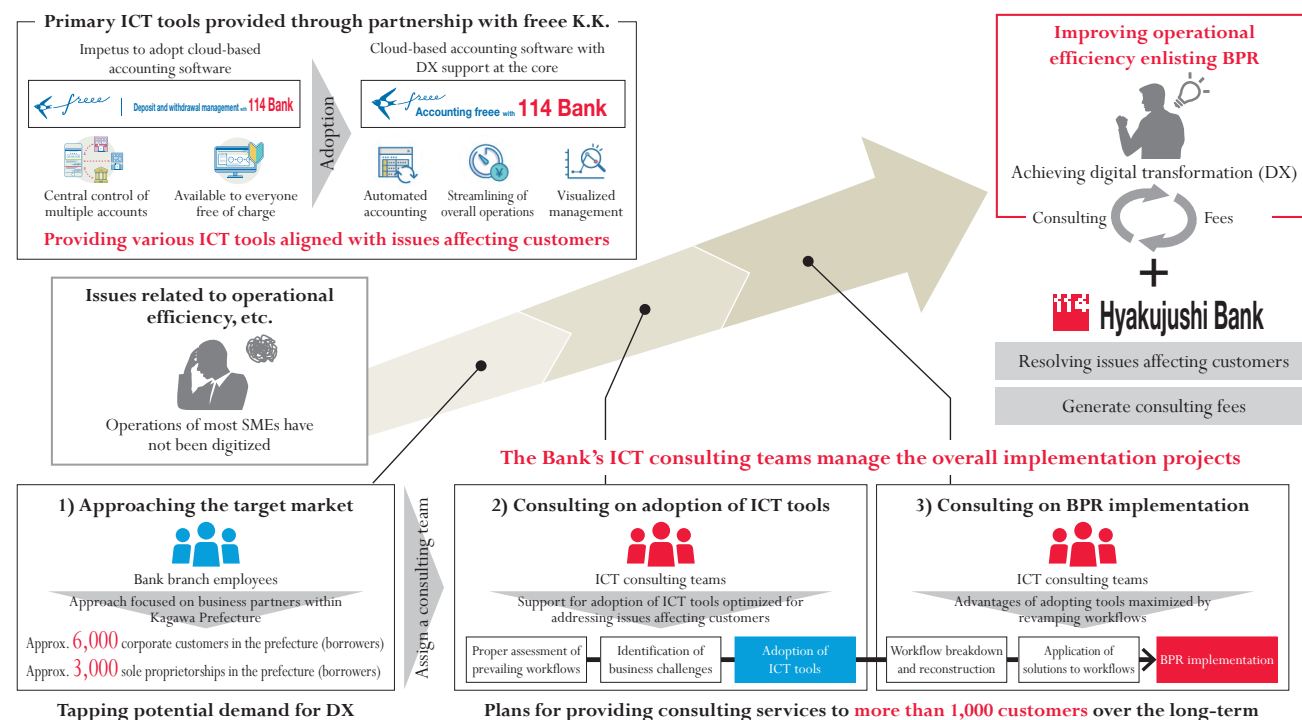
Entry into the management consulting business

We will gradually upgrade our menu of options for providing high-value-added solutions to meet customer needs with the aim of entering the management consulting business of resolving issues affecting customers. This will involve providing optimal solutions upon having properly assessed operational issues and needs of customers particularly by engaging in dialogue starting from evaluation of business feasibility.



Implementation of accompanied ICT consulting services

In December 2020, the Bank launched consulting services in partnership with free K.K., such that entail providing support to customers contending with operational streamlining and other such challenges, helping them improve operational efficiency upon adopting ICT tools. Accordingly, the Bank's ICT consulting teams will spearhead efforts to facilitate digital transformation (DX) initiatives of companies and communities, by providing seamless support encompassing everything from enabling customers to adopt ICT tools to helping them implement business process reengineering (BPR) subsequent to their adoption of such tools.



Key strategy 2 Development of human resources with high market value

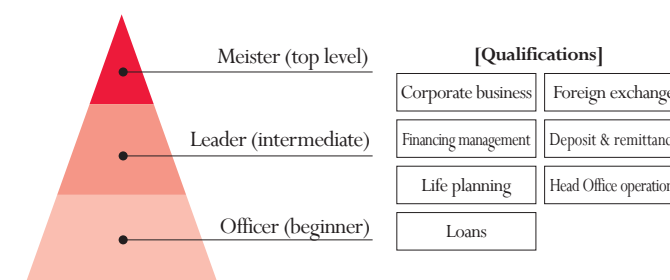
We will strive to develop and secure human resources with high market value necessary to become a general consulting group, while also building a highly sustainable organization equipped for creating rewarding workplaces and providing diverse career paths.

Development of professional human resources

We promote human resources development through initiatives that include utilizing our 114 Meister system and actively placing trainees with outside entities.

114 Meister system in-house certification

We have introduced our 114 Meister system for certifying knowledge and business proficiency of employees in each of seven fields related to banking services. We strive to develop professionals equipped both with knowledge and practical skills by encouraging them to take initiative with respect to self-improvement.



Placement of trainees with outside entities

We strive to develop highly-skilled professionals who will take on responsibility for future consulting work through efforts that involve seconding our employees to enterprises that include IT and consulting companies, as well as placing them in training courses that help them gain professional qualifications.

Placement of trainees with outside entities (FY 2020)

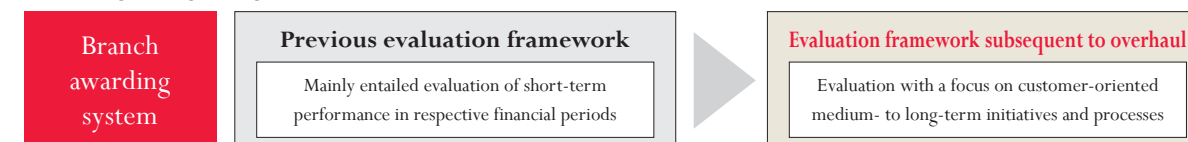
Administrative trainees	Long-term placement in overseas financial institutions, IT and specialized consulting firms, and other such entities for the purpose of developing business proficiency	9 employees
Qualification courses	Long-term placement involving acquisition of professional qualifications such as SME consultant and management consultant qualifications	7 employees
Cross-industry Training	Placement of mid-career employees with local business partners for one year → Improve ability of employees to make sound judgements by having them amass experience in different industries	1 employee

Creating rewarding workplace environments

We are working to develop rewarding workplace environments by reviewing the branch awarding system, human resources system and other such frameworks in order to create a highly sustainable organization.

Review of the branch awarding system

Having overhauled our award systems that involve evaluation of branches with an emphasis on medium- to long-term activities that help resolve issues affecting customers in April 2020, we have been working to cultivate a customer-oriented sales mindset indispensable when it comes to consulting through integrated efforts of branches and the Head Office.



Review of human resources system (career course system)

In April 2021, we established area-based career-track positions along with a framework for evaluating specialists in respective fields, upon having revised the human resources system. We are accordingly working to revitalize the organization of the entire Bank by providing rewarding opportunities for diverse human resources to take on active roles.



Key strategy 3 Structural reforms leading to the future

We will promote reforms that include channel reform, operational efficiency improvement, and thorough low-cost management with the aim of building a robust earnings structure resilient to changes in the business environment.

Channel reform to support sales strategies

We will actively promote channel reform that entails reorganizing branch networks in alignment with changes involving increasingly diverse customer behaviors and needs, and upgrading non-face-to-face channels.

■ Reorganization of branch networks

We have been eliminating and consolidating branches enlisting the branch within a branch approach of relocating branches, whereby one integrated branch is placed within another integrated branch. Meanwhile, we have also been working to make effective use of our business resources by reducing branch operating costs and reassigning personnel, which has involved shifting to a three-tiered branch framework (full-, standard- and reduced-format branches), drawing on regional market analysis for branch locations in Kagawa Prefecture. In FY 2020, we accordingly eliminated and consolidated 11 branches located within Kagawa Prefecture.

Plan for branch reorganization in Kagawa Prefecture

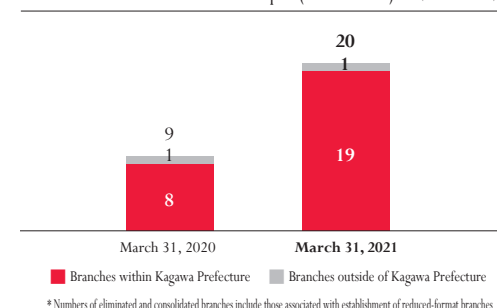
* Includes banking agents.

	March 31, 2021 (actual)	Upon conclusion of reorganization (tentative)
Full-format Strategic branches equipped with enhanced consulting services	1 branch	7 branches
Standard-format Traditional branch format	60 branches	30 branches
Reduced-format Low-cost branches specializing in over-the- counter business transactions	5 branches	18 branches

80 locations in Kagawa Prefecture* (as of March 31, 2017)

Restructured
Partial elimination and consolidation

Branch elimination and consolidation results and plans (cumulative totals)* (No. of branches)



■ Expansion of non-face-to-face channels

We have been enhancing customer convenience and shifting to non-face-to-face channels through efforts to improve our smartphone application services and functions. In August 2020, we introduced our 114 Digital Procedure App, which is the first smartphone application of a regional bank capable of handling various banking services. The application enables our customers to readily perform various banking tasks that had previously been performed at branch locations, via their smartphones.

114 Digital Procedure App service options

	Reissuance of replacement ATM cards		Procedures for dealing with lost or stolen ATM cards, etc.
	Change of address and phone number		Fund transfer service for tuition payments



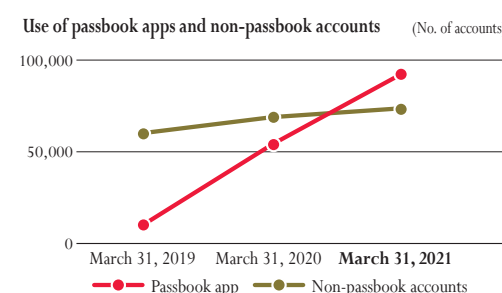
Promoting use of the 114 Passbook App

We have encountered steady increases in the number of smartphone app downloads and the number of non-passbook accounts, which are even more practical as a result of us extending user access to account statements spanning back ten years rather than two years previously.

No. of app downloads
Approx. 91,000 downloads

No. of non-passbook accounts
Approx. 71,000 accounts

(as of March 31, 2021)



Efforts to resolve environmental challenges and social issues through our core business

In April 2020, the Bank drew up the “Hyakujushi Bank’s Environmental Policy” and the “Hyakujushi Bank’s Human Rights Policy” to serve as basic policy with the aim of seeing that the Bank prospers in conjunction with customers, communities, officers and employees toward resolving challenges involving the environment, human rights and other such issues. In December 2020, we drew up the “Environmental and Social Management Policy for Financing and Investment Activity” as a basic policy for engaging in responsible lending and investment serving as a financial institution.

Investment and lending policy

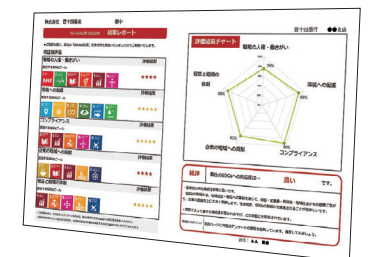
The Hyakujushi Bank, Ltd. supports endeavors set on resolving environmental and social issues, and furthermore strives to reduce and avoid transactions with highly detrimental endeavors and business providers.

- We will actively support the following endeavors and other such initiatives that help reduce risks of climate change and help resolve social issues.**
 - Endeavors that help bring about a carbon-free society such as renewable energy projects
 - Endeavors that help conserve biodiversity such as those that involve protecting water and forest resources
 - Endeavors that involve disaster prevention and mitigation, as well as those that involve preventing outbreaks and proliferation of infectious diseases
- We will not engage in investment or lending with respect to the following types of endeavors or business providers deemed highly detrimental to the environment and society.**
 - Projects involving new construction of coal-fired power plants
 - However, we will take prudent action upon having considered attributes of respective projects that are in alignment with national energy policy and accordingly meet stringent standards taking into account environmental loads.
 - Logging business operators who illegally harvest timber and business operators involved in human rights violations such as human trafficking, servitude and child labor
 - We will take prudent action when it comes to palm oil plantation developers in terms of sufficiently taking into account acquisitions of international certifications, etc., disputes involving indigenous people and local communities, and other such factors.
 - Business operators engaged in development and manufacture of inhumane weapons such as nuclear weapons, cluster munitions, and biochemical weapons

Measures

■ Support for dealing with SDGs of our customers

We have been using a simplified diagnostic tool for assessing SDG achievement since February 2021, engaging in more extensive dialogue with our customers regarding the SDGs, and providing support for reducing customer risk and creating business opportunities.



■ Private placement bonds for support of SDGs (Nickname: 114 SDGs Loan)

We offer private placement bonds geared to supporting achievement of SDGs (nickname: 114 SDGs Loan) structured such that a portion of the issuance fees can be contributed to schools, public organizations or other such entities at the discretion of our customers, with the aims of supporting customer SDG initiatives and contributing to communities.

In addition, we also began newly offering SDGs Medical Institution Bonds* in February 2020. In January and March 2021, we contributed a portion of the fees for issuing those bonds to public organizations and other such entities for the first time in Okayama and Kagawa Prefectures.

* Medical institution bonds are evidentiary securities (borrowings) that can be issued by healthcare corporations of favorable financial standing that meet standards pursuant to guidelines set by Japan’s Ministry of Health, Labour and Welfare.

Cumulative underwriting amount of 114 SDGs Loans
(As of March 31, 2021)

Cumulative total of 41 cases / ¥4.0 billion

■ Environmental conservation and social contribution through investment

We have invested in Sustainability Bonds and Social Bonds that are allocated to endeavors undertaken with the aims of benefiting the environment and resolving social issues.

Investment amount
(As of March 31, 2021)

Cumulative total of 3 cases / ¥30.0 billion

■ Financing of biomass projects

In September 2020, the four Shikoku Alliance banks jointly engaged in a new initiative in the renewable energy field which involved taking part in project financing of a biomass power generation project in Ichihara City, Chiba Prefecture, and accordingly arranged financing.

Corporate Governance

We are striving to improve our governance and compliance structures based on the recognition that such efforts are indispensable when it comes to the Bank’s sustainable growth and medium- to long-term enhancement of corporate value.

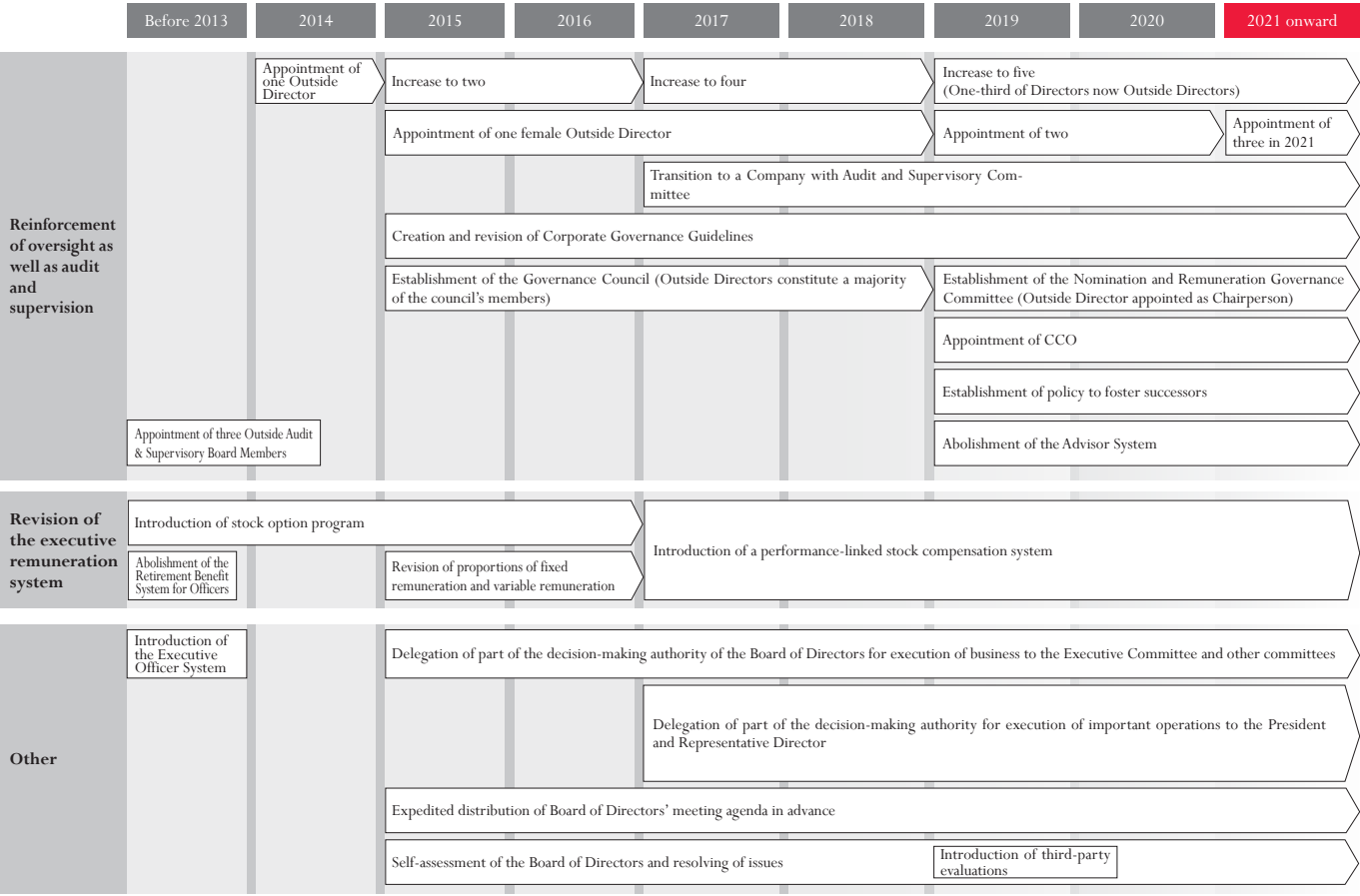
►Initiatives to strengthen governance and compliance systems

To strengthen its governance structure, the Bank established the “Nomination and Remuneration Governance Committee” as an advisory body to the Board of Directors, chaired by Outside Directors who constitute a majority of its membership. The committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; matters concerning assessment of the effectiveness of the Board of Directors; and other important matters in terms of governance and

management. The Board of Directors is to respect the findings of the committee.

Furthermore, the Bank appointed a Chief Compliance Officer (CCO), who has the highest responsibility to centrally manage the overall compliance, in an aim to bolster the compliance systems. In addition to conducting investigations on compliance and reporting the results to the Board of Directors, the CCO gives instructions for prompt improvement and response in case of finding any compliance-related problem in measures and responses taken by each division.

●Results of initiatives to strengthen governance



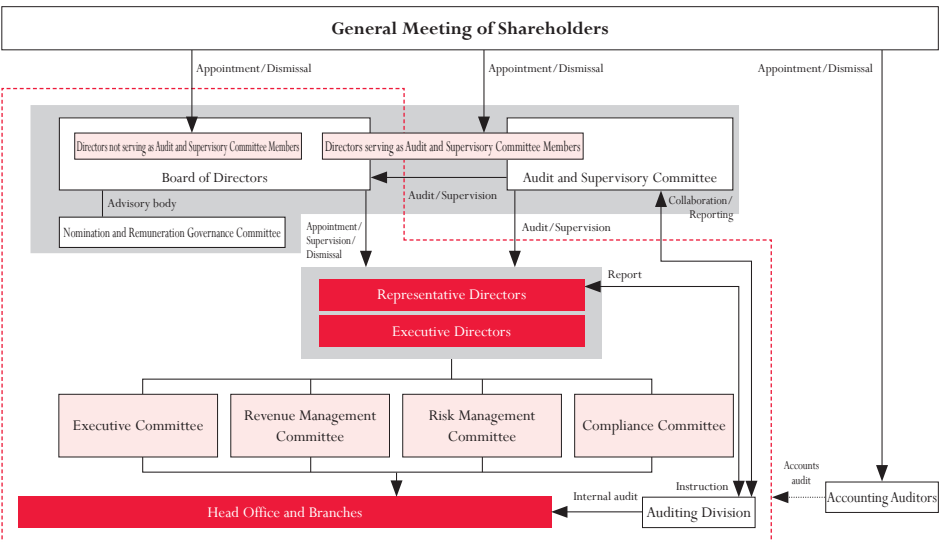
●Overview

Board of Directors	The Board of Directors consists of 15 Directors (including 5 Outside Directors). In principle, it meets once a month, and also meets as necessary. In addition to matters stipulated by laws and regulations or the Articles of Incorporation, the Board passes resolutions on important matters concerning management and oversees the business execution by Directors.
Audit and Supervisory Committee	The Audit and Supervisory Committee consists of 7 Directors (including 5 Outside Directors) serving as Audit and Supervisory Committee Members. In principle, the committee meets once a month, and occasionally as necessary to audit and supervise the execution of duties by Directors.
Executive Committee	The Executive Committee which consists of Managing Executive Officers and above, holds periodic or occasional meetings as a decision-making body for important matters related to business execution. In addition, the Bank has established a “Revenue Management Committee,” “Compliance Committee” and “Risk Management Committee,” and set up a system to make consultation and decisions on more specialized matters.

►Corporate Governance Framework (as of July 1, 2021)

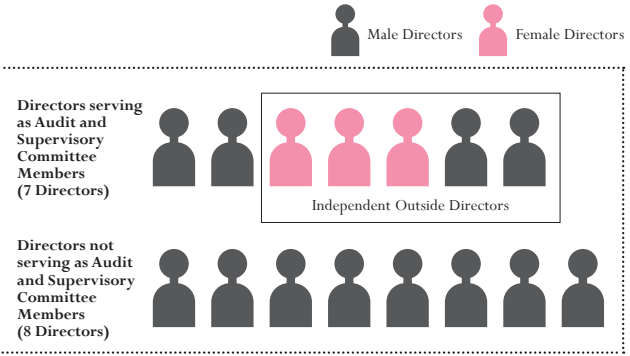
System

Institutional Design
Company with Audit and Supervisory Committee
Number of Directors
15 (including 7 Audit and Supervisory Committee Members)
Number of (Independent) Outside Directors
5
Term of Office of Directors
1 year (2 years for Audit and Supervisory Committee Members)
Adoption of an Executive Officer System
Yes
Accounting Auditors
Ernst & Young ShinNihon LLC



●Board of Directors

There were 15 Directors appointed at the Bank’s Annual General Meeting of Shareholders held in June 2021, at least one-third of whom are Independent Outside Directors and three Directors are women.

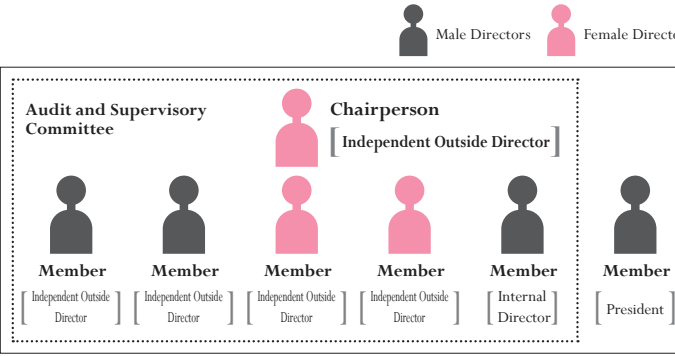


Composition of the Board of Directors

Proportion of Independent Outside Directors	No. of female Directors
At least 1/3	3 Directors

●Nomination and Remuneration Governance Committee

A female Outside Director was appointed to chair the Nomination and Remuneration Governance Committee subsequent to the Annual General Meeting of Shareholders held in June 2021.




Nomination and Remuneration Governance Committee


Independent Outside Directors	
Majority	Chairperson

Nomination and Remuneration Governance Committee (Voluntary committee)	The Nomination and Remuneration Governance Committee is chaired by an Outside Director appointed by mutual election. It is comprised of the President of the Bank, the Chairperson of the Audit and Supervisory Committee, and Outside Directors, and meets at least twice per year as a general rule (10 meetings held in FY 2020). As an advisory body to the Board of Directors, the committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; and other important matters in terms of governance and management. The Board of Directors is to respect the findings of the committee.
Executive Officer System	In order to expedite management decision-making and strengthen business execution functions, the Bank has introduced an Executive Officer System, and 20 Executive Officers (of whom six serve concurrently as Directors) appointed by the Board of Directors, are responsible for business execution, with the aim of achieving agile decision-making and speedy corporate management.
Auditing Division	From the perspective of maintaining and improving the soundness and appropriateness of operations, the Auditing Division, which is an outside department, also fulfills an internal audit role and conducts inspections of assets and risks as needed, as well as internal audits of the Head Office and branches as well as subsidiaries etc. to determine whether their operations are conducted appropriately in accordance with laws and regulations and administrative procedures. The results of audits are reported to The Board of Directors.
Accounting Auditors	The Bank's Accounting Auditors are Ernst & Young ShinNihon LLC. As Accounting Auditors, they conduct appropriate audits from an independent standpoint.


Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2021)




Yujiro Ayada
President
(Representative Director)




Ryohei Kagawa
Director, Deputy President
and CCO
(Representative Director)




Kiichiro Oyama
Director and Senior Managing
Executive Officer
(Representative Director)




Masakazu Toyoshima
Director and Managing Executive
Officer




Akihiko Fujimura
Director and Managing Executive
Officer



Hiroyuki Kurokawa
Director and Managing Executive
Officer



Kazuhisa Anada
Director and Managing Executive
Officer




Hideaki Kanamoto
Director and Managing Executive
Officer




Toshiya Yoritomi
Director (Audit and Supervisory
Committee Member)




Kazuhiro Kumihashi
Director (Audit and Supervisory
Committee Member)




Michiyo Ihara
Director (Audit and Supervisory
Committee Member) (Outside)




Junichi Itoh
Director (Audit and Supervisory
Committee Member) (Outside)



Yasuko Yamada
Director (Audit and Supervisory
Committee Member) (Outside)














Nobuyuki Souda
Director (Audit and Supervisory
Committee Member) (Outside)



Tomoko Fujimoto
Director (Audit and Supervisory
Committee Member) (Outside)

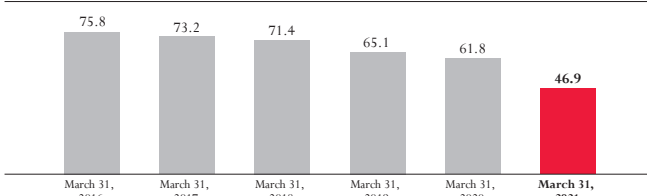
Outside Director skills matrix

Name	Corporate management	Finance	Financial accounting	Legal affairs	Regional revitalization
Michiyo Ihara					
Junichi Itoh					
Yasuko Yamada					
Nobuyuki Souda					
Tomoko Fujimoto					

●Reduction of cross-shareholdings

We have been reducing our cross-shareholdings with the aims of enhancing effectiveness of corporate governance and improving capital efficiency.

Cross-shareholdings (listed shares: book value basis) (Billions of yen)



Interview with an Outside Director



■ Outside Director Junichi Itoh

Q1 Please give us your assessment of the medium-term management plan now at the conclusion of its initial fiscal year.

We appear to have made steady progress over the plan’s initial fiscal year with respect to our “transformation to a general consulting group” objective in seeking to achieve our ideals. That said, it is necessary to grasp how customers evaluate us. The reason being is that we must invariably view the Bank with humility from the point of view of our customers, given the notion that we seek “creation of common value with customers and communities,” which is cited as one of our basic policies.

In seeking “establishment of a competitive advantage,” another of our basic policies, it is extremely difficult to secure a distinctive edge in banking due to the nature of the industry, unlike manufacturing with which I am affiliated. As such, everyone from our executives to our on-site employees needs to continually remain alongside our customers without being complacent about the Bank’s credibility backed by its track record. That is an approach that will enable us to see where we need to be headed. Moreover, whereas one of our strategies is that of developing professionals equipped with substantial market value, I give high marks to the start we have made in implementing our new human resources scheme, which is cognizant of the need for women’s empowerment. Meanwhile, we need to actively hire professionals from outside the Bank for efforts involving digital transformation (DX) and fields of investment. I feel that would positively serve to stimulate the Bank’s employees.

Q2 Please provide your assessment of the Bank’s corporate governance framework.

We have been making steady progress in strengthening the Bank’s governance framework ever since having implemented drastic reforms during fiscal 2018. We have strengthened the governance framework during my

five years serving in this position through changes that include: 1) ensuring that more than one-third of those serving on the Board of Directors are Outside Directors (of whom, three are female Directors); 2) having an Outside Director serve as the Chairperson of the Nomination and Remuneration Governance Committee, drawing up succession plans, and engaging in more extensive discussions on matters such as the executive remuneration system, and; 3) periodically exchanging information with the CCO. Also, 4) when it comes to the Board of Directors’ meeting administration, we have made progress in better arranging meeting agenda content in that we now place more weight on resolutions involving business strategy. I give the Board high marks for its substantive discussions on drawing up the medium-term management plan, which encompassed efforts to furnish prior explanations to outside executives.

Meanwhile, both our internal and outside executives have been exchanging candid views particularly when it comes to the questionnaires regarding effectiveness of the Board of Directors administered to all of our Directors. As such, I feel that it has become possible for our outside executives to develop a common awareness of problems of our internal officers to share in their concerns.

In order for us to achieve our growth potential and bring about structural reform, we will need to develop a shared awareness among our internal and external Directors from the perspective of whether or not we are taking on risk appropriately. Moreover, we must not forget the importance of engaging in mutual supervision of Directors as well as timely and appropriate disclosure in order for us to maintain sound management.

Q3 What do you think are the key points in increasing the Bank’s corporate value?

The Bank’s corporate value is embodied by its “creation of common value with customers and communities” basic policy, which in other words prompts us to advance in a manner whereby our customers, local communities, and the Bank work together as one. More specifically, this calls for us to engage in efforts that involve: 1) gaining the trust of our customers through our daily business activities underpinned by our ethical standards; 2) earning a solid reputation from the investor market in terms of both soundness and growth potential; and, 3) ensuring that our management and employees maintain a sense of shared values. As such, I ask that all of our employees strive to hone their consulting expertise. In the retail field, I would like our employees to focus on making life planning proposals that facilitate asset formation. In the corporate field, I ask that our employees focus on international business. For instance, we should explore options for getting more involved with SMEs above and beyond providing them with information, particularly given the roles that many such enterprises play across international supply chains.

Finally, our medium-term management plan calls for us to address social challenges through our environmental, social and corporate governance (ESG) initiatives. In addition, the trend toward decarbonization in particular is poised to affect SMEs given that it has become a key aspect of medium-term plans of large corporations. As such, I have high hopes for the Shikoku Alliance in that regard. I would like to see the alliance consider options regarding decarbonization serving as a common theme to be addressed over the long-term from this point forward, particularly now that we have drawn up business plans that place focus on regional trading companies, revitalization and rehabilitation funds, securities brokerage, business matching and other such areas.

Risk Management

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. We regard sophisticated risk management techniques as being of primary importance for maintaining the soundness of a bank’s business, and we also recognize the importance of appropriate responses to changing customer needs. To achieve these goals, we make every effort to properly recognize, assess and manage risks.

Efforts toward Comprehensive Risk Management

Basic concepts of risk management

Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. We apply proper management to each risk depending on the characteristics of the operation and the risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we strive to achieve soundness and stability in our overall management and also to improve the efficiency of our operations: in other words, to practice integrated risk management.

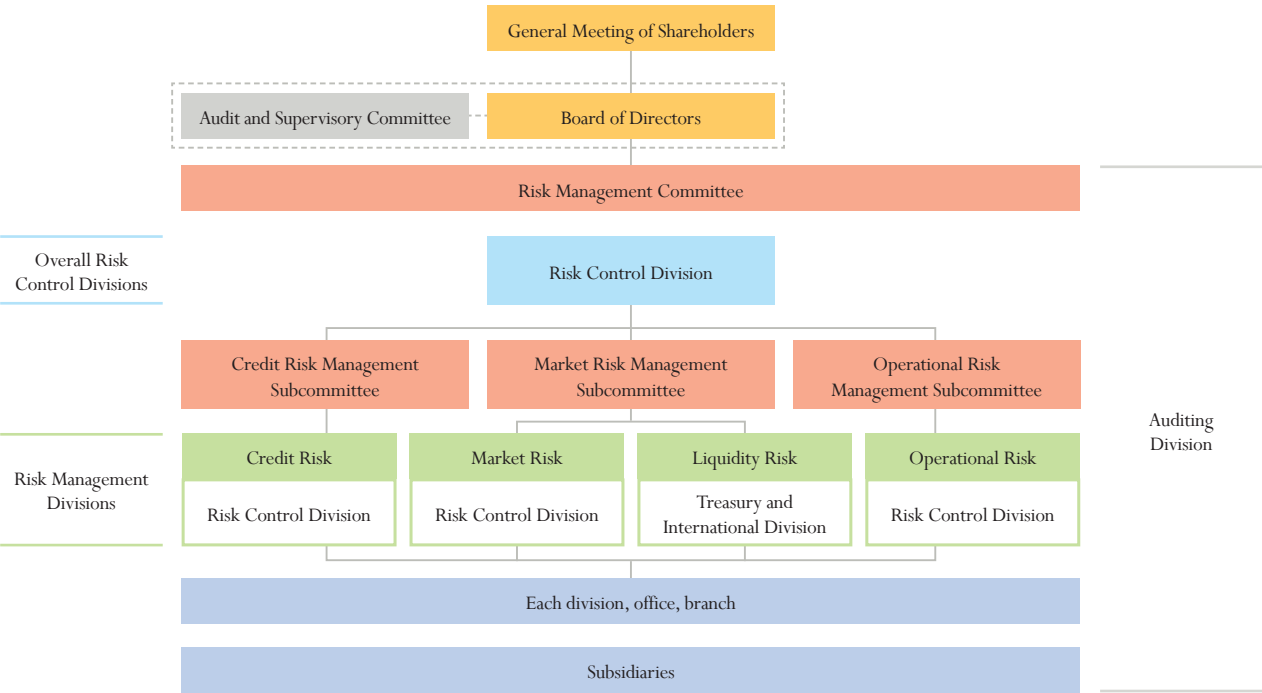
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

Risk Management Framework

We have defined the types of risks to manage in our risk management rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category, along with management rules. We have also established an independent Risk Control Division to integrate risk management and carry out comprehensive management.

Additionally, through the establishment of the Risk Management Committee and subcommittees for each risk category as organizations under the Committee, and cross-sectional consultations on matters regarding risk management on a regular basis, we have put in place a highly sophisticated framework for the maintenance and management of risk.

Risk Management Framework



Risks Subject to Management

Risk Classification	Outline of Risks	Division in Charge
Credit Risk	Risk of reduction in the value of assets or their loss altogether due to deteriorating financial position at customers to which the Bank has granted credit	Risk Control Division
Market Risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Control Division
Interest Rate Risk	Risk of reduced profits or total losses due to changes in interest rates arising because of discrepancies in interest rates on assets and liabilities, and in instrument maturities	
Foreign Exchange Risk	Risk of suffering loss due to a decrease in the yen-converted amount of foreign currency denominated assets and liabilities due to exchange market fluctuations	
Price Volatility Risk	Risk of a fall in asset values due to changes in the value of securities	
Liquidity Risk	Risk of suffering loss from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
Operational Risk	Risk of suffering loss due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Control Division
Process Risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System Risk	Risk of suffering loss due to partial or complete system breakdown, malfunction, system deficiency, or improper use of the computer system	Compliance Management Division
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Personnel Division
Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	General Administration Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	

Practice of comprehensive risk management

We have introduced a framework for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity. Under this framework, based on the amount of equity capital (core capital) less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance are monitored, enabling ascertainment and management of risk-adjusted profitability and efficiency.

In addition, stress tests are conducted on a regular basis and the impact that major changes in the economic and market environments have on Bank profits and management stability is monitored, and the management soundness is also assessed.

Definitions
Core capital: Equity capital established under Basel III (domestic standard)
Operational risk equivalent amount: Calculated using the Basic Indicator Approach
Return on risk-adjusted capital (RORAC): Profit and loss indicator, arrived at by deducting expenses, deemed allowance costs and capital costs from gross operating profits

Risk Audit System

In order to enhance and strengthen risk management, it is necessary to verify whether the risk management system is functioning effectively. The Audit Department periodically audits the operations of the Bank’s head office, subsidiaries and branches to verify the adequacy of the risk management system.

In this way, the Bank is committed to the development of a risk management system that will enable us to manage a variety of risks appropriately and to identify and address issues at an early stage in order to gain the trust of our customers.

Compliance System

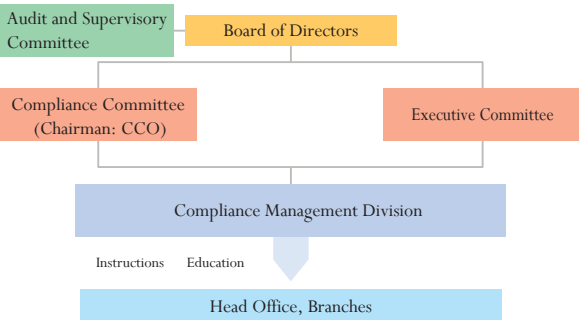
Basic Policy

Regional financial institutions have highly public and social nature and bear the social mission of contributing to the development of a sound regional economy. The Bank strives to practice thorough compliance as one of the top priorities in its management in order to win trust from customers, local residents, and shareholders. Specifically, we ensure that each officer and employee execute their duties in compliance with laws, regulations, and other rules, while they take actions based on high level of ethics.

Compliance System

At the Bank, under the oversight of CCO (Chief Compliance Officer), who has the highest responsibility for compliance, the Compliance Management Division centrally manages all compliance-related issues. We also appoint a manager or a person in charge at each department, office, and branch to put into practice and instill compliance, while aiming to spread compliance culture by checking the compliance status with a checklist and conducting study sessions. Furthermore, the Compliance Committee, chaired by the CCO, holds cross-organizational discussions to improve and upgrade the system.

Compliance System



Anti-Money Laundering Policy

In response to stern demands from the international community, the Bank regards the prevention of money laundering as one of the important issues in its management strategy and

other relevant policies, and strives to enhance its anti-money laundering system. Furthermore, we have in place an anti-money laundering policy and disclose it on our website.

The Hyakujushi Bank, Ltd. (hereinafter, “the Bank”) strongly recognizes the importance of measures to prevent money laundering and terrorism financing (hereinafter, “money laundering”). In response to stern demands from the international community, the Bank regards the prevention of money laundering as one of the important issues in its management strategy and other relevant policies, and will build an internal control system as described below to conduct the Bank’s business on that basis.

Operation policy

- The Bank will comply with anti-money laundering laws and regulations.

Organizational structure

- The Bank will build a centralized management system by designating a person and a department responsible for anti-money laundering measures. In addition, we will advance our measures across the organization through the active involvement of management.

Risk-based approach

- The Bank will identify and assess its own risks pertaining to money laundering, and take measures commensurate with the risks in order to effectively reduce them.

Customer management policy

- To protect our customers from money laundering, the Bank will determine and implement risk reduction measures to be taken and appropriately manage customers, by creating a customer acceptance policy, as well as investigating and analyzing customer information and transaction details.

Notification of suspicious transactions

- The Bank will build a system utilizing IT systems and other tools to accurately detect, monitor, and analyze suspicious customers and transactions, while notifying authorities without delay in case of suspected money laundering.

Management of correspondent banks

- The Bank will collect information on correspondent banks, evaluate it properly, and take appropriate measures according to risks. In addition, we will cut off relationships with fictitious banks that have no actual status.

Training for officers and employees

- The Bank will provide appropriate and continuous training to all officers and employees to deepen their professional understanding of anti-money laundering as a whole organization.

Internal audit

- The Bank’s internal audit department with an independent standpoint, conducts regular audits on the status of the Bank’s anti-money laundering and other preventive measures, and will improve the Bank’s system based on the audits results.

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	(Note 1)
Assets:			
Cash and due from banks	¥ 893,016	¥ 652,010	\$ 8,066,263
Monetary claims bought	23,598	29,264	213,151
Trading account securities	13	5	117
Securities (Notes 6, 9 and 10)	1,272,943	1,259,729	11,497,994
Loans and bills discounted (Notes 8, 10 and 11)	3,035,782	2,847,316	27,421,027
Foreign exchange assets (Note 8)	9,429	9,793	85,168
Lease receivables and investments in leases	22,866	24,486	206,539
Other assets (Note 10)	63,243	75,175	571,249
Tangible fixed assets (Notes 13 and 14)	37,368	37,319	337,530
Intangible fixed assets	5,041	5,897	45,533
Net defined benefit asset	7,721	3,351	69,740
Deferred tax assets	777	5,995	7,018
Customers’ liabilities for acceptances and guarantees	21,938	20,996	198,157
Reserve for possible loan losses	(18,172)	(17,396)	(164,140)
Total assets	¥5,375,569	¥4,953,946	\$48,555,406

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2020	(Note 1)
Liabilities and net assets			
Liabilities:			
Deposits (Note 10)	¥4,440,571	¥4,065,082	\$40,109,935
Negotiable certificates of deposit	84,721	90,185	765,251
Call money and bills sold (Note 10)	12,089	34,782	109,195
Payables under securities lending transactions (Note 10)	56,643	112,699	511,633
Borrowed money (Notes 10 and 29)	393,331	305,608	3,552,804
Foreign exchange liabilities	1,341	296	12,112
Other liabilities	55,302	66,883	499,521
Reserve for bonuses for directors and corporate auditors	20	29	180
Net defined benefit liability	204	1,836	1,842
Reserve for retirement benefits for directors and corporate auditors	49	37	442
Reserve for claims on dormant accounts	247	364	2,231
Reserve for contingent liabilities	127	127	1,147
Reserve for stock-based compensation plan	123	80	1,111
Deferred tax liabilities	12,074	—	109,059
Deferred tax liability for land revaluation (Note 14)	5,082	5,103	45,903
Acceptance and guarantees	21,938	20,996	198,157
Total liabilities	5,083,870	4,704,115	45,920,603

Net assets :

Stockholders’ equity:			
Common stock	37,322	37,322	337,114
Capital surplus	30,486	30,486	275,368
Retained earnings	173,620	173,374	1,568,241
Treasury stock	(2,071)	(1,999)	(18,706)
Total stockholders’ equity	239,357	239,184	2,162,017
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities, net of taxes	42,595	15,048	384,743
Net deferred gains (losses) on hedging instruments, net of taxes	2,720	(7,447)	24,568
Revaluation reserve for land (Note 14)	7,928	7,976	71,610
Remeasurements of defined benefit plans	(945)	(4,971)	(8,535)
Total accumulated other comprehensive income	52,299	10,605	472,396
Share subscription rights	41	41	370
Total net assets	291,699	249,831	2,634,802
Total liabilities and net assets	¥5,375,569	¥4,953,946	\$48,555,406

As of March 31	Yen		U.S. dollars
	2021	2020	(Note 1)
Per share			
Net assets	¥9,892.54	¥8,461.18	\$89.355

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income:			
Interest on loans and bills discounted	¥26,792	¥29,210	\$242,001
Interest and dividends on securities	13,208	12,772	119,302
Other interest income	652	604	5,889
Fees and commissions	11,647	11,374	105,202
Other operating income	3,959	8,965	35,760
Other income (Note 17)	12,728	13,966	114,967
Total income	68,989	76,895	623,150
Expenses:			
Interest on deposits and negotiable certificates of deposit	682	2,173	6,160
Interest on call money and bills sold	112	407	1,011
Interest on borrowed money	379	458	3,423
Other interest expenses	1,110	2,142	10,026
Fees and commissions	3,249	3,380	29,346
Other operating expenses	3,905	4,476	35,272
General and administrative expenses (Note 18)	37,046	36,972	334,621
Other expenses (Notes 6 and 19)	17,390	15,916	157,077
Total expenses	63,877	65,928	576,975
Profit before income taxes	5,111	10,966	46,165
Income taxes :			
Current	3,402	3,518	30,728
Deferred	(855)	(266)	(7,722)
Subtotal	2,546	3,251	22,997
Profit	2,565	7,715	23,168
Profit attributable to owners of parent	¥ 2,565	¥ 7,715	\$ 23,168

For the years ended March 31	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Per share			
Basic earnings	¥ 86.95	¥261.35	\$0.785

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥ 2,565	¥ 7,715	\$ 23,168
Other comprehensive income (Note 20)	41,741	(41,961)	377,030
Net unrealized gains (losses) on available-for-sale securities, net of taxes	27,547	(32,774)	248,821
Net deferred gains (losses) on hedging instruments, net of taxes	10,167	(6,325)	91,834
Remeasurements of defined benefit plans	4,026	(2,861)	36,365
Total comprehensive income (loss)	¥44,306	¥(34,246)	\$400,198
Total comprehensive income (loss) attributable to:			
Owners of parent	¥44,306	¥(34,246)	\$400,198

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2019	¥37,322	¥30,486	¥167,615	¥(2,041)	¥233,382
Changes in items during the period					
Dividends from surplus	—	—	(2,513)	—	(2,513)
Profit attributable to owners of parent	—	—	7,715	—	7,715
Purchase of treasury stock	—	—	—	(3)	(3)
Disposal of treasury stock	—	—	(6)	45	38
Transfer from revaluation reserve for land	—	—	564	—	564
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	5,758	42	5,801
Balance as of March 31, 2020	¥37,322	¥30,486	¥173,374	¥(1,999)	¥239,184
Changes in items during the period					
Dividends from surplus	—	—	(2,366)	—	(2,366)
Profit attributable to owners of parent	—	—	2,565	—	2,565
Purchase of treasury stock	—	—	—	(72)	(72)
Disposal of treasury stock	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	47	—	47
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	246	(72)	173
Balance as of March 31, 2021	¥37,322	¥30,486	¥173,620	¥(2,071)	¥239,357

For the years ended March 31	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Total net assets
Balance as of March 31, 2019	¥47,822	¥(1,121)	¥8,540	¥(2,109)	¥53,131	¥61	¥286,576
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(2,513)
Profit attributable to owners of parent	—	—	—	—	—	—	7,715
Purchase of treasury stock	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	—	38
Transfer from revaluation reserve for land	—	—	—	—	—	—	564
Net changes in items other than stockholders' equity	(32,774)	(6,325)	(564)	(2,861)	(42,526)	(20)	(42,546)
Total changes in items during the period	(32,774)	(6,325)	(564)	(2,861)	(42,526)	(20)	(36,744)
Balance as of March 31, 2020	¥15,048	¥(7,447)	¥7,976	¥(4,971)	¥10,605	¥41	¥249,831
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(2,366)
Profit attributable to owners of parent	—	—	—	—	—	—	2,565
Purchase of treasury stock	—	—	—	—	—	—	(72)
Disposal of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	47
Net changes in items other than stockholders' equity	27,547	10,167	(47)	4,026	41,694	—	41,694
Total changes in items during the period	27,547	10,167	(47)	4,026	41,694	—	41,867
Balance as of March 31, 2021	¥42,595	¥ 2,720	¥7,928	¥ (945)	¥52,299	¥41	¥291,699

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the years ended March 31					
Balance as of March 31, 2020	\$337,114	\$275,368	\$1,566,019	\$(18,056)	\$2,160,455
Changes in items during the period					
Dividends from surplus	—	—	(21,371)	—	(21,371)
Profit attributable to owners of parent	—	—	23,168	—	23,168
Purchase of treasury stock	—	—	—	(650)	(650)
Disposal of treasury stock	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	424	—	424
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	2,222	(650)	1,562
Balance as of March 31, 2021	\$337,114	\$275,368	\$1,568,241	\$(18,706)	\$2,162,017

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Total net assets
For the years ended March 31							
Balance as of March 31, 2020	\$135,922	\$(67,265)	\$72,044	\$(44,901)	\$ 95,790	\$370	\$2,256,625
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(21,371)
Profit attributable to owners of parent	—	—	—	—	—	—	23,168
Purchase of treasury stock	—	—	—	—	—	—	(650)
Disposal of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	424
Net changes in items other than stockholders' equity	248,821	91,834	(424)	36,365	376,605	—	376,605
Total changes in items during the period	248,821	91,834	(424)	36,365	376,605	—	378,168
Balance as of March 31, 2021	\$384,743	\$ 24,568	\$71,610	\$ (8,535)	\$472,396	\$370	\$2,634,802

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥ 5,111	¥ 10,966	\$ 46,165
Depreciation	3,331	3,380	30,087
Impairment losses	161	1,090	1,454
Net change in reserve for possible loan losses	775	604	7,000
Net change in reserve for bonuses for directors and corporate auditors	(8)	3	(72)
Net change in net defined benefit asset	(223)	(1,929)	(2,014)
Net change in net defined benefit liability	6	4	54
Net change in reserve for retirement benefits for directors and corporate auditors	11	(10)	99
Net change in reserve for claims on dormant accounts	(117)	(80)	(1,056)
Net change in reserve for contingent liabilities	0	37	0
Net change in reserve for stock-based compensation plan	42	17	379
Interest income	(40,653)	(42,587)	(367,202)
Interest expenses	2,286	5,183	20,648
Net loss (gain) related to securities transactions	6,094	(3,615)	55,044
Net gain on money held in trust	—	(119)	—
Net loss (gain) related to foreign exchange	(9,313)	1,436	(84,120)
Net loss (gain) on disposal of fixed assets	(454)	19	(4,100)
Net change in trading account securities	(8)	148	(72)
Net change in loans and bills discounted	(188,465)	(21,447)	(1,702,330)
Net change in deposits	375,488	111,203	3,391,635
Net change in negotiable certificates of deposit	(5,464)	(45)	(49,354)
Net change in borrowed money excluding subordinated borrowings	87,723	35,988	792,367
Net change in due from banks other than Bank of Japan	267	240	2,411
Net change in call loans and others	5,665	9,729	51,169
Net change in call money and others	(22,692)	(8,592)	(204,967)
Net change in payables under securities lending transactions	(56,056)	(29,934)	(506,331)
Net change in foreign exchange assets	364	(4,043)	3,287
Net change in foreign exchange liabilities	1,045	(56)	9,439
Net change in lease receivables and investments in leases	1,619	(3,589)	14,623
Proceeds from fund operations	40,267	43,826	363,716
Payments on fund procurement	(2,836)	(4,952)	(25,616)
Other	15,971	(24,237)	144,259
Subtotal	219,938	78,639	1,986,613
Payment of income taxes	(3,585)	(4,059)	(32,381)
Net cash provided by operating activities	216,353	74,580	1,954,231
Cash flows from investing activities			
Purchase of securities	(543,029)	(1,175,010)	(4,904,967)
Proceeds from sales of securities	408,491	673,893	3,689,738
Proceeds from redemption of securities	164,212	248,795	1,483,262
Decrease in money held in trust	—	4,867	—
Purchases of tangible fixed assets	(1,780)	(1,433)	(16,078)
Purchases of intangible fixed assets	(1,046)	(1,116)	(9,448)
Proceeds from sales of tangible fixed assets	507	253	4,579
Proceeds from sales of intangible fixed assets	—	0	—
Net cash provided by (used in) investing activities	27,355	(249,748)	247,086
Cash flows from financing activities			
Purchase of treasury stock	(72)	(3)	(650)
Proceeds from sales of treasury stock	—	5	—
Dividends paid	(2,366)	(2,513)	(21,371)
Net cash used in financing activities	(2,438)	(2,511)	(22,021)
Effect of exchange rate changes on cash and cash equivalents	2	(1)	18
Net change in cash and cash equivalents	241,272	(177,681)	2,179,315
Cash and cash equivalents at beginning of year	622,399	800,081	5,621,886
Cash and cash equivalents at end of year (Note 3)	¥ 863,671	¥ 622,399	\$ 7,801,201

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (hereinafter the “Bank”) and its consolidated subsidiaries (hereinafter collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.

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

2. Fiscal year ends

The account closing date of the Bank and its consolidated subsidiaries is the same.

3. Significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Bank and all 9 subsidiaries.

There are no affiliates accounted for by the equity method as of March 31, 2021.

Shikoku Alliance Capital Co., Ltd. and SHIKOKU BRAND inc. are affiliates not accounted for by the equity method. Affiliated companies not accounted for by the equity method are excluded from the scope of the equity method because the Bank’s interests in their respective amounts of net profits or losses, retained earnings or other accumulated comprehensive income do not have a material impact on the consolidated financial statements.

(2) Trading account securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value (cost of sales is calculated by the moving-average cost method).

(3) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving-average cost method. Investments in affiliates not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities of which market prices are available are stated at fair value based principally on their market prices at the balance-sheet date (cost of sales is calculated by the moving-average cost method), whereas those for which the market value is not readily determinable are stated at cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

(4) Derivatives

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value.

(5) Depreciation

(a) *Tangible fixed assets (excluding lease assets)*

Depreciation of tangible fixed assets is calculated principally using the declining-balance method (However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016). Useful lives of tangible fixed assets are as follows:

Buildings: 10 to 50 years

Equipment: 5 to 15 years

Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.

(b) *Intangible fixed assets (excluding lease assets)*

Intangible fixed assets are amortized by the straight-line method. Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

(c) *Lease assets*

Lease assets held by the Bank are depreciated over the leasing contract periods by the straight-line method with residual value at zero.

(6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for bankrupt or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.

Reserve for possible loan losses for borrowers not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided principally at the amounts of expected losses over the next 1 year or 3 years, which are determined by making necessary adjustments considering forecasts of loss rates calculated based on the average historical default rates corresponding to a certain period consistent with those for 1 year or 3 years.

In accordance with the Bank’s asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.

In the case of loans to borrowers who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥11,141 million (\$100,632 thousand) and ¥13,419 million as of March 31, 2021 and 2020, respectively.

A reserve for possible losses on ordinary loans held by the Bank’s consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible losses on specific loans held by the Bank’s consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.

(7) Reserve for bonuses for directors and corporate auditors

A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.

(8) Reserve for retirement benefits for directors and corporate auditors

In order to provide for the payment of retirement benefits to directors and corporate auditors of consolidated subsidiaries, a provision is made based on the estimated amount incurred at the end of the consolidated reporting period.

(9) Reserve for claims on dormant accounts

A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank’s historical refund record.

(10) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

(11) Reserve for stock-based compensation plan

In order to provide for the delivery of the Bank’s shares from the BIP Trust, a provision is made for an estimated amount of benefits corresponding to the number of points allotted to directors in accordance with BIP Trust’s share delivery rules.

(12) Accounting method for retirement benefits

To calculate retirement benefit obligations, the Bank used the benefit formula as a method for attributing estimated retirement benefits over the period until March 31, 2020. The amortization method for prior service costs and actuarial differences is as follows:

Prior Service Costs:

Prior service costs are charged fully to income at the time of occurrence.

Actuarial Differences:

Actuarial differences of the plans are to be amortized from the fiscal year following their occurrence by the straight-line method over a fixed period of 10 years, which is within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating net defined benefit liability and retirement benefit costs, some consolidated subsidiaries apply a simplified method that provides their retirement benefit obligation at an amount to be paid for voluntary termination at the balance sheet date.

(13) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen primarily at the year-end rates. Translation differences arising from available-for-sale securities (bonds), including the effect of changes in exchange rates, are accounted for as net unrealized gains/losses on available-for-sale securities.

(14) Accounting standards for posting of earnings and expenses

Consolidated subsidiaries engaged in the leasing business post income and expenses relating to lease transactions as “Other income” and “Other expenses,” respectively, at the time of receipt of lease charges.

(15) Hedge accounting

(a) *Hedges against interest rate fluctuations*

The Bank applies the deferred hedge accounting method to interest rate swaps used to hedge interest rate risk on certain financial assets when the critical terms of the underlying hedged items (Japanese Government Bonds and U.S. Treasury Bonds) and hedging instruments (interest rate swap transactions) match.

Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter.

(b) *Hedging against currency fluctuations*

The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Committee Practical Guideline No. 25 issued on October 8, 2020 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Committee Practical Guideline No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts (foreign securities and foreign currency loans) corresponding to the foreign-currency positions.

(16) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2021	2020	2021
Cash and due from banks.....	¥893,016	¥652,010	\$8,066,263
Time deposits with banks other than Bank of Japan.....	(27,540)	(27,542)	(248,758)
Deposits with banks other than Bank of Japan.....	(601)	(413)	(5,428)
Other	(1,203)	(1,655)	(10,866)
Cash and cash equivalents	¥863,671	¥622,399	\$7,801,201

(17) Consumption taxes

In the accounting treatment of the Bank and its domestic consolidated subsidiaries, the National Consumption Tax and the Local Consumption Tax are excluded from the transaction amounts.

(18) Other significant accounting policies adopted

Net gains and losses from the cancellation and redemption of investment trusts (excluding ETF) are included in “Interest and dividends on securities” in the case of gains for the investment trusts as a whole, and included in “Loss on redemption of bonds” under “Other operating expenses” in the case of losses.

Gains on cancellation and redemption of investment trusts of ¥3,196 million (\$28,868 thousand) and ¥2,163 million were recorded in “Interest and dividends on securities” for the fiscal years ended March 31, 2021 and 2020, respectively.

(19) Significant accounting estimates

Reserve for possible loan losses

(i) Amount recognized in the consolidated financial statements for the current fiscal year
Reserve for possible loan losses: ¥18,172 million (\$164,140 thousand)

(ii) Information on the nature of significant accounting estimates for identified items

(1) Method used in making the accounting estimates

The collectability of loans and other receivables fluctuates depending on factors such as domestic and international economic trends, the business conditions of the borrowers operating in areas where the Bank’s wide-area network exists, mainly in its home prefecture of Kagawa, the decline in the value of real estate used as collateral, and the status of the novel coronavirus disease (COVID-19) outbreak. For this reason, the Bank calculates the amount of expected losses from future bad debts for each borrower category and records it as reserve for possible loan losses.

The method of calculating the reserve for possible loan losses is described in “3. Significant accounting policies (6) Reserve for possible loan losses.”

(2) Key assumptions used in making accounting estimates

The main assumptions used in the calculation of the reserve for possible loan losses are “the future business prospects of each borrower in determining the borrower classification” and “when the COVID-19 pandemic will end.”

The “future business prospects of each borrower in determining the borrower classification” consist of the assessment of changes in the local economy and the individual evaluation of debt repayment capacity of each borrower based on the progress of each borrower’s management improvement plan and other factors.

Meanwhile, “when the COVID-19 pandemic will end” takes into consideration the impact on each borrower, based on the assumption that the pandemic will end in the next year or so with the start of vaccinations and that economic activities will gradually normalize against the backdrop of aggressive fiscal policies by the national and local governments.

(3) Impact on the consolidated financial statements for the next fiscal year
The above “2) Key assumptions used in making accounting estimates” is subject to uncertainty as it will be affected by changes in the business environment surrounding the borrowers and the success or failure of their business strategies. Therefore, in the event of an unexpected deterioration in the business conditions of major borrowers or a worsening of the COVID-19 outbreak that affects the assumptions used for the initial estimate, there may be a significant impact on the reserve for possible loan losses in the consolidated financial statements for the next fiscal year.

(20) Accounting Standards Issued but Not Effective

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

(i) Overview

This is a comprehensive accounting standard for revenue recognition. Under the standard and guidance, revenue is recognized by applying following five steps:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(ii) 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.

(iii)Impact of adopting the accounting standard and implementation guidance
The impact of the adoption of the “Accounting Standard for Revenue Recognition” and other on the consolidated financial statements is immaterial.

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

(i) Overview
In order to enhance comparability with rules prescribed in international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (collectively, the “Accounting Standard for Fair Value Measurement, etc.”) have been developed. Thereby, guidance, etc. on the measurement methods for fair value have been prescribed. The Accounting Standard for Fair Value Measurement, etc. will be applied to fair value of financial instruments in “Accounting Standard for Financial Instruments.”
In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and related notes such as the breakdown of fair value of financial instruments by level have been prescribed.

(ii) Scheduled date of adoption
The Group expects to adopt the accounting standards and implementation guidances from the beginning of the fiscal year ending March 31, 2022.

(iii)Impact of adopting the accounting standards and implementation guidances
The impact of the adoption of the “Accounting Standard for Fair Value Measurement” and other standards on the consolidated financial statements is immaterial.

(21) Changes in presentation

Adoption of “Accounting Standard for Disclosure of Accounting Estimates”
“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been adopted in preparing the consolidated financial statements from the current fiscal year, and therefore significant accounting estimates are disclosed in the notes to the consolidated financial statements.

Comparative information for the previous fiscal year is not presented in accordance with the transitional provision set out in the proviso of paragraph 11 of the Accounting Standard.

4. Additional information

(a) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020) has been adopted from the end of the current consolidated fiscal year, and notes on the accounting principles and procedures adopted when the relevant accounting standards are not clearly defined are provided in “3. Significant accounting policies (18) Other significant accounting policies adopted.”

(b) Board Incentive Plan (BIP) Trust

The Bank has introduced a BIP Trust for directors (excluding directors serving as audit and supervisory committee members, outside directors and non-residents of Japan; hereinafter collectively referred to as the “Bank’s directors”).

(i) Transaction overview
The BIP Trust is a stock incentive plan for directors, aimed at further raising motivation to contribute to the medium- to long-term improvement of business performance and enhance the Bank’s corporate value. Under the plan, a certain number of points are granted to the Bank’s directors based on their ranks and the level of achievement of performance targets, and the Bank’s shares corresponding to the aggregate number of points or money equivalent to the

value of the Bank’s shares are granted or delivered to the Bank’s directors upon their retirement.

(ii) Accounting treatment for transactions delivering the Company’s own stock through the trust
The Bank applies the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(iii)Matters relating to the Bank’s shares held by the trust
(1) The book values of the shares held by the trust were ¥273 million (\$2,465 thousand) and ¥203 million as of March 31, 2021 and 2020, respectively.
(2) The Bank’s shares held by the trust have been recorded as treasury stock in stockholders’ equity.
(3) The numbers of shares at year-end were 92 thousand and 54 thousand as of March 31, 2021 and 2020, respectively. The average numbers of shares during the year were 76 thousand and 56 thousand for the fiscal years ended March 31, 2021 and 2020, respectively.
(4) The number of shares at year-end and the average number of shares during the year in 3) above are included in the number of treasury stock to be deducted in the calculation of per share information.

5. Changes in net assets

(1) Type and number of shares issued and treasury shares are as follows:

2021	Thousands of shares			
	March 31, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock	30,000	—	—	300,000
Total	30,000	—	—	300,000
Treasury stock				
Common stock (Notes 1 and 2)	478	39	—	517
Total	478	39	—	517

Notes: 1. The number of shares of common stock at the end of the fiscal years ended March 31, 2021 and 2020 includes 92 thousand and 54 thousand shares, respectively, of the Bank’s shares held by the BIP Trust.
2. The 39 thousand share increase in the number of common shares of treasury stock consists of increases of 38 thousand shares due to an acquisition by the BIP Trust and 1 thousand shares due to a purchase demand for fractional shares from shareholders.

2020	Thousands of shares			
	March 31, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock	30,000	—	—	300,000
Total	30,000	—	—	300,000
Treasury stock				
Common stock (Notes 1, 2 and 3)	488	1	11	478
Total	488	1	11	478

Notes:: 1. The number of shares of common stock at the end of the fiscal years ended March 31, 2020 and 2019 includes 54 thousand and 59 thousand shares, respectively, of the Bank’s shares held by the BIP Trust.
2. The 1 thousand share increase in the number of common shares of treasury stock is due to a purchase demand for fractional shares from shareholders.
3. The 11 thousand share decrease in the number of common shares of treasury stock consists of decreases of 6 thousand shares due to the exercise of share subscription rights, 4 thousand shares due to the delivery of shares to the beneficiaries from the BIP Trust, and 0 thousand shares due to an additional purchase demand for fractional shares from shareholders.

(2) Matters concerning share subscription rights and own share options

The balance of share subscription rights (for stock options) at the end of March 31, 2021 and 2020 stood at ¥41 million (\$370 thousand) and ¥41 million, respectively. At end of the previous and current fiscal years, no shares had been earmarked for share subscription rights.

(3) Information on dividends

(a) Dividends paid

2021		Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Resolution	Type of share				
June 26, 2020 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,183	¥40.0	March 31, 2020	June 29, 2020
November 10, 2020 (Meeting of the Board of Directors) (Note 1)	Common stock	1,183	40.0	September 30, 2020	December 10, 2020

2020		Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Resolution	Type of share				
June 27, 2019 (Regular Annual General Meeting of Shareholders) (Notes 1 and 2)	Common stock	¥1,330	¥45.0	March 31, 2019	June 28, 2019
November 11, 2019 (Meeting of the Board of Directors) (Note 1)	Common stock	1,183	40.0	September 30, 2019	December 10, 2019

2021					
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 26, 2020 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	\$10,685	\$0.361	March 31, 2020	June 29, 2020
November 10, 2020 (Meeting of the Board of Directors) (Note 1).....	Common stock	10,685	0.361	September 30, 2020	December 10, 2020
Notes: 1. In accordance with the resolutions approved at the Bank's Regular Annual General Meetings of Shareholders held on June 26, 2020 and June 27, 2019, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥2 million (\$18 thousand) and ¥2 million, respectively. Moreover, in accordance with the resolutions approved at the Meetings of the Board of Directors held on November 10, 2020 and November 11, 2019, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥3 million (\$27 thousand) and ¥2 million, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock. 2. In accordance with the resolutions approved at the Bank's Regular Annual General Meeting of Shareholders held on June 27, 2019, dividend per share includes a commemorative dividend of ¥5.0 to celebrate the Bank's 140th Anniversary.					

(b) Dividends paid after the balance-sheet date

2021						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2021 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	¥887	Retained earnings	¥30.0	March 31, 2021	June 30, 2021
2020						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 26, 2020 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	¥1,183	Retained earnings	¥40.0	March 31, 2020	June 29, 2020

2021						
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2021 (Regular Annual General Meeting of Shareholders) (Note 1).....	Common stock	\$8,011	Retained earnings	\$0.270	March 31, 2021	June 30, 2021
Note: The total dividend amount includes the ¥2 million (\$18 thousand) dividends for the BIP Trust.						

6. Securities and trading account securities

(1) Investments in affiliates

Investments in affiliates as of March 31, 2021 and 2020 totaled ¥50 million (\$451 thousand) and ¥25 million, respectively.

(2) Securities lending transactions

National government bonds as of March 31, 2021 and 2020 included bonds of ¥37,000 million (\$334,206 thousand) and ¥28,000 million, respectively, which were lent to third parties without collateral under lending contracts.

(3) Trading account securities

Valuation profit (losses) of ¥0 million (\$0 thousand) and nil were recognized for the fiscal years ended March 31, 2021 and 2020, respectively.

(4) Held-to-maturity debt securities

Not applicable.

(5) Available-for-sale securities

(a) Consolidated balance sheet amount and acquisition cost of available-for-sale securities and their difference as of March 31, 2021 and 2020 were as follows:

2021	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 110,915	¥ 43,304	¥ 67,610
Bonds:			
National	119,032	117,655	1,377
Local.....	119,968	118,919	1,048
Corporate.....	60,335	60,056	278
	299,336	296,632	2,704
Other	173,410	166,094	7,315
Subtotal	583,662	506,031	77,630
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	17,435	19,075	(1,639)
Bonds:			
National	128,583	132,911	(4,328)
Local.....	215,525	216,444	(918)
Corporate.....	116,459	117,135	(675)
	460,568	466,491	(5,922)
Other	206,272	215,351	(9,078)
Subtotal	684,277	700,918	(16,640)
Total	¥1,267,939	¥1,206,950	¥ 60,989

2020	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 79,613	¥ 37,303	¥ 42,310
Bonds:			
National	153,641	151,051	2,590
Local.....	122,871	121,556	1,314
Corporate.....	80,638	80,236	402
	357,151	352,843	4,308
Other	199,732	189,926	9,805
Subtotal	636,497	580,073	56,423
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	21,835	33,108	(11,273)
Bonds:			
National	176,282	178,987	(2,704)
Local.....	150,137	150,923	(785)
Corporate.....	69,286	69,745	(459)
	395,707	399,656	(3,949)
Other	201,292	220,979	(19,686)
Subtotal	618,835	653,744	(34,909)
Total	¥1,255,333	¥1,233,818	¥ 21,514

2021	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	\$ 1,001,851	\$ 391,148	\$610,694
Bonds:			
National	1,075,169	1,062,731	12,437
Local.....	1,083,623	1,074,148	9,466
Corporate.....	544,982	542,462	2,511
	2,703,784	2,679,360	24,424
Other	1,566,344	1,500,261	66,073
Subtotal	5,271,989	4,570,779	701,201
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	157,483	172,296	(14,804)
Bonds:			
National	1,161,439	1,200,532	(39,093)
Local.....	1,946,752	1,955,053	(8,291)
Corporate.....	1,051,928	1,058,034	(6,097)
	4,160,130	4,213,630	(53,491)
Other	1,863,174	1,945,181	(81,998)
Subtotal	6,180,805	6,331,117	(150,302)
Total	\$11,452,795	\$10,901,905	\$550,889

(b) Gains and losses on sale of available-for-sale securities for the fiscal years ended March 31, 2021 and 2020 are as follows:

2021	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	¥ 3,768	¥ 2,850	¥ 55
Bonds:			
National	163,087	197	647
Local.....	87,286	286	—
Corporate.....	18,960	40	—
	269,334	525	647
Other	135,690	1,555	3,257
Total	¥408,793	¥ 4,931	¥3,959

2020	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	¥ 5,733	¥ 3,786	¥ —
Bonds:			
National	342,250	1,033	1,512
Local.....	51,261	232	—
Corporate.....	36,236	81	—
	429,748	1,347	1,512
Other	237,078	4,907	2,934
Total	¥672,559	¥10,041	¥4,446

2021	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	\$ 34,034	\$25,742	\$ 496
Bonds:			
National	1,473,100	1,779	5,844
Local.....	788,420	2,583	—
Corporate.....	171,258	361	—
	2,432,788	4,742	5,844
Other	1,225,634	14,045	29,419
Total	\$3,692,466	\$44,539	\$35,760

(6) Impairment losses on securities

Securities with fair values that have fallen significantly below their acquisition cost and whose fair values are not expected to recover are recorded at fair value on the consolidated balance sheet with the valuation differences expensed on the consolidated statements of income (“impairment loss”).

Impairment losses of ¥7,065 million (\$63,815 thousand) and ¥1,948 million were recorded in the fiscal years ended March 31, 2021 and 2020, respectively.

The Bank determines whether fair value has decreased significantly based on the degree of such decrease. If the fair value as of the end of the fiscal year has decreased by 50 percent or greater than acquisition cost, all securities are deemed to have decreased materially. And if the fair value has decreased by 30 percent or more but less than 50 percent, the determination shall be made by taking into account changes in fair value over a certain period in the past and the performance of the issuing company concerned.

7. Net unrealized gains on available-for-sale securities

The following is a breakdown of net unrealized gains on available-for-sale securities recorded in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference	¥60,989	¥21,514	\$ 550,889
Available-for-sale securities...	60,989	21,514	550,889
Money held in trust	—	—	—
Deferred tax liabilities.	(18,394)	(6,466)	(166,145)
Net unrealized gains on available-for-sale securities (before equity equivalent)	42,595	15,048	384,743
Net unrealized gains attributable to non-controlling interests	—	—	—
Parent's ownership interest of affiliates' unrealized gains on available-for-sale securities	—	—	—
Net unrealized gains on available-for-sale securities	¥42,595	¥15,048	\$ 384,743

8. Loans and bills discounted

Loans and bills discounted as of March 31, 2021 and 2020 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans under bankruptcy	¥ 843	¥ 1,126	\$ 7,614
Non-accrual loans	30,654	27,574	276,885
Loans past due over 3 months	116	193	1,047
Restructured loans	28,806	26,783	260,193
Total	¥60,421	¥55,677	\$545,759

Bills discounted are treated as financial transactions in accordance with “Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks (JICPA Industry Committee Practical Guideline No. 24, October 8, 2020).” Commercial bills and foreign bills bought are permitted to be sold or pledged and their total face value was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bills discounted	¥12,689	¥16,580	\$114,614

9. Guarantee obligations

Guarantee obligations for bonds in private placement (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) included in corporate bonds under “Securities” in the consolidated balance sheets were ¥23,339 million (\$210,812 thousand) and ¥22,006 million as of March 31, 2021 and 2020, respectively.

10. Assets pledged as collateral

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 as collateral:			
Securities	¥463,257	¥462,322	\$4,184,418
Loans and bills discounted	97,207	—	878,032
Total	560,464	462,322	5,062,451
Liabilities corresponding to assets pledged as collateral:			
Deposits	15,526	59,995	140,240
Payables under securities lending transactions	56,643	112,699	511,633
Borrowed money	370,133	280,813	3,343,266
Call money	—	5,767	—

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥ 400	¥ 405	\$ 3,613
Other assets	30,000	30,000	270,978

As of March 31, 2021 and 2020, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥7,389 million (\$66,741 thousand) and ¥22,414 million, and guarantees and household deposits of ¥1,140 million (\$10,297 thousand) and ¥1,175 million, respectively.

11. Commitment line agreements on overdrafts and loans

Commitment line agreements on overdrafts and loans are agreements to lend funds to customers upon application up to a prescribed amount as long as there is no violation of any condition established in the contract. The balance of unused loans under these agreements as of March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unused commitments	¥1,017,138	¥923,414	\$9,187,408
Contracts with less than a year of contract period or contacts that are cancellable unconditionally at any time	943,477	857,679	8,522,057

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily have effect on the future cash flow of the Group. Many of these commitments have clauses that allow the Group to refuse an application from customers or reduce the limit amount with proper reasons (e.g. changes in financial situation, to secure claims, etc.). In addition, the Group may request the customers to pledge collateral such as real estate and securities at the time of the contracts if necessary and take necessary measures periodically based on a prescribed internal procedure after conclusion of contracts such as monitoring customers’ business status, revising contracts and securing claims.

12. Income taxes

(1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 7,513	¥8,078	\$ 67,861
Net unrealized losses on available-for-sale securities	5,058	10,611	45,686
Loss on devaluation of equity securities	2,438	353	22,021
Net defined benefit liability	2,046	3,713	18,480
Excess depreciation	1,098	1,091	9,917
Reserve for bonuses	466	459	4,209
Net deferred losses on hedging instruments	389	3,363	3,513
Other	2,257	2,289	20,386
Subtotal	21,269	29,961	192,114
Valuation reserve	(7,386)	(6,613)	(66,714)
Deferred tax assets	13,882	23,348	125,390
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(23,453)	(17,078)	(211,841)
Net deferred gains on hedging instruments	(1,578)	(110)	(14,253)
Reserve for advanced depreciation of non-current assets	(119)	(139)	(1,074)
Other	(29)	(25)	(261)
Deferred tax liabilities	(25,180)	(17,353)	(227,441)
Net deferred tax assets (liabilities)	¥(11,297)	¥5,995	\$(102,041)

(2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting for the fiscal years ended March 31, 2021 and 2020.

	2021	2020
Statutory income tax rate	30.4%	30.4%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	1.0	0.6
Non-taxable income, including dividend income	(6.5)	(3.0)
Per-capita resident tax	1.1	0.6
Increase (decrease) of valuation reserve	15.1	(1.6)
Other	8.7	2.6
Effective income tax rate under tax-effect accounting	49.8%	29.6%

13. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2021 and 2020 amounted to ¥37,763 million (\$341,098 thousand) and ¥38,647 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,452 million (\$22,147 thousand) and ¥2,452 million as of March 31, 2021 and 2020, respectively. Reduction entry for the fiscal years ended March 31, 2021 and 2020 amounted to nil and ¥(5) million, respectively.

14. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank’s land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liability for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as revaluation reserve for land in stockholders’ equity.

As of March 31, 2021 and 2020, the difference between the carrying amount and the fair value of the revalued land was ¥12,324 million (\$111,317 thousand) and ¥12,685 million, respectively.

15. Asset retirement obligations

Notes on asset retirement obligations have been omitted due to immateriality.

16. Investment and rental property

Notes on investment and rental property have been omitted due to immateriality.

17. Other income

Other income includes the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Lease revenue	¥7,754	¥7,586	\$70,038
Gain on sale of equity securities ...	2,850	3,786	25,742

18. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥14,797 million (\$133,655 thousand) and ¥14,954 million for the fiscal years ended March 31, 2021 and 2020, respectively.

19. Other expenses

(1) Other expenses include the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on devaluation of equity securities	¥7,065	¥1,948	\$63,815
Cost of lease	6,442	6,267	58,188
Loan write-offs	1,362	4,063	12,302

(2) Impairment losses

During the fiscal years ended March 31, 2021 and 2020, the Bank recorded impairment losses on fixed assets as described below:

	Millions of yen	
	Impairment losses	
	2021	2020
Kagawa Pref ...	Assets for business use and idle assets (2021: 13 locations 2020: 16 locations)	Land, buildings and movables
	¥118	¥ 178
	land: 71	land: 125
	buildings: 44	buildings: 48
	movables: 1	movables: 2
Other	Assets for business use and idle assets (2021: 7 locations 2020: 12 locations)	Land and buildings
	¥ 41	¥ 911
	land: 26	land: 878
	buildings: 13	buildings: 33
	movables: 1	movables: —
Total	¥161	¥1,090
	land: 97	land: 1,004
	buildings: 59	buildings: 82
	movables: 3	movables: 3

	Thousands of U.S. dollars	
	Impairment losses	
	2021	
Kagawa Pref ...	Assets for business use and idle assets (2021: 13 locations)	Land, buildings and movables
	\$1,065	
	land: 641	
	buildings: 397	
	movables: 9	
Other	Assets for business use and idle assets (2021: 7 locations)	Land and buildings
	\$ 370	
	land: 234	
	buildings: 117	
	movables: 9	
Total	\$1,454	
	land: 876	
	buildings: 532	
	movables: 27	

The Bank posted impairment losses of ¥161 million (\$1,454 thousand) and ¥1,090 million, respectively, during the fiscal years ended March 31, 2021 and 2020 on land, buildings and movables due to a fall in operating cash flows and continuous declines in land prices. The Bank reduced the carrying amounts of the corresponding assets to the recoverable amounts, and recorded the difference between the carrying amount and recoverable amount of each asset as impairment losses under other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment losses; however, jointly managed branches are treated as a single cash generating unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank’s common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future.

At the Bank’s consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

The recoverable amounts are measured using the higher of either the net selling prices or value in use. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the

basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal, and value in use is calculated by discounting the future cash flow at discount rates of 0.1% and 0.1% for the fiscal years ended March 31, 2021 and 2020, respectively.

20. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains (losses) on available-for-sale securities, net of taxes:			
Amount recognized during the year	¥36,576	¥(41,176)	\$330,376
Amount of recycling	2,898	(5,808)	26,176
Prior to income tax effect	39,474	(46,984)	356,553
Income tax effect	(11,927)	14,210	(107,731)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	27,547	(32,774)	248,821
Net deferred gains (losses) on hedging instruments, net of taxes:			
Amount recognized during the year	13,857	(10,645)	125,164
Amount of recycling	751	1,557	6,783
Prior to income tax effect	14,609	(9,088)	131,957
Income tax effect	(4,441)	2,762	(40,113)
Net deferred gains (losses) on hedging instruments	10,167	(6,325)	91,834
Remeasurements of defined benefit plans:			
Amount recognized during the year	5,076	(3,865)	45,849
Amount of recycling	708	(246)	6,395
Prior to income tax effect	5,785	(4,111)	52,253
Income tax effect	(1,758)	1,249	(15,879)
Remeasurements of defined benefit plans	4,026	(2,861)	36,365
Total other comprehensive income	¥41,741	¥(41,961)	\$377,030

21. Finance leases

Information on finance leases for the fiscal years ended March 31, 2021 and 2020 are as follows:

1. As lessee

Finance lease transactions that do not transfer ownership

(1) Components of lease assets

(a) Tangible fixed assets

Primarily consisting of ATMs

(b) Intangible fixed assets

Not applicable.

(2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in “3. Significant accounting policies (5) Depreciation”.

2. As lessor

(1) Breakdown of investment in leases

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Lease receivables.....	¥21,746	¥23,402	\$196,423
Estimated residual value.....	3,152	3,149	28,470
Interest received.....	(2,578)	(2,881)	(23,286)
Investments in leases.....	¥22,320	¥23,669	\$201,607

(2) Schedule for collection of lease receivables and receivables on investments in leases by leasing contract maturity

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2021		
Up to 1 year	¥251	¥6,504
Over 1 year, up to 2 years.....	186	5,429
Over 2 years, up to 3 years	67	4,151
Over 3 years, up to 4 years	28	2,883
Over 4 years, up to 5 years	11	1,616
Over 5 years.....	0	1,161

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2020		
Up to 1 year	¥284	¥6,616
Over 1 year, up to 2 years.....	250	5,550
Over 2 years, up to 3 years	184	4,441
Over 3 years, up to 4 years	64	3,149
Over 4 years, up to 5 years	27	1,896
Over 5 years.....	11	1,747

	Thousands of U.S. dollars	
	Lease receivables	Receivables on investments in leases
2021		
Up to 1 year	\$2,267	\$58,748
Over 1 year, up to 2 years.....	1,680	49,038
Over 2 years, up to 3 years	605	37,494
Over 3 years, up to 4 years	252	26,041
Over 4 years, up to 5 years	99	14,596
Over 5 years.....	0	10,486

3. Operating leases

As lessor

Future minimum lease payments related to non-cancellable operating lease

transactions

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Up to 1 year	¥1	¥ —	\$ 9
Over 1 year	0	—	0
Total	¥2	¥ —	\$18

22. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Group provides banking services, including leasing and other financial services. The Group limits risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. It categorizes capital (risk capital) according to the size of the risk, engaging in “integrated risk management,” incorporating a capital allocation system that monitors risk versus return. The Group continues to improve efficiency in risk management, ensuring greater stability and soundness for the business as a whole.

(2) Nature and extent of risks arising from financial instruments

The major types of financial assets held by the Group are loans and bills discounted and securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group’s stockholders’ equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are used as a pure investment vehicle or as part of a Group investment policy. In addition, certain bonds are held for resale. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and/or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

For certain interest rate swaps, individual deferred hedge accounting is applied so that the hedged items and hedging instruments directly match. Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter. In addition, the Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Committee Practical Guideline No. 25 for currency swap and foreign exchange swap transactions that are concluded for the purpose of hedging foreign exchange rate risk associated with foreign currency denominated financial assets. Hedge effectiveness of these hedge transactions is evaluated by confirming the correspondence of the position to the amount of foreign currency denominated financial assets hedged.

(3) Risk management for financial instruments

(a) Credit risk management

The Group has compiled Credit Risk Management Rules and related documents, and the Risk Management Committee (Credit Risk Management Subcommittee) monitors and manages credit risk exposures.

In addition, the Risk Management Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits.

(b) Market risk management

The Group has established Market Risk Management Rules along with relevant documentation, and the Risk Management Committee (Market Risk Management Subcommittee) monitors market risk and maintains management systems. The Revenue Management Committee (Budget ALM Subcommittee) deliberates on the stability of medium and long-term profit in light of risk circumstances.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

(i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and/or profits and losses for securities, derivatives, and other market transactions. The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of ALM.

(ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

(iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

(iv) Quantitative information regarding market risks

a. Financial instruments held for trading purposes

In measuring the VaR of interest rate risks associated with trading securities, interest rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Group applies the historical simulation method with a holding period of 10 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2021 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥6 million (\$54 thousand) (compared with ¥7 million at the end of the previous fiscal year).

b. Financial instruments not held for trading purposes

In measuring the VaR of interest rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares and investment trusts, etc. the Group applies the historical simulation method with a holding period of 120 days, a confidence interval of 99% and an observation period of 1,200 business days.

The VaR of financial instruments not held for trading purposes amounted to ¥60,786 million (\$549,056 thousand) and ¥50,852 million as of March 31, 2021 and 2020, respectively.

c. VaR

The Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.

However, VaR determined using the historical simulation method is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances. To supplement the limitations of VaR, the Group conducts stress testing periodically in addition to the management using VaR.

(c) Liquidity risk management

The Group has established Liquidity Risk Management Rules and other related guidelines as a basis for managing liquidity risk. The Group has also established Liquidity Crisis Response Rules to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classify them into the categories of “caution” and “crisis”, thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group’s investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on the said risk.

(4) Supplementary information regarding fair value of financial instruments

The fair value of financial instruments includes their respective market prices, and rationally calculated values if the fair value of the financial instrument is not available. Certain assumptions are used to calculate the said values, and the said values may vary when differing assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2021 and 2020 are as follows. Private equity shares or other shares whose fair values are not readily determinable are not included in the following table.

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
2021			
(1) Cash and due from banks	¥ 893,016	¥ 893,016	¥ —
(2) Monetary claims bought	23,598	23,598	—
(3) Trading account securities	13	13	—
(4) Securities			
Available-for-sale securities	1,267,939	1,267,939	—
(5) Loans and bills discounted	3,035,782		
Reserve for possible loan losses*1	(16,503)		
	3,019,279	3,032,939	13,660
Total assets	5,203,847	5,217,507	13,660
(1) Deposits	4,440,571	4,440,659	87
(2) Negotiable certificates of deposit	84,721	84,724	3
(3) Call money and bills sold	12,089	12,089	—
(4) Payables under securities lending transactions	56,643	56,643	—
(5) Borrowed money	393,331	393,458	126
Total liabilities	4,987,357	4,987,575	217
Derivative Transactions*2			
Not subject to hedge accounting	(52)	(52)	—
Subject to hedge accounting	2,383	2,383	—
Total Derivative Transactions	¥ 2,331	¥ 2,331	¥ —

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
2020			
(1) Cash and due from banks	¥ 652,010	¥ 652,010	¥ —
(2) Monetary claims bought	29,264	29,264	—
(3) Trading account securities	5	5	—
(4) Securities			
Available-for-sale securities	1,255,333	1,255,333	—
(5) Loans and bills discounted	2,847,316		
Reserve for possible loan losses*1	(15,646)		
	2,831,669	2,855,278	23,608
Total assets	4,768,283	4,791,892	23,608
(1) Deposits	4,065,082	4,065,202	120
(2) Negotiable certificates of deposit	90,185	90,188	3
(3) Call money and bills sold	34,782	34,782	—
(4) Payables under securities lending transactions	112,699	112,699	—
(5) Borrowed money	305,608	305,785	177
Total liabilities	4,608,358	4,608,659	300

Derivative Transactions*2

Not subject to hedge accounting	551	551	—
Subject to hedge accounting	(10,857)	(10,857)	—
Total Derivative Transactions	¥ (10,305)	¥ (10,305)	¥ —

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
2021			
(1) Cash and due from banks	\$ 8,066,263	\$ 8,066,263	\$ —
(2) Monetary claims bought	213,151	213,151	—
(3) Trading account securities	117	117	—
(4) Securities			
Available-for-sale securities	11,452,795	11,452,795	—
(5) Loans and bills discounted	27,421,027		
Reserve for possible loan losses*1	(149,065)		
	27,271,962	27,395,348	123,385
Total assets	47,004,308	47,127,693	123,385
(1) Deposits	40,109,935	40,110,730	785
(2) Negotiable certificates of deposit	765,251	765,278	27
(3) Call money and bills sold	109,195	109,195	—
(4) Payables under securities lending transactions	511,633	511,633	—
(5) Borrowed money	3,552,804	3,553,951	1,138
Total liabilities	45,048,839	45,050,808	1,960
Derivative Transactions*2			
Not subject to hedge accounting	(469)	(469)	—
Subject to hedge accounting	21,524	21,524	—
Total Derivative Transactions	\$ 21,055	\$ 21,055	\$ —

*1 General reserve for possible loan losses and specific reserve for possible loan losses for loans and bills discounted are deducted from above.

*2 Derivative transactions in the above table are recorded on a net basis with liabilities presented in parentheses.

*3 Items with no material impact have not been listed.

Calculation method for fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity date is valued at book value, since the book value approximates the fair value. Due from banks with a maturity date is valued at present value in each category by deposit term, discounting by an assumed applicable interest rate when new deposits are accepted.

Items with a short contract period are valued at book value, since book value approximates their fair value.

(2) Monetary claims bought

Items with a short contract period are valued at book value, since the book value approximates their fair value.

(3) Trading account securities

Corporate bonds and other available-for-sale securities are valued at market prices and using an internal model.

(4) Securities

Stocks and corporate bonds are valued at market prices. Investment trusts are valued at their published base price. Private placement bonds guaranteed by the Group are categorized according to internal credit rating and maturity, and valued at fair value, discounting the total amount of principal and interest by an assumed applicable interest rate when similar bonds are issued.

See “6. Securities and trading account securities” for further information about the securities by intent of holding.

(5) Loans and bills discounted

Loans and bills discounted are valued at present value in each category by internal rating and maturity, discounting the total amount of principal and interest by an assumed applicable interest rate when similar loans are made.

For loans to borrowers who are bankrupt, substantially bankrupt, or likely to go bankrupt, the estimated uncollectible amount is based on the present value of estimated future cash flows, or the estimated collectible portion based on the collateral or guarantee securing the loan. As such, the balance of the loan on the consolidated balance sheet as of the last day of the fiscal period less the estimated uncollectible amount approximates the fair value.

For loans with no repayment deadline because loan amounts are less than the value of the assets securing them, their fair values are valued at book value, because they are assumed to approximate the fair values due to expected repayment deadlines and interest rate conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The Group considers the fair value of demand deposits to be the payment (book value) of the instrument as if demanded on the last day of the fiscal year. The fair value of time deposits is valued at present value in each category by specific deposit term, discounting future cash flow by the interest rate used when accepting new deposits. Since book value approximates fair value for items with a short deposit term, the book value shall be the fair value for these instruments.

(3) Call money and bills sold

Due to the short contract period of these instruments, the Group considers their book value to approximate the fair value.

(4) Payables under securities lending transactions

Due to the short contract period, the Group considers their book value to approximate the fair value.

(5) Borrowed money

Borrowed money with variable interest rates reflects market interest rates over a short-term. As the credit status of the Group has not significantly changed since these transactions were executed, the Group believes that the book value approximates the fair value of these instruments. The fair value for borrowed money with fixed interest rates is valued at present value, discounting the total amount of principal and interest categorized by specific term by an assumed applicable interest rate when similar borrowings are entered into.

Derivative Transactions

See “25. Derivative transactions” for further information about derivatives.

The following are financial instruments whose fair values are not readily determinable as of March 31, 2021 and 2020. These are not included in the “Assets (5) Securities” section under fair value information for financial instruments.

Category	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
	2021	2020	2021
1. Private equity shares*1*2	¥2,731	¥2,712	\$24,668
2. Investments in partnership*3*4 ..	2,272	1,683	20,522
Total	¥5,003	¥4,395	\$45,190

*1 As private equity shares have no market price, and their fair values are not readily determinable, their fair values are not stated.

*2 The Group did not recognize any impairment loss for unlisted equity stock for the fiscal years ended March 31, 2021 and 2020, respectively.

*3 For investments in partnership for which the fair value is not readily determinable, the fair value has not been disclosed because the underlying partnership assets are comprised of unlisted equity stock.

*4 The Group recognized impairment loss on investments in partnership of ¥0 million (\$0 thousand) and ¥29 million for the fiscal years ended March 31, 2021 and 2020, respectively.

The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2021 and 2020 are as follows:

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
2021						
Due from banks	¥ 850,878	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	23,598	—	—	—	—	—
Securities:						
Available-for-sale securities with maturities	44,743	105,102	110,466	44,310	513,604	239,965
National government bonds	12,000	25,000	40,000	—	31,000	138,000
Local government bonds	901	8,455	14,716	15,316	284,191	11,710
Corporate bonds	8,994	19,518	17,684	3,238	105,150	22,487
Other	22,848	52,129	38,065	25,756	93,263	67,766
Loans and bills discounted*	1,059,157	477,477	421,689	258,143	289,482	485,712
Total	¥1,978,378	¥582,580	¥532,156	¥302,454	¥803,087	¥725,677

2020	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Due from banks	¥ 605,116	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought.....	29,264	—	—	—	—	—
Securities:						
Available-for-sale securities with maturities	81,732	100,783	96,244	75,293	449,018	253,324
National government bonds	33,300	37,000	—	40,000	70,000	144,000
Local government bonds	3,492	1,472	18,372	13,772	226,501	8,771
Corporate bonds.....	24,110	16,299	13,946	1,063	79,400	14,981
Other	20,830	46,011	63,925	20,457	73,117	85,572
Loans and bills discounted*.....	1,090,280	464,786	332,254	214,313	218,882	459,094
Total	¥1,806,393	¥565,570	¥428,499	¥289,606	¥667,900	¥712,419

2021	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Due from banks	\$ 7,685,647	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought.....	213,151	—	—	—	—	—
Securities:						
Available-for-sale securities with maturities	404,145	949,345	997,796	400,234	4,639,183	2,167,509
National government bonds	108,391	225,815	361,304	—	280,010	1,246,499
Local government bonds	8,138	76,370	132,923	138,343	2,566,985	105,771
Corporate bonds.....	81,239	176,298	159,732	29,247	949,778	203,116
Other	206,377	470,860	343,826	232,643	842,408	612,103
Loans and bills discounted*.....	9,566,949	4,312,862	3,808,951	2,331,704	2,614,777	4,387,245
Total	\$17,869,912	\$5,262,216	\$4,806,756	\$2,731,948	\$7,253,969	\$6,554,755

*Loans and bills discounted do not include ¥31,512 million (\$284,635 thousand) and ¥28,727 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥12,606 million (\$113,865 thousand) and ¥38,977 million in loans with no established maturity as of March 31, 2021 and 2020, respectively.

The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2021 and 2020 is as follows:

2021	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥4,257,165	¥177,123	¥ 5,880	¥147	¥253	¥ —
Negotiable certificates of deposit	84,629	92	—	—	—	—
Call money and bills sold.....	12,089	—	—	—	—	—
Payables under securities lending transactions	56,643	—	—	—	—	—
Borrowed money.....	266,241	35,506	90,438	763	382	—
Total	¥4,676,770	¥212,721	¥96,319	¥910	¥635	¥ —

2020	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥3,853,385	¥205,226	¥6,108	¥ 146	¥215	¥ —
Negotiable certificates of deposit	90,003	142	40	—	—	—
Call money and bills sold.....	34,782	—	—	—	—	—
Payables under securities lending transactions	112,699	—	—	—	—	—
Borrowed money.....	187,409	113,014	3,720	902	561	—
Total	¥4,278,280	¥318,383	¥9,868	¥1,049	¥777	¥ —

2021	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	\$38,453,301	\$1,599,882	\$ 53,111	\$1,327	\$2,285	\$ —
Negotiable certificates of deposit	764,420	830	—	—	—	—
Call money and bills sold.....	109,195	—	—	—	—	—
Payables under securities lending transactions	511,633	—	—	—	—	—
Borrowed money.....	2,404,850	320,711	816,890	6,891	3,450	—
Total	\$42,243,428	\$1,921,425	\$870,011	\$8,219	\$5,735	\$ —

*Among deposits, demand deposits are included in “Up to 1 year.”

23. Accrued retirement benefits

(1) Overview of retirement benefit scheme adopted by the Bank

As defined-benefit type plans, the Bank has established a contract-type defined benefit corporate pension plan and a retirement lump-sum payment plan. In some cases, an extra severance package is provided to employees on their retirement and so on. In addition, the Bank has set up a retirement benefit trust.

The Bank's domestic consolidated subsidiaries have established a retirement lump-sum payment plan as defined-benefit type plans, and a defined contribution pension plan as defined-contribution type plan. Further, for the retirement lump-sum payment plan of domestic consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated by the simplified method.

(2) Defined benefit plan

(a) Reconciliation of retirement benefit obligations at beginning and end of period

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations at beginning of period	¥57,403	¥58,824	\$518,498
Service costs*	1,573	1,730	14,208
Interest costs	136	139	1,228
Actuarial differences	1,798	(918)	16,240
Retirement benefits paid	(2,093)	(2,373)	(18,905)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥58,818	¥57,403	\$531,279

*Retirement benefit costs of domestic consolidated subsidiaries that apply the simplified method are all recorded within “Service costs.”

(b) Reconciliation of pension assets at beginning and end of period

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Pension assets at beginning of period	¥58,919	¥62,527	\$532,192
Expected return on pension assets.....	726	739	6,557
Actuarial differences	6,875	(4,783)	62,099
Contribution from employer...	1,328	2,001	11,995
Retirement benefits paid	(1,514)	(1,565)	(13,675)
Pension assets at end of period	¥66,335	¥58,919	\$599,178

(c) Reconciliation of retirement benefit obligations and pension assets at end of period and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations of funded plan	¥ 58,818	¥ 57,403	\$ 531,279
Pension assets	(66,335)	(58,919)	(599,178)
	(7,516)	(1,515)	(67,889)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥ (7,516)	¥ (1,515)	\$ (67,889)

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net defined benefit liability.....	¥ 204	¥ 1,836	\$ 1,842
Net defined benefit asset	(7,721)	(3,351)	(69,740)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(7,516)	¥(1,515)	\$(67,889)

(d) Breakdown of retirement benefit costs

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service costs*	¥1,573	¥1,730	\$14,208
Interest costs	136	139	1,228
Expected return on pension assets	(726)	(739)	(6,557)
Amortization of actuarial differences	708	(246)	6,395
Amortization of past service costs ...	—	—	—
Retirement benefit costs for defined benefit plans	¥1,691	¥ 884	\$15,274

*Retirement benefit costs of domestic consolidated subsidiaries that use the simplified method are recorded in a lump-sum in “Service costs.”

(e) Remeasurements of defined benefit plans in other comprehensive income

The breakdown of items (before adjusting for tax effects) recorded in remeasurements of defined benefit plans.

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial differences	¥5,785	¥(4,111)	\$52,253
Total	¥5,785	¥(4,111)	\$52,253

(f) Remeasurements of retirement benefit plans in accumulated other comprehensive income

The following is a breakdown of items (before adjusting for tax effects) recorded in remeasurements of retirement benefit plans:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial differences	¥(1,357)	¥(7,143)	\$(12,257)
Total	¥(1,357)	¥(7,143)	\$(12,257)

(g) Items related to pension assets

(i) The following is the percentage of total pension assets by main category:

As of March 31,	2021	2020
Bonds	15%	19%
Stocks.....	45	39
Life insurers' general account	25	28
Other	15	14
Total	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (19.48% and 18.71% as of March 31, 2021 and 2020, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (20.34% and 19.61% as of March 31, 2021 and 2020, respectively).

(ii) Method for determining expected long-term rate of return on pension assets:
To determine expected long-term rate of return on pension assets, the Bank considers the current and projected pension asset allocations, as well as long-term rate of current returns and expected returns from each category consisting pension assets.

(h) Assumptions for making actuarial calculation

Major assumptions for actuarial calculations at the end of the fiscal year		
	2021	2020
1) Discount rate	0.23%	0.23%
2) Expected long-term rate of return	2.00%	2.00%
3) Assumed salary increase rate	3.20%	3.20%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$63 thousand) and ¥7 million for the years ended March 31, 2021 and 2020, respectively.

24. Stock options

1. Amount and title of expense recognized for stock options
Not applicable.

2. Stock option details, size, and changes

(1) Stock option details

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Category and number of grant recipients	The Bank's ten directors	The Bank's ten directors	The Bank's ten directors (excluding outside directors)	The Bank's nine directors (excluding outside directors)	The Bank's eight directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 17,500 shares	Common stock: 17,250 shares	Common stock: 13,660 shares	Common stock: 9,430 shares	Common stock: 13,770 shares
Grant date	July 24, 2012	July 23, 2013	July 25, 2014	July 24, 2015	July 26, 2016
Vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified
Exercise period	July 25, 2012 to July 24, 2042	July 24, 2013 to July 23, 2043	July 26, 2014 to July 25, 2044	July 25, 2015 to July 24, 2045	July 27, 2016 to July 26, 2046

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

(2) Stock option size and changes

(a) Number of stock options

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Prior to vesting (shares):					
Prior fiscal year end	1,460	1,440	2,280	2,580	5,160
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested shares	—	—	—	—	—
Unvested shares	1,460	1,440	2,280	2,580	5,160
After vesting (shares):					
Prior fiscal year end	—	—	—	—	—
Vested shares	—	—	—	—	—
Exercised	—	—	—	—	—
Expired	—	—	—	—	—
Unexercised	—	—	—	—	—

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

(b) Unit price information (in year)

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	Per share: ¥ —	Per share: ¥ —	Per share: ¥ —	Per share: ¥ —	Per share: ¥ —
Fair value on grant date	Per share: ¥2,560	Per share: ¥3,210	Per share: ¥3,350	Per share: ¥4,090	Per share: ¥2,850

Note: Converted to the price equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

3. Method for estimating number of vested stock options

In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

25. Derivative transactions

(1) Type of transactions

The Group undertakes the following derivative transactions: interest-rate swaps and others for interest rate-related transactions; currency swaps, forward exchange contracts and currency options for currency-related transactions; and bond futures for bond-related transactions.

(2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank's assets and liabilities.

Fair value of interest rate-related transactions as of March 31, 2021 and 2020 were as follows:

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
2021				
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥28,051	¥27,199	¥ 633	¥ 633
Variable rate receivable/fixed rate payable	28,051	27,199	(292)	(292)
Others:				
Sell	6,911	6,788	(4)	100
Buy	6,911	6,788	4	(18)
Total			¥ 341	¥ 423

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
2020				
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥21,920	¥20,186	¥ 634	¥ 634
Variable rate receivable/fixed rate payable	21,920	20,186	(360)	(360)
Others:				
Sell	6,699	6,699	(9)	100
Buy	6,699	6,699	9	(17)
Total			¥ 273	¥ 357

	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
2021				
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	\$253,373	\$245,677	\$ 5,717	\$ 5,717
Variable rate receivable/fixed rate payable	253,373	245,677	(2,637)	(2,637)
Others:				
Sell	62,424	61,313	(36)	903
Buy	62,424	61,313	36	(162)
Total			\$ 3,080	\$ 3,820

Fair value of currency-related transactions as of March 31, 2021 and 2020 were as follows:

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
2021				
Over the Counter				
Currency swaps	¥ 36,582	¥ 6,397	¥ 5	¥ 5
Forward exchange contracts:				
Sell	94,017	6,302	(1,810)	(1,810)
Buy	43,640	3,798	1,411	1,411
Currency options:				
Sell	286,218	202,296	(7,555)	6,042
Buy	286,218	202,296	7,555	(3,084)
Others:				
Sell	24,189	24,189	23	29
Buy	24,189	24,189	(23)	296
Total			¥ (393)	¥ 2,891

	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
2020				
Over the Counter				
Currency swaps	¥ 71,942	¥ 35,296	¥ 13	¥ 13
Forward exchange contracts:				
Sell	86,832	636	57	57
Buy	43,306	1,099	207	207
Currency options:				
Sell	315,412	226,181	(9,524)	5,833
Buy	315,412	226,181	9,524	(2,688)
Others:				
Sell	14,462	14,462	96	96
Buy	14,462	14,462	(96)	133
Total			¥ 278	¥ 3,652

	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
2021				
Over the Counter				
Currency swaps	\$ 330,430	\$ 57,781	\$ 45	\$ 45
Forward exchange contracts:				
Sell	849,218	56,923	(16,349)	(16,349)
Buy	394,183	34,305	12,745	12,745
Currency options:				
Sell	2,585,294	1,827,260	(68,241)	54,575
Buy	2,585,294	1,827,260	68,241	(27,856)
Others:				
Sell	218,489	218,489	207	261
Buy	218,489	218,489	(207)	2,673
Total			\$ (3,549)	\$ 26,113

(3) Derivative transactions subject to hedge accounting

The following are the contracted value or the amount equivalent to the principal and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the fiscal year, as well as the fair value calculation method. The contracted value, other price or value below does not indicate by itself the market risk of the derivative transaction.

(a) Interest rate-related transactions

As of March 31, 2021

Hedge accounting method	Type	Main hedged item	Contracted value	Millions of yen	
				Contracted value over 1 year	Fair value
General accounting rules	Interest rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥247,695	¥235,695	¥3,797
Total					¥3,797

As of March 31, 2020

Hedge accounting method	Type	Main hedged item	Contracted value	Millions of yen	
				Contracted value over 1 year	Fair value
General accounting rules	Interest rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥301,252	¥301,252	¥(10,681)
Total					¥(10,681)

As of March 31, 2021

Hedge accounting method	Type	Main hedged item	Contracted value	Thousands of U.S. dollars	
				Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	\$2,237,331	\$2,128,940	\$34,296
Total					\$34,296

Notes: 1. In general, deferred hedge accounting method is applied to hedging transactions for interest rate risk arising from financial assets.
2. Calculation of fair value
Fair value is calculated based on the discounted cash flow method, etc.

(b) Currency-related transactions

As of March 31, 2021

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥26,853	¥24,639	¥(1,289)
	Monetary swaps		42,506	—	(124)
		Total			¥(1,413)

As of March 31, 2020

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥29,784	¥24,343	¥ 66
	Monetary swaps		32,589	—	(242)
		Total			¥(176)

As of March 31, 2021

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	\$242,552	\$222,554	\$(11,643)
	Monetary swaps		383,940	—	(1,120)
		Total			\$(12,763)

Notes: 1. In general, deferred hedge accounting is applied according to “Accounting and Auditing for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Committee Practical Guideline No. 25).
2. Calculation of fair value
Fair value is calculated based on the discounted cash flow method, etc.

26. Segment information

(1) Overview of reportable segments

Reportable segments are the Group's constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities. The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable securities and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by Hyakujushi Lease Co., Ltd.

(2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment

The method of accounting treatment applied to reportable segments is the same as that described in “3. Significant accounting policies.”

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

(3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment

Information about reportable segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 is as follows:

2021	Millions of yen						
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	¥ 58,985	¥ 7,899	¥ 66,884	¥ 2,066	¥ 68,950	¥ —	¥ 68,950
Inter-segment transactions.....	572	563	1,136	3,489	4,625	(4,625)	—
Total	¥ 59,557	¥ 8,463	¥ 68,021	¥ 5,555	¥ 73,576	¥ (4,625)	¥ 68,950
Segment profit	¥ 3,837	¥ 316	¥ 4,154	¥ 1,555	¥ 5,710	¥ (402)	¥ 5,308
Segment assets	¥5,355,513	¥30,613	¥5,386,126	¥22,158	¥5,408,285	¥(32,716)	¥5,375,569
Segment liabilities	¥5,078,673	¥25,932	¥5,104,605	¥ 9,266	¥5,113,872	¥(30,002)	¥5,083,870
Other items:							
Depreciation	¥ 2,853	¥ 118	¥ 2,972	¥ 292	¥ 3,265	¥ 66	¥ 3,331
Interest income	40,805	234	41,040	98	41,139	(485)	40,653
Interest expenses	2,279	83	2,363	37	2,400	(114)	2,286
Gain from disposal of tangible assets	0	40	41	—	41	(1)	39
Other extraordinary income	—	—	—	—	—	—	—
Loss from disposal of tangible assets	54	0	54	20	74	—	74
Impairment losses	161	—	161	97	258	(97)	161
Other extraordinary loss	—	—	—	—	—	—	—
Tax expenses	1,955	69	2,025	506	2,531	15	2,546
Increases in tangible fixed assets and intangible fixed assets.....	2,829	3	2,833	353	3,187	(360)	2,826

2020	Millions of yen						
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	¥ 66,871	¥ 7,749	¥ 74,620	¥ 2,107	¥ 76,728	¥ —	¥ 76,728
Inter-segment transactions.....	644	531	1,175	3,670	4,846	(4,846)	—
Total	¥ 67,515	¥ 8,281	¥ 75,796	¥ 5,778	¥ 81,575	¥ (4,846)	¥ 76,728
Segment profit	¥ 10,687	¥ 204	¥ 10,892	¥ 1,303	¥ 12,195	¥ (212)	¥ 11,982
Segment assets	¥4,931,606	¥32,923	¥4,964,529	¥22,080	¥4,986,610	¥(32,663)	¥4,953,946
Segment liabilities	¥4,695,651	¥28,508	¥4,724,160	¥ 9,818	¥4,733,978	¥(29,863)	¥4,704,115
Other items:							
Depreciation	¥ 2,901	¥ 104	¥ 3,006	¥ 282	¥ 3,288	¥ 91	¥ 3,380
Interest income	42,689	225	42,914	74	42,989	(401)	42,587
Interest expenses	5,177	87	5,264	49	5,313	(130)	5,183
Gain from disposal of tangible assets	4	51	55	—	55	(0)	54
Other extraordinary income	—	112	112	—	112	—	112
Loss from disposal of tangible assets	79	0	79	7	87	—	87
Impairment losses	1,090	—	1,090	—	1,090	—	1,090
Other extraordinary loss	—	5	5	—	5	—	5
Tax expenses	2,618	94	2,713	510	3,224	27	3,251
Increases in tangible fixed assets and intangible fixed assets.....	2,057	7	2,064	416	2,481	68	2,549

2021	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	\$ 532,788	\$ 71,348	\$ 604,136	\$ 18,661	\$ 622,798	\$ —	\$ 622,798
Inter-segment transactions.....	5,166	5,085	10,261	31,514	41,775	(41,775)	—
Total	\$ 537,955	\$ 76,442	\$ 614,407	\$ 50,176	\$ 664,583	\$ (41,775)	\$ 622,798
Segment profit	\$ 34,658	\$ 2,854	\$ 37,521	\$ 14,045	\$ 51,576	\$ (3,631)	\$ 47,945
Segment assets	\$48,374,248	\$276,515	\$48,650,763	\$200,144	\$48,850,916	\$(295,510)	\$48,555,406
Segment liabilities	\$45,873,660	\$234,233	\$46,107,894	\$ 83,696	\$46,191,599	\$(270,996)	\$45,920,603
Other items:							
Depreciation	\$ 25,770	\$ 1,065	\$ 26,844	\$ 2,637	\$ 29,491	\$ 596	\$ 30,087
Interest income	368,575	2,113	370,698	885	371,592	(4,380)	367,202
Interest expenses	20,585	749	21,344	334	21,678	(1,029)	20,648
Gain from disposal of tangible assets	0	361	370	—	370	(9)	352
Other extraordinary income	—	—	—	—	—	—	—
Loss from disposal of tangible assets	487	0	487	180	668	—	668
Impairment losses	1,454	—	1,454	876	2,330	(876)	1,454
Other extraordinary loss	—	—	—	—	—	—	—
Tax expenses	17,658	623	18,291	4,570	22,861	135	22,997
Increases in tangible fixed assets and intangible fixed assets.....	25,553	27	25,589	3,188	28,786	(3,251)	25,526

Notes: 1. In place of sales, which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.

2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.

3. The adjusted amounts of segment profit, segment assets, segment liabilities, depreciation, interest income, interest expenses, gain from disposal of tangible assets, impairment losses, tax expenses and increases in tangible fixed assets and intangible fixed assets are recorded mainly as eliminations.

4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

1. Information on each service

2021	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥27,647	¥19,633	¥7,899	¥13,770	¥68,950

2020	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥29,812	¥24,360	¥7,749	¥14,805	¥76,728

2021	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	\$249,724	\$177,337	\$71,348	\$124,379	\$622,798

2. Information on each area

(1) Ordinary income

Information is omitted since the amount attributed to income from external customers in Japan accounts for more than 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Information is omitted since the amount attributed to tangible fixed assets located in Japan accounts for more than 90% of the tangible fixed assets in the consolidated balance sheets.

3. Information on each major customer

Information is omitted since there are no specific customers from whom ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

(Information on impairment losses on fixed assets by reportable segment)

Information regarding impairment losses on fixed assets by reportable segment for the years ended March 31, 2021 and 2020 was as follows:

2021	Millions of yen					
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
Impairment losses on fixed assets.....	¥161	¥—	¥161	¥97	¥(97)	¥161

2020	Millions of yen					
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
Impairment losses on fixed assets.....	¥1,090	¥—	¥1,090	¥—	¥—	¥1,090

2021	Thousands of U.S. dollars					
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
Impairment losses on fixed assets.....	\$1,454	\$—	\$1,454	\$876	\$(876)	\$1,454

27.Related-party transactions

Not applicable to the fiscal years ended March 31, 2021 and 2020.

28.Per share data

Amounts per share as of March 31, 2021 and 2020 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥9,892.54	¥8,461.18	\$89.355
Basic earnings per share	86.95	261.35	0.785
Diluted earnings per share	86.91	261.22	0.785

Notes: 1. Net assets per share figures are calculated on the basis of the following

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2021	2020	2021
Net assets	¥291,699	¥249,831	\$2,634,802
Amount excluded from net assets .	41	41	370
(of which, share subscription rights)	41	41	370
Net assets attributable to common stock at the fiscal year-end	291,657	249,790	2,634,423
Number of common stock at the fiscal-year end for calculation of net assets per share (in thousands)	29,482	29,521	

2. Basic and diluted earnings per share figures are calculated on the basis of the following

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2021	2020	2021
Basic earnings per share			
Profit attributable to owners of parent.....	¥2,565	¥7,715	\$23,168
Amount not attributable to common stockholders	—	—	—
Profit attributable to common stockholders	2,565	7,715	23,168
Average number of common stock during the year (in thousands)	29,499	29,519	
Diluted earnings per share			
Increase in number of common stock (in thousands)	12	14	
(of which, share subscription rights)	12	14	

3. The Bank's own stock remaining in the BIP Trust recorded as treasury stock in stockholders' equity is included in treasury stock to be deducted in the calculation of net assets per share, basic earnings per share, and diluted earnings per share.

The number of the said treasury stock deducted at year-end in the calculation of net assets per share was 92 thousand shares and 54 thousand shares as of March 31, 2021 and 2020, respectively. Moreover, the average number of the said treasury stock deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 76 thousand shares and 56 thousand shares for the fiscal years ended March 31, 2021 and 2020, respectively.

29.Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2021 is 0.03%..

Annual maturities of borrowed money as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year	¥266,241	\$2,404,850
Over 1 year, up to 2 years	32,418	292,819
Over 2 years, up to 3 years	3,087	27,883
Over 3 years, up to 4 years	89,308	806,684
Over 4 years, up to 5 years	1,130	10,206
Over 5 years	1,147	10,360

Independent Auditor's Report

The Board of Directors
The Hyakujushi Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 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.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Determination of debtor classification with respect to entities for which an assessment of business evaluation is necessary, entities for which a business improvement plan has been formulated and entities for which a downgrade in the debtor classification has a certain degree of impact on profit or loss	
Description of Key Audit Matter	Auditor's response
The Group has a wide-area retail network in Japan in 11 prefectures surrounding the Seto Inland Sea and urban areas, mainly in Kagawa Prefecture, with its lending operations	In considering the appropriateness of the debtor classification, our audit procedures consisted primarily of the following:

representing a core business activity. As of March 31, 2021, loans and bills discounted and advances of 3,035,782 million yen were recorded in the consolidated balance sheet, accounting for 56% of consolidated assets in the amount of 5,375,569 million yen.

The collectability of loans to customers by the Group is subject to uncertainties mainly due to economic trends in Japan and overseas, fluctuations in the business conditions of debtors who operate in Kagawa Prefecture and the surrounding region, and fluctuations in the economic environment such as a decline in the value of secured real estate and also the impact of the spread of the novel coronavirus disease. As a result, provision for additional losses arising from new non-performing loans may affect the Group's financial position and cash flow conditions.

As such, the Group calculates the amounts of expected loans that cannot be collected and records them as reserve for possible loan losses.

The reserve for possible loan losses included in the consolidated balance sheet as of March 31, 2021 was 18,172 million yen. Details such as calculation methodology is described in Section 6 "Reserve for possible loan losses," in Note 3 "Significant Accounting Policies" to the consolidated financial statements.

The reserve for possible loan losses is calculated in accordance with the Group's pre-established self-assessment provision policy. The calculation process includes the determination of the debtor classification, which is determined by assessing the relevant debtor's ability to repay loans based on the repayment status, financial position, business performance, and future prospects, including the impact of the spread of the novel coronavirus disease.

In determining the debtor classification, it is necessary to evaluate the ability of debtors to repay their debts based on estimated future cash flows and the rationality and feasibility of

- We evaluated the Group internal controls for determining the debtor classification. The controls tested included, but were not limited to, controls to evaluate the accuracy and completeness of schedules used in determining the debtor classification and controls over the underlying credit rating data concerning the debtor.
- Regarding when the novel coronavirus will be contained, management's assumptions were evaluated by comparing them with the latest developments considering corporate bankruptcies and economic forecasts published by external organizations.
- We selected samples taking into account the type of business, the location of the borrower, the industry, the financial position and repayment capacity, the group's lending policy and potential credit risk estimated from external information, including the impact of the spread of the novel coronavirus disease. We also considered the quantitative impact of changes in the debtor classification on the amount recorded in the reserve for possible loan losses.
- We evaluated data on the recent repayment status of sampled debtors, their financial position, business performance, and future cash flows, and other business prospects by inspecting information related to the Group's self-assessment, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of the actual financial position, financial statements, and the trial balances, and, in addition, we made inquiries to the loan department as necessary to supplement our understanding.
- We examined the reasonableness and feasibility of business improvement plans by analyzing the trends from past results

management improvement plans, especially for debtors who have obtained loans following an examination of their future business outlook and growth potential based on the Group's business evaluation and debtors who have developed management improvement plans. It is also important to evaluate the performance outlook, etc. considering the impact of the spread of the novel coronavirus disease, for debtors who may have a certain degree of impact profit or loss if their classification is revised downward.

The abovementioned performance forecasts for debtors, including debt repayment capacity and business improvement plans, are based on key assumptions such as forecasts of sales, cost of sales and expenses in the future. These assumptions will be affected by changes in the business environment surrounding the debtors, including the effects of the spread of the novel coronavirus disease and the success or failure of business strategies. Therefore, the judgment of the debtor classification, which has a certain degree of impact on profit or loss when a downgrade in the debtor classification occurs, is highly dependent on the judgment of management.

Accordingly, we have determined that the determination of the debtor classification with respect to entities for which an assessment of business evaluation is necessary, entities for which a business improvement plan has been formulated and entities for which a downgrade in the debtor classification has a certain degree of impact on profit or loss to be a key audit matter.

of the major profit or loss items such as sales, cost of sales, expenses, etc. of debtors, evaluating the accuracy of estimates based on the historical degree of achievement of business improvement plans in previous years. We also evaluated the implementation status of the measures taken by the debtor, which are necessary for the achievement of the objectives of the plan, by inspecting available external information as well as inquiring to the loan department as necessary to supplement our understanding.

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

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

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

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

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

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

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

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



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

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

From the matters communicated with the Audit and Supervisory Committee, 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

/s/ Motoki Nagao
Motoki Nagao
Designated Engagement Partner
Certified Public Accountant

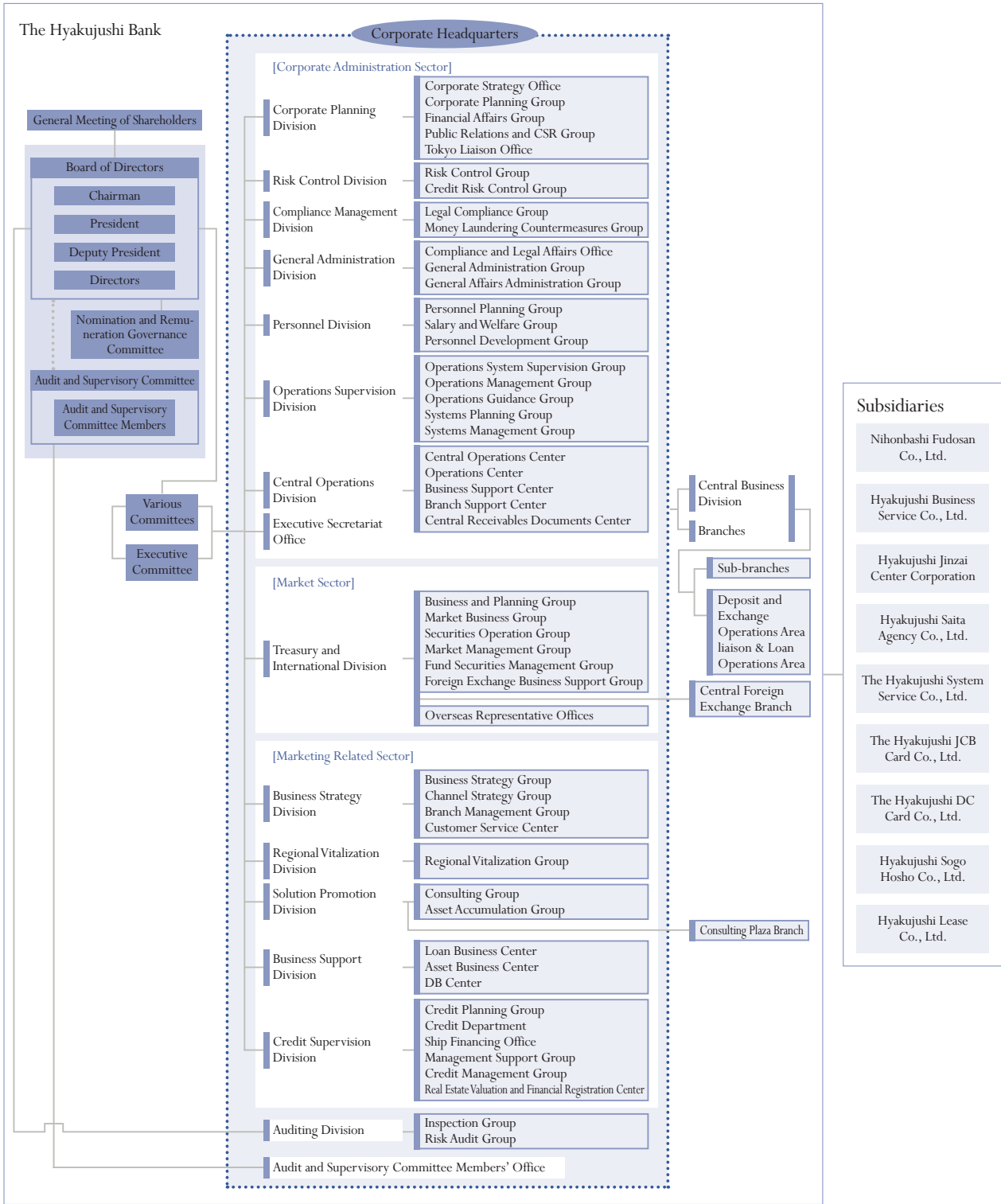
/s/ Teruaki Kawaguchi
Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

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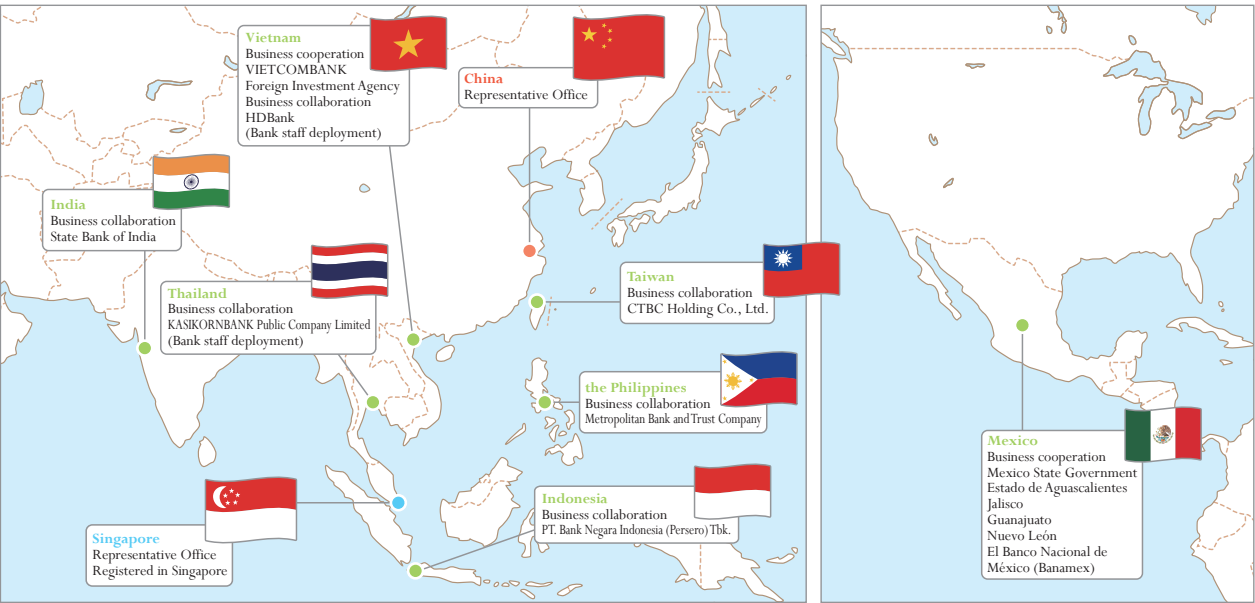
Profile (as of March 31, 2021)

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥5,355.9 billion
Deposits and negotiable certificates of deposit	¥4,539.4 billion
Loans and bills discounted	¥3,042.9 billion
Paid-in capital	¥37.3 billion
Total shares issued	30,000 thousand shares
Employees	2,105
Offices	129 (Head Office, 99 branches, 21 sub-branches, 5 Quick Square, 4 Consulting Plaza)
	Overseas Representative Offices: 2 (Shanghai, Singapore)
Non-branch ATMs and CDs	164 locations

Organization (as of July 1, 2021)



Overseas Support Organizations



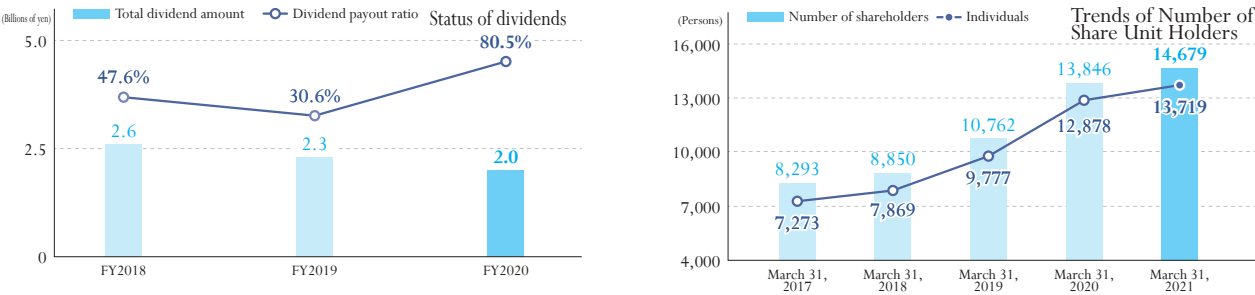
List of Major Shareholders (as of March 31, 2021)

Name	Address	No. of shares held (thousand shares)	Ratio of shares held to the total number of shares outstanding (excluding treasury shares) (%)
Custody Bank of Japan, Ltd.	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	1,495	5.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	1,123	3.79
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	900	3.04
NH Foods Ltd. (Note) 2	4-9, Umeda 2-Chome, Kita-ku, Osaka	632	2.13
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	600	2.02
TAIHEIYO CEMENT CORPORATION (Note) 3	1-1, Koishikawa 1-chome, Bunkyo-ku, Tokyo	595	2.01
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	569	1.92
SUMITOMO LIFE INSURANCE COMPANY	18-24, Tsukiji 7-Chome, Chuo-ku, Tokyo	500	1.69
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	484	1.63
Tadano Ltd.	34, Shindencho, Takamatsu-shi, Kagawa Prefecture	438	1.48
Total	—	7,340	24.81

(Notes)
1. The 424 thousand treasury shares held by the Bank are excluded from the number of shares outstanding.
2. The number of shares held by NH Foods Ltd. includes 500 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.
3. The number of shares held by TAIHEIYO CEMENT CORPORATION includes 595 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by TAIHEIYO CEMENT CORPORATION.

Active Shareholder Return

The Bank's dividends are to be paid upon having comprehensively taken into consideration factors that include adequacy of retained earnings, status of profits and the business environment, while also remaining mindful of the need to ensure stable dividends.



THE HYAKUJUSHI BANK, LTD.

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