

ANNUAL REPORT 2021

Year Ended March 31, 2021



Corporate Data

(As of March 31, 2021)

Head Office

1-2, Nanukamachi 3-chome, Yamagata
990-8642, Japan

Phone:+81 23 623 1221

URL:<https://www.yamagatabank.co.jp/>

Date of Establishment

April 14, 1896

Paid-in Capital

¥12,008million

Stock Exchange Listing

Tokyo Stock Exchange

Credit Rating

A+ (JCR)

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Yamagata Bank's SDG Efforts

We manage our business with SDGs in mind and have incorporated them into the long-term vision of our 20th Long-term Business Plan. Let us introduce some of our SDGs efforts from various perspectives, such as initiatives to create value in our region and to revitalize our regional community.



●What are SDGs?
It is an abbreviation for “Sustainable Development Goals,” a goal to which all UN member states aim to achieve by 2030 in 17 areas such as poverty, education, and the environment. It is set forth in “Transforming Our World: the 2030 Agenda for Sustainable Development” adopted by the United Nations General Assembly in September 2015, with the fundamental principle to “Leave No One Behind”.

●Yamagata Bank and SDGs
In July 2019, the Yamagata Bank Group announced that it would work towards achieving SDGs as a regional community-based banking group. The 20th Long-Term Business Plan also publicly declared that efforts aimed at building a sustainable regional community would help achieve the 2030 SDGs targets.

Creating Value in our Region

- Supporting local manufacturing.
- Supporting management challenges such as business succession.
- Donation to schools from the receiver fee of private bond.
- Initiatives to support the creation of new businesses.

Establishing a Solid Foundation for Growth and Reform

- Renewable energy initiatives.
- Effective compliance programs.
- Strong risk management policies.
- Accepting flexible working styles and creating a good working environment.

Revitalizing the Regional Community

- Supporting local sports through activities of our women's basketball team “Lyers”
- Collaborative alliances of industry, academia, government and financial institutions.
- Education regarding financial economy.
- Forest conservation activities “Hiking in Hanagasa forest”.



Message from Management

We sincerely appreciate for your kind support of The Yamagata Bank, Ltd.

The Yamagata Bank's main area of operation is Yamagata prefecture, which is located in the southern portion of Japan's Tohoku region, about 300 kilometers north of Tokyo. Our head office is situated in Yamagata city, a close neighbor to Sendai City (of Miyagi prefecture), the largest city in the Tohoku region with which it has close economic ties. The population of Yamagata prefecture is approximately 1.07 million and it has a flourishing agricultural industry, known for growing rice and cherries, as well as manufacturing, producing a wide variety of products ranging from electronics to traditional crafts.

Japan's economy in fiscal 2020 experienced severe change due to the worldwide spread of Covid-19, but during the latter half of the fiscal year, it gradually recovered amidst a difficult severe situation. Yamagata prefecture's economy also fell sharply due to the spread of Covid-19, but the latter half of the fiscal year saw an improvement in corporate production activity and the economy showed a gradual recovery. However, at present, both the domestic economy and the local economy are slowing down due to restrictions on economic activities due to the further waves of Covid-19.

As the economy and society suffer drastic changes due to Covid-19 and the declining population, an increasing number of business operators are reviewing their business plans. Recognizing the challenges and needs of such businesses, We are focusing not only on funding support but also on more in-depth efforts such as helping to improve their management and to transition their businesses.

This April, we began implementing our 20th long-term business plan "Transform" (FY2021-2023). Our raison d'être (business purpose) is to contribute to regional development and growth. As a company with the responsibility to promote Yamagata's growth, we aim to help achievement of a sustainable local community, evermore focused on regional revitalization while also strengthening our policies for addressing ESG (environment, society, governance) and SDGs (Sustainable Development Goals).

We would appreciate it if you could encourage and support us as ever.



Kichishige Hasegawa
President

A handwritten signature in black ink, appearing to be 'K. Hasegawa', written in a cursive style.

Management policies

20th Long-Term Business Plan: "Transform"

(April 2021 - March 2024)

Business Resources Supporting The Yamagata Bank (end of March, 2021)

Financial Capital

Trusted Reliability and Safety

- Capital adequacy ratio (Basel III Domestic Standards, non-consolidated) **10.34%**
- Credit Rating (Japan Credit Rating Agency, Ltd.) **A+**

Human Resources

Financial expertise and broad ranged proposal generating capability
Organizational system corresponding to diversity

- Number of employees **1,232**
- Utilizing specialist qualifications
1st grade of Certified Financial Planner, Securities analysts, Real estate appraisers, Small and medium enterprise management consultants, Real estate transaction agent, Certified public accountants, etc.
- Awarded Platinum "Kurumin" certification
First time ever to be awarded in Japan: April 2015
- Health and productivity superior corporation (Large corporation division):
Certified, **4 consecutive years**

Knowledge Resources

Group management system capable of providing comprehensive financial information services

- Group companies **7 companies**
- History and tradition founded **125 years** ago

Social Resources

Abundant network of branches and high market share

- Number of branch offices **81 branches**
- Number of ATM devices **299 units**
- Unmanned service areas **128 locations**

Business Model

Management Philosophy

Grow and develop together with the regional community, satisfy all of our customers, and give our employees stability and opportunities.

Creating a sustainable regional community
(Regional revitalization and regional economic renewal / development)

Achieving Value

Phase

Establishing a New

Phase

Achieving Hybrid

Phase

Responding to COVID-19 and

20th Long-Term Business Plan
April 2021 to March 2024

TRANS

Key Strategy 1:

Staying close and supporting our customers amidst the COVID-19 and post-COVID challenges.

Key Strategy 2:

Efforts to strengthen our consulting business and expand the range of our business services.

This 20th long-term business plan is proceeding toward 2030, aiming to respond as a hybrid company, in a manner that connects

We established our 20th long-term business plan: "Transform" as a plan to cover a three-year period (April 2021 to March 2024). This is Phase 1 of a long-term vision heading toward 2030, to assist the regional economy and company management in the recovery from Covid-19, pursuing a sustainable business model with the aim of becoming a hybrid company offering financial / business participation.

Long-Term Vision

A hybrid company offering financial / business participation that creates value together with our customers and maximizes the potential of our region.

3 **Providing Value** Customer-oriented business and creation of added-value

2 **Business Model**

1 **Company**

1 **Challenging the Hybrid Company**

FORM

Key Strategy 3:

Structural reform and cost management to provide high quality services.

Key Strategy 4:

More sophisticated securities investment and risk management, and utilization of risk appetite framework.

sitioned as Phase 1 of a long-term vision to Covid-19 and the challenge of becoming cts to our vision.

Providing Value to Our Stakeholders

Our Regional Community

- Working for sustainable development; regional renewal.
- Revitalization of regional economy; nurturing industry.
- Commitment to environmental protection.

Our Customers

- Creating value together with our customers by helping to resolve their issues.
- Supporting stable asset building and asset succession for our customers.

Our Shareholders

- Increasing our medium to long term corporate value.

Our Employees and Officers

- Positive work environment.
- Supporting broad employee training efforts.
- Supporting various working styles and diversity.

Our Commitment to Achieving ESG Management and SDGs

Aiming to improve corporate value over the medium to long term and create a sustainable society, we are working to help resolving social issues related to the Environment/Social/Governance. As a regional community-based banking group, we will strive to achieve a sustainable society and to create shared value for society through our corporate activities and commitments toward SDGs.

SUSTAINABLE DEVELOPMENT GOALS

Consolidated Five-Year Financial Highlights

Yen: In millions except per share data and percentages

U.S. dollars: In thousands except per share data and percentages

Years ended March 31

For the fiscal year:	2021	2020	2019	2018	2017	2021
	(Millions of yen)					(Thousands of U.S. dollars)
Ordinary income	¥ 41,225	¥ 44,041	¥ 47,354	¥ 42,488	¥ 45,886	\$ 372,373
Ordinary expenses	36,386	39,406	41,391	35,350	37,802	328,665
Profit before income taxes	4,264	4,468	5,910	6,992	8,034	38,519
Profit attributable to owners of parent	2,852	2,537	4,020	4,988	5,473	25,769

At the fiscal year-end

Assets	¥ 3,128,968	¥ 2,653,119	¥ 2,576,980	¥ 2,618,179	¥ 2,612,784	\$ 28,262,744
Loans and bills discounted	1,739,782	1,713,248	1,699,188	1,726,334	1,674,250	15,714,770
Securities	901,513	758,083	677,078	732,995	717,552	8,143,013
Liabilities	2,967,155	2,505,412	2,420,219	2,460,737	2,459,270	26,801,152
Deposits	2,579,349	2,267,133	2,212,792	2,206,819	2,180,460	23,298,251
Net assets	161,812	147,706	156,761	157,442	153,514	1,461,591

Amounts per share

	(Yen)					(U.S. dollars)
Cash dividends	¥ 30.00	¥ 30.00	¥ 35.00	¥ 21.00	¥ 7.00	\$ 0.27
Profit attributable to owners of parent	87.50	77.86	123.36	153.04	167.74	0.79
Diluted profit attributable to owners of parent	—	—	110.01	136.52	149.68	—
Net assets	4,957.12	4,526.62	4,804.85	4,825.85	4,705.09	44.78

Ratios:

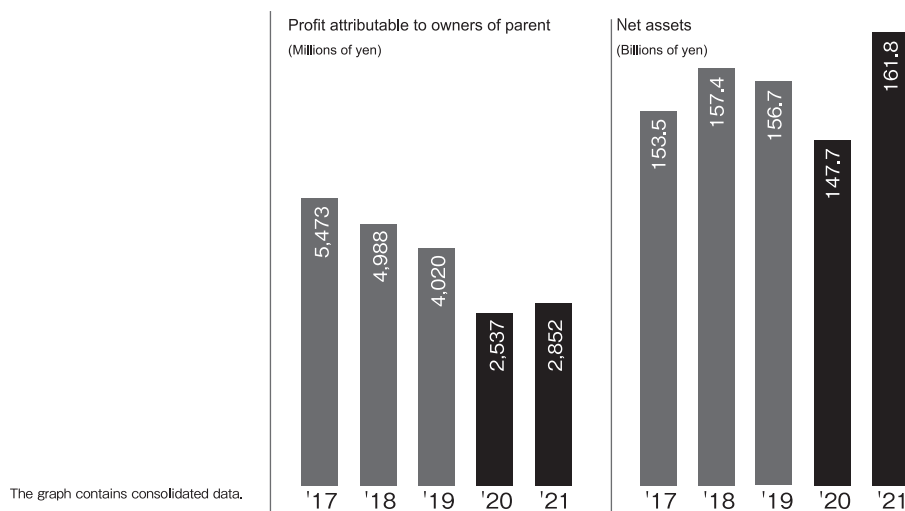
	2021	2020	2019	2018	2017
Capital adequacy ratio (Domestic standard)	10.79%	11.02%	11.59%	11.61%	12.11%

Notes 1 : U.S. dollars represent transactions, for the convenience of readers, at ¥110.71=U.S.\$1.00 the rate prevailing on March 31, 2021.

2 : Effective October 1, 2017, the Bank executed the 1-for-5 stock consolidation. Per share information except cash dividends is calculated under assumption that the stock consolidation had taken effect at the preceding fiscal year.

3 : Effective October 1, 2017, the Bank executed the 1-for-5 stock consolidation. The dividend of ¥21.00 per share for March 31, 2018 is the sum of the intermediate dividend of ¥3.50 and the year-end dividend of ¥17.50, with the interim dividend ¥3.50 being the pre-merger dividend, and the year-end dividend ¥17.50 the post-merger dividend.

4 : Diluted profit attributable to owners of parent for the fiscal year ended March 31, 2021 and 2020 is not listed because there are no potentially dilutive shares.



Independent Auditor's Report

The Board of Directors
The Yamagata Bank , Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Yamagata 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.

Classification of borrowers for the purpose of determining the allowance for loan losses for borrowers with concerns about business performance	
Description of Key Audit Matter	Auditor's Response
The Group is engaged in the banking business with a business base mainly in Yamagata prefecture, of which the lending business is the core business activity. The loans included in the consolidated balance sheet at the end of the current consolidated fiscal year was	In considering the classification of borrowers, our audit procedures consisted primarily of the following: <ul style="list-style-type: none">We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the

1,739,782 million yen (55.6% of total assets). The collectability of loans recorded by the Group are subject to uncertainties due to economic trends in Japan and overseas, especially in certain areas, changes in the financial and economic environment such as interest rates and stock prices, deterioration in business performance and financial position of borrowers depending on success or failure of business and changes in the values of collateral such as real estate. Also, the recent impact of COVID-19 on economic activities may have a significant impact on the performance of borrowers.

As such, the Group calculates the amount of expected loans that won't be collected, based on the classification of borrowers, status of credit protection and the actual rate of loss and records them as an allowance for loan losses.

The allowance for loan losses included in the consolidated balance sheet at the end of the current consolidated fiscal year was 9,907 million yen as described in Section g "Allowance for Loan Losses" and Section v "Significant Accounting Estimates" of Note 3 to the consolidated financial statements, "Summary of Significant Accounting Policies".

The allowance for loan losses is calculated in accordance with the Group's predetermined standards for self-assessment and write-offs and allowance. The calculation process includes the determination of the classification of borrowers which is determined by evaluating the business performance, financial position and repayment status of borrowers and future prospects.

Since it takes a considerable period of time for the COVID-19 situation to return to normal, the Group expects that a certain impact on economic activities in its operating areas will continue. The classification of borrowers is determined based on future prospects of the business performance of individual borrowers considering such impact.

Group's borrower classification process. The controls tested included but were not limited to those controls over the accuracy and completeness of the schedules used in determining the borrower classification and controls over the underlying credit rating data.

- We discussed with the management and departments in charge of the loan, considering available external information such as economic forecasts in order to evaluate the Group's assumptions regarding when the situation of COVID-19 will return to normal.
- We selected a sample of borrowers by taking into account the type of business, business region, the repayment status, the degree of deterioration in their business performance or financial position and data reported by business branches on the impact of the spread of COVID-19 on the borrower's business performance. We also considered monetary impact of the changes in borrower classification on the amount recorded in the allowance for loan losses.
- We evaluated data regarding sampled borrowers' recent repayment status, financial position, and business performance, by inspecting a set of materials 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 actual financial position, financial statements, and the trial balance. In addition, we made inquiries to the department in charge of the loan as necessary to confirm our understanding.
- We considered the reasonableness and feasibility assessments taking into account the impact of COVID-19 on forecasts of major items such as sales, cost of sales, selling, general and administrative expenses in business improvement

<p>In addition, when a borrower has prepared business improvement plans, the reasonableness and feasibility of the business improvement plans are evaluated and considered as important factors in determination of the classification of borrowers.</p> <p>The future prospects for business performance, including evaluation of the reasonableness and feasibility of business improvement plans of borrowers with concerns about business performance is highly dependent on uncertainty and management's judgment since it is affected by changes in the business environment surrounding borrowers such as the effects of COVID-19 and the success or failure of the borrowers' business strategies, etc.</p> <p>In addition, if the borrower classification deteriorates, the allowance for loan losses will increase, which may have a significant impact on the Group's financial position and operating results.</p> <p>Accordingly, we have identified the classification of borrowers for the purpose of determining the allowance for loans losses, particularly with concerns about business performance as a Key Audit Matter.</p>	<p>plans, etc., for borrowers who have prepared business improvement plans, etc. Our procedures also consisted of conducting trend analysis from past results, evaluating whether the borrower had historically achieved its previous business improvement plans, analysis of the latest monitoring conducted by the group and comparison with available external information on the industry to which the borrowers belong.</p>
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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 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2021

佐藤 森夫

/s/ Morio Sato

Designated Engagement Partner
Certified Public Accountant

小松崎 謙

/s/ Ken Komatsuzaki

Designated Engagement Partner
Certified Public Accountant

Corporate Data

Management

(As of June 24, 2021)

President

Kichishige Hasegawa

Senior Managing Director

Shinichiro Miura

Managing Directors

Satoshi Nagai

Hiroshi Koya

Yoshitaka Misawa

Eiji Sato

Yutaka Touyama

Izumi Hasegawa

Directors

Tsutomu Komagome

Toshiyuki Komatsu

Tomokazu Kan

Yumiko Inoue

Keitaro Harada

Takuro Taruishi (Full-time Audit and Supervisory Committee Member)

Yasumasa Gomi (Audit and Supervisory Committee Member)

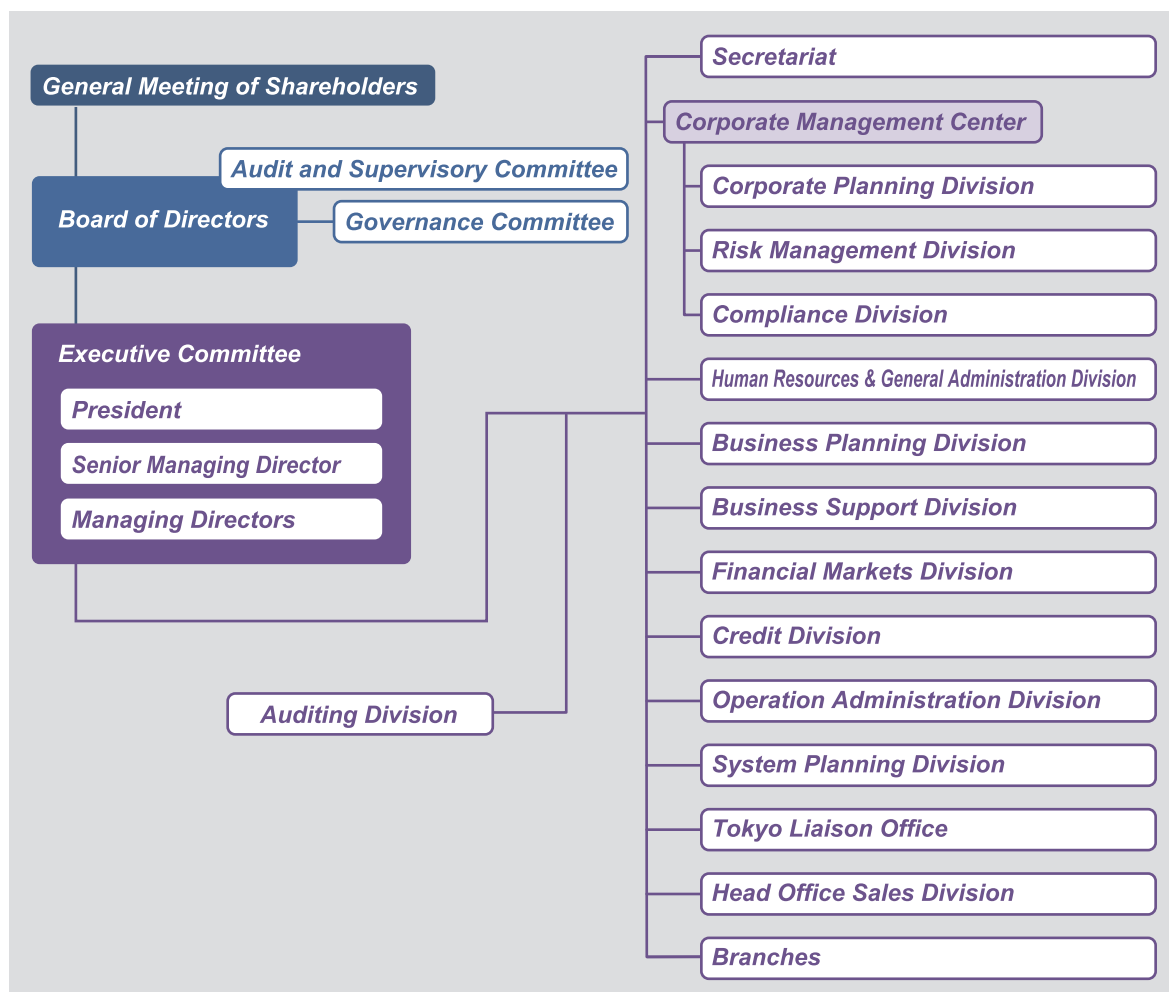
Gisuke Ohara (Audit and Supervisory Committee Member)

Junichi Matsuda (Audit and Supervisory Committee Member)

Masanori Oshino (Audit and Supervisory Committee Member)

Organization

(As of June 24, 2021)



Review of Operations

The Conditions of Consolidated Accounts

The general situation in this term (from April 1, 2020 to March 31, 2021)

Deposits and negotiable certificates of deposit

The year-end consolidated balance of deposits and negotiable certificates of deposit increased by ¥291.9 billion to ¥2,660.1 billion, mainly due to an increase in personal deposits and corporate deposits.

Deposited financial assets

The year-end consolidated balance of deposited financial assets increased by ¥11.0 billion during the year to ¥278.4 billion, mainly due to an increase in investment trust.

Loans and bills discounted

The year-end consolidated balance of loans and bills discounted increased by ¥26.5 billion to ¥1,739.7 billion. Although loans to public entities decreased, loans to corporations increased.

Securities

As a result of promoting investments in assets likely to be profitable, such as investment trusts, etc., there was a ¥143.4 billion increase during the consolidated fiscal year, with a final balance of ¥901.5 billion at the end of the accounting period.

Profit and loss

The consolidated ordinary income decreased by ¥2,815 million from the previous year to ¥41,225 million, mainly due to a decrease in gain on sales of bonds. Consolidated ordinary expenses decreased by ¥3,020 million from the previous year to ¥36,386 million, mainly due to a decrease in expenses on derivatives other than for trading or hedging related to bonds and provision of allowance for loan losses.

As a result, consolidated ordinary profit increased by ¥204 million during the year to ¥4,838 million, and consolidated profit attributable to owners of parent increased by ¥315 million during the year to ¥2,852 million.

Results by business segment

In the banking business, ordinary income for the fiscal year was ¥34,581 million, which was ¥2,536 million less than that for the previous fiscal year; segment profit for the fiscal year was ¥4,329 million, which was ¥436 million more than that for the previous fiscal year.

In the leasing business, ordinary income for the fiscal year was ¥6,015 million, which was ¥28 million more than that for the previous year; segment profit for the fiscal year was ¥205 million, which was ¥80 million more than that for the previous fiscal year.

In the credit guarantee business, ordinary income for the fiscal year was ¥947 million, which was ¥18 million less than that for the previous fiscal year; segment profit for the fiscal year was ¥686 million, which was ¥21 million less than that for the previous fiscal year.

In other business sectors, ordinary income for the fiscal year was ¥1,503

million, which was ¥53 million more than that for the previous fiscal year; segment profit for the fiscal year was ¥205 million, which was ¥70 million more than that for the previous fiscal year.

Cash flows

Cash flows from operating activities was positive at ¥440.1 billion, mainly due to a net increase in deposits.

Cash flows from investing activities was negative at ¥132.9 billion, due to the purchase of securities exceeding the proceeds from sales and redemption of securities.

Cash flows from financing activities was negative at ¥0.9 billion, mainly due to dividends paid.

As a result of the above, the year-end consolidated balance of cash and cash equivalents increased by ¥306.2 billion to ¥381.9 billion during the fiscal year.

Financial Statements

Consolidated Balance Sheet

As of March 31, 2021 and 2020

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)(Note2)
Assets			
Cash and due from banks (Note 19)	¥ 394,592	¥ 86,123	\$ 3,564,200
Call loans and bills bought	1,465	1,310	13,238
Monetary claims bought	7,584	8,051	68,512
Money held in trust	1,261	481	11,398
Securities (Note 4, 5, 7, 11 and 22)	901,513	758,083	8,143,013
Loans and bills discounted (Note 6 and 7)	1,739,782	1,713,248	15,714,770
Foreign exchanges	774	2,491	6,999
Other assets (Note 7)	53,153	52,907	480,117
Property, plant and equipment (Note 10)	15,419	15,445	139,277
Buildings, net (Note 9)	3,858	3,802	34,850
Land (Note 8)	8,320	8,782	75,152
Construction in progress	1,658	1,082	14,977
Other, net (Note 9)	1,582	1,777	14,297
Intangible assets	3,540	3,554	31,978
Software	3,324	3,346	30,029
Other	215	207	1,949
Assets for retirement benefits (Note 26)	1,336	—	12,075
Deferred tax assets (Note 27)	389	1,965	3,521
Customer's liabilities for acceptances and guarantees	18,060	19,281	163,134
Allowance for loan losses	(9,907)	(9,824)	(89,493)
Assets	<u>¥ 3,128,968</u>	<u>¥ 2,653,119</u>	<u>\$ 28,262,744</u>
Liabilities and Net Assets			
Liabilities			
Deposits (Note 7)	¥ 2,579,349	¥ 2,267,133	\$ 23,298,251
Negotiable certificates of deposit	80,834	101,111	730,147
Call money and bills sold	1,992	19,589	18,000
Payables under securities lending transactions (Note 7)	8,318	65,505	75,136
Borrowed money (Note 7)	258,073	13,505	2,331,076
Foreign exchanges	36	29	330
Other liabilities	15,378	16,790	138,909
Provision for bonuses for directors	22	22	203
Liabilities for retirement benefits (Note 26)	52	468	476
Provision for retirement benefits for directors	10	9	98
Provision for share payments of board incentive plan	96	101	872
Provision for reimbursement of deposits	122	168	1,105
Provision for contingent loss	290	304	2,627
Provision for point service program	53	50	486
Provision for loss on interest repayment	56	56	510
Deferred tax liabilities (Note 27)	3,248	13	29,338
Deferred tax liabilities for land revaluation (Note 8)	1,156	1,270	10,445
Acceptance and guarantees	18,060	19,281	163,134
Liabilities	<u>¥ 2,967,155</u>	<u>¥ 2,505,412</u>	<u>\$ 26,801,152</u>
Net Assets			
Shareholders' equity (Note 17 and 31)			
Share capital	¥ 12,008	¥ 12,008	\$ 108,468
Capital surplus	10,215	10,215	92,276
Retained earnings	127,139	125,128	1,148,397
Treasury shares	(3,142)	(3,173)	(28,389)
Shareholders' equity	<u>146,220</u>	<u>144,179</u>	<u>1,320,753</u>
Valuation difference on available-for-sale securities (Note 22)	15,068	6,865	136,107
Deferred gains or losses on hedges	(839)	(3,267)	(7,585)
Revaluation reserve for land (Note 8)	972	1,109	8,780
Retirement benefits liability adjustments	225	(1,342)	2,040
Accumulated other comprehensive income	<u>15,426</u>	<u>3,365</u>	<u>139,342</u>
Non-controlling interests	165	161	1,496
Net assets	<u>¥ 161,812</u>	<u>¥ 147,706</u>	<u>\$ 1,461,591</u>
Liabilities and net assets	<u>¥ 3,128,968</u>	<u>¥ 2,653,119</u>	<u>\$ 28,262,744</u>

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2021 and 2020

Consolidated Statements of Income

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S.dollars)(Note2)
Ordinary income	¥ 41,225	¥ 44,041	\$ 372,373
Interest income	24,444	25,085	220,799
Interest on loans and discounts	16,826	17,161	151,982
Interest and dividends on securities	7,434	7,716	67,149
Interest on call loans and bills bought	(4)	77	(37)
Interest on receivables under resale agreements	(0)	(1)	(2)
Interest on deposits with banks	89	12	809
Other interest income	99	118	898
Fees and commissions	7,422	7,507	67,047
Other ordinary income	7,526	9,931	67,982
Other income	1,831	1,516	16,543
Recoveries of written off receivables	17	16	153
Other (Note 12)	1,814	1,500	16,389
Ordinary expenses	36,386	39,406	328,665
Interest expenses	1,350	2,115	12,195
Interest on deposits	494	643	4,462
Interest on negotiable certificates of deposit	12	19	110
Interest on call money and bills sold	37	7	337
Interest on payables under securities lending transactions	54	486	491
Interest on borrowings and rediscounts	90	163	816
Other interest expenses	661	795	5,976
Fees and commissions payments	2,582	2,594	23,326
Other ordinary expenses	8,012	9,624	72,370
General and administrative expenses (Note 13)	22,437	21,767	202,671
Other expenses	2,004	3,305	18,101
Provision of allowance for loan losses	765	1,735	6,918
Other (Note 14)	1,238	1,570	11,182
Ordinary profit	4,838	4,634	43,708
Extraordinary income	—	3	—
Other	—	3	—
Extraordinary losses	574	169	5,188
Loss on disposal of non-current assets	34	165	309
Impairment loss (Note 15)	540	3	4,879
Profit before income taxes	4,264	4,468	38,519
Income taxes-current	1,936	1,330	17,487
Income taxes-deferred (Note 27)	(528)	597	(4,775)
Income taxes	1,407	1,927	12,711
Profit	2,857	2,541	25,808
Profit attributable to non-controlling interests	4	3	39
Profit attributable to owners of parent	¥ 2,852	¥ 2,537	\$ 25,769
Consolidated Statements of Comprehensive Income			
Profit	¥ 2,857	¥ 2,541	\$ 25,808
Other comprehensive income (Note 16)	12,198	(10,539)	110,188
Valuation difference on available-for-sale securities	8,202	(9,514)	74,091
Deferred gains or losses on hedges	2,427	(566)	21,929
Retirement benefits liability adjustments	1,568	(458)	14,167
Comprehensive income	15,056	(7,997)	135,996
Comprehensive income attributable to owners of parent	15,051	(8,001)	135,957
Comprehensive income attributable to non-controlling interests	4	3	39

Consolidated Statements of Changes in Equity

For the year ended March 31, 2021	Shareholders' equity				(Millions of yen)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance as of April 1, 2020	¥ 12,008	¥ 10,215	¥ 125,128	¥ (3,173)	¥ 144,179
Changes during period					
Dividends of surplus			(980)		(980)
Profit attributable to owners of parent			2,852		2,852
Acquisition of treasury shares				(1)	(1)
Disposal of treasury shares				31	31
Reversal of revaluation reserve for land			137		137
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,010	30	2,040
Balance as of March 31, 2021	¥ 12,008	¥ 10,215	¥ 127,139	¥ (3,142)	¥ 146,220

For the year ended March 31, 2021	Shareholders' equity				(Thousands of U.S. dollars) (Note 2)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2020	\$ 108,468	\$ 92,276	\$ 1,130,239	\$ (28,664)	\$ 1,302,319
Changes during period					
Dividends of surplus			(8,855)		(8,855)
Profit attributable to owners of parent			25,769		25,769
Acquisition of treasury shares				(9)	(9)
Disposal of treasury shares				284	284
Reversal of revaluation reserve for land			1,244		1,244
Net changes in items other than shareholders' equity					
Total changes during period	—	—	18,158	275	18,433
Balance as of March 31, 2021	\$ 108,468	\$ 92,276	\$ 1,148,397	\$ (28,389)	\$ 1,320,753

For the year ended March 31, 2020	Shareholders' equity				(Millions of yen)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	¥ 12,008	¥ 10,215	¥ 123,665	¥ (3,178)	¥ 142,711
Changes during period					
Dividends of surplus			(1,062)		(1,062)
Profit attributable to owners of parent			2,537		2,537
Acquisition of treasury shares				(1)	(1)
Disposal of treasury shares				6	6
Reversal of revaluation reserve for land			(12)		(12)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,463	5	1,468
Balance as of March 31, 2020	¥ 12,008	¥ 10,215	¥ 125,128	¥ (3,173)	¥ 144,179

For the year ended March 31, 2021	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2020	¥ 6,865	¥ (3,267)	¥ 1,109	¥ (1,342)	¥ 3,365	¥ 161	¥ 147,706
Changes during period							
Dividends of surplus							(980)
Profit attributable to owners of parent							2,852
Acquisition of treasury shares							(1)
Disposal of treasury shares							31
Reversal of revaluation reserve for land							137
Net changes in items other than shareholders' equity	8,202	2,427	(137)	1,568	12,061	4	12,065
Total changes during period	8,202	2,427	(137)	1,568	12,061	4	14,106
Balance as of March 31, 2021	¥ 15,068	¥ (839)	¥ 972	¥ 225	¥ 15,426	¥ 165	¥ 161,812

For the year ended March 31, 2021	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2020	\$ 62,015	\$ (29,515)	\$ 10,024	\$ (12,126)	\$ 30,398	\$ 1,457	\$ 1,334,175
Changes during period							
Dividends of surplus							(8,855)
Profit attributable to owners of parent							25,769
Acquisition of treasury shares							(9)
Disposal of treasury shares							284
Reversal of revaluation reserve for land							1,244
Net changes in items other than shareholders' equity	74,091	21,929	(1,244)	14,167	108,943	39	108,982
Total changes during period	74,091	21,929	(1,244)	14,167	108,943	39	127,416
Balance as of March 31, 2021	\$ 136,107	\$ (7,585)	\$ 8,780	\$ 2,040	\$ 139,342	\$ 1,496	\$ 1,461,591

For the year ended March 31, 2020	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2019	¥ 16,379	¥ (2,701)	¥ 1,097	¥ (883)	¥ 13,892	¥ 157	¥ 156,761
Changes during period							
Dividends of surplus							(1,062)
Profit attributable to owners of parent							2,537
Acquisition of treasury shares							(1)
Disposal of treasury shares							6
Reversal of revaluation reserve for land							(12)
Net changes in items other than shareholders' equity	(9,514)	(566)	12	(458)	(10,526)	3	(10,522)
Total changes during period	(9,514)	(566)	12	(458)	(10,526)	3	(9,054)
Balance as of March 31, 2020	¥ 6,865	¥ (3,267)	¥ 1,109	¥ (1,342)	¥ 3,365	¥ 161	¥ 147,706

Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and 2020

	2021	2020	2021
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)(Note 2)
Cash flows from operating activities			
Profit before income taxes	¥ 4,264	¥ 4,468	\$ 38,519
Depreciation	1,686	1,347	15,237
Impairment loss	540	3	4,879
Increase (decrease) in allowance for loan losses	83	302	752
Increase (decrease) in provision for bonuses for directors	—	(2)	—
Decrease (increase) in assets for retirement benefits	(1,336)	243	(12,075)
Increase (decrease) in liabilities for retirement benefits	(415)	415	(3,754)
Increase (decrease) in provision for retirement benefits for directors	1	1	12
Increase (decrease) in provision for share payments of board incentive plan	(5)	24	(45)
Increase (decrease) in provision for loss due to returning interests	—	(2)	—
Increase (decrease) in provision for reimbursement of deposits	(46)	5	(420)
Increase (decrease) in provision for contingent loss	(13)	55	(124)
Increase (decrease) in provision for point service program	3	6	34
Interest income	(24,444)	(25,085)	(220,799)
Interest expenses	1,350	2,115	12,195
Loss (gain) related to securities	(19)	(2,636)	(178)
Loss (gain) on money held in trust	(4)	—	(41)
Foreign exchange loss (gain), net	(129)	246	(1,172)
Loss (gain) on disposal of non-current assets	34	165	309
Net decrease (increase) in loans and bills discounted	(24,851)	(14,298)	(224,470)
Net increase (decrease) in deposits	309,125	54,505	2,792,207
Net increase (decrease) in negotiable certificates of deposit	(20,276)	(3,010)	(183,153)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	244,077	(2,588)	2,204,655
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	(2,188)	91	(19,771)
Net decrease (increase) in call loans	357	9,481	3,231
Net increase (decrease) in call money	(17,676)	19,697	(159,668)
Net increase (decrease) in payables under securities lending transactions	(57,521)	35,943	(519,571)
Net decrease (increase) in trading account securities	—	4	—
Net decrease (increase) in foreign exchanges-assets	1,857	(1,284)	16,774
Net increase (decrease) in foreign exchanges-liabilities	6	(31)	56
Interest received	24,692	25,513	223,037
Interest paid	(1,448)	(2,218)	(13,085)
Other	2,629	(1,759)	23,751
Subtotal	440,329	101,719	3,977,320
Income taxes paid	(519)	(1,685)	(4,690)
Income taxes refunded	387	—	3,503
Net cash provided by (used in) operating activities	440,197	100,034	3,976,134
Cash flows from investing activities			
Purchase of securities	(617,035)	(561,905)	(5,573,440)
Proceeds from sales of securities	464,300	418,332	4,193,847
Proceeds from redemption of securities	22,777	50,135	205,744
Increase in money held in trust	(873)	—	(7,890)
Purchase of property, plant and equipment	(1,239)	(1,696)	(11,197)
Proceeds from sales of property, plant and equipment	3	12	30
Payments for retirement of property, plant and equipment	—	(99)	—
Expenditure for acquisition of intangible assets	(867)	(1,439)	(7,836)
Payments for asset retirement obligations	(2)	(35)	(18)
Net cash provided by (used in) investing activities	(132,936)	(96,695)	(1,200,760)
Cash flows from financing activities			
Redemption of bonds with share acquisition rights	—	(11,099)	—
Dividends paid	(980)	(1,062)	(8,855)
Purchase of treasury shares	(1)	(1)	(9)
Net cash provided by (used in) financing activities	(981)	(12,162)	(8,864)
Effect of exchange rate change on cash and cash equivalents	(2)	0	(21)
Net increase (decrease) in cash and cash equivalents	306,277	(8,822)	2,766,487
Cash and cash equivalents at beginning of year	¥ 75,649	¥ 84,472	\$ 683,312
Cash and cash equivalents at end of year (No.18)	381,927	75,649	3,449,799

Notes to Consolidated Financial Statements

March 31, 2021

1. Basis of Presentation

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

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. U.S. Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of 110.71=U.S.\$1.00, the rate of exchange in effect on March 31, 2021, has been used in translation. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 7 subsidiaries, except for 3 subsidiaries which are not consolidated due to their immateriality.

All significant intercompany receivables and payables and transactions have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Immaterial goodwill is charged to income when incurred.

b. Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or other securities (securities available for sale). Trading account securities, which are purchased for trading purposes, are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities whose fair value is deemed to be extremely difficult to determine are carried at cost. The cost of securities sold is determined by the moving average method.

c. Derivative financial instruments

Derivatives are stated at fair market value.

d. Property, plant and equipment

The Bank recognizes depreciation by the straight-line method applicable to each specific category of assets. The useful lives of buildings and equipment are summarized as follows:

Buildings : 2 to 50 years Equipment : 2 to 15 years

Depreciation of property, plant and equipment of the consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.

e. Intangible assets

Intangible assets are depreciated by the straight-line method. The Bank's software, which is used in-house, is depreciated based on the estimated period of use (mainly five years) at the Bank and at consolidated subsidiaries.

f. Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value or, where lease agreements stipulate guarantee of residual value, the guaranteed residual value. The Bank leases certain vehicles, computer equipment and other assets.

g. Allowance for loan losses

The Bank's allowance for doubtful accounts is treated as follows in accordance with the self-assessment standards and write-off/provision standards that have been set in advance. For loans specified as performing loans or sub-performing loans pursuant to the "Practical Guidelines for Self-Assessment of Assets by Financial Institutions such as Banks and for Auditing of the Write-off of Doubtful Accounts and Allowances for Doubtful Accounts" (Japan Institute of Certified Public Accountants, Bank Audit Special Committee Report No. 4, October 8, 2020), the estimated losses among performing loans over the next year and the estimated losses for sub-performing loans over the next three years is calculated and recorded based for the most part on the loan loss ratio over the past 5 calculation periods. In addition, the estimated losses may be calculated after making revisions, as necessary, such as to future prospects, etc. For loans that may be deemed to be in danger of bankruptcy, deduct from the amount of the loan the estimated marketable value of collateral and the estimated recoverable amount by way of guarantees, and for those borrowers for whom the remaining balance exceeds a stipulated amount, the amount shall be recorded which remains after subtracting the recoverable portion reasonably estimated based on cash flow, and for other borrowers, the estimated losses over the next three years shall be calculated and recorded, based on the past loan loss ratio. For loans that may be deemed to be in danger of bankruptcy or deemed a defacto bankrupt loan, the balance is recorded after deducting from the loan amount, the estimated disposal price of the collateral and the recoverable amount from guarantees.

All loans are assessed by a front department based on asset self-assessment standards, and the asset audit department, which is independent of that department, audits the assessment results.

Regarding the allowance for doubtful accounts of consolidated subsidiaries, for general loans, the amount deemed necessary in consideration of the past loan loss ratio is recorded, and for specific loans for which there is a concern regarding possible sub-performance, these are individually considered for their potential recoverability, and the estimated non-recoverable amount for each is recorded respectively.

h. Provision for bonuses for directors

Provision for bonuses for directors and corporate auditors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payments to directors.

i. Provision for retirement benefits for directors

Provision for retirement benefits for directors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future retirement payments to directors.

j. Provision for share payments of board incentive plan

Provision for share payments of board incentive plan is provided for the expected stock payments due to points assigned to directors based on the stock incentive plan, in order to prepare for the delivery of the Bank's stock through the board incentive BIP trust.

k. Provision for reimbursement of deposits

Provision for reimbursement of deposits which are derecognized as liabilities is provided for the possible losses on the future claims of repayments based on historical repayment experience.

l. Provision for contingent loss

Provision for contingent loss is provided for future estimated payments to the Credit Guarantee Corporations.

m. Provision for point service program

Provision for point service program relating to the points awarded by the use of credit cards issued by consolidated subsidiaries is provided in the amount deemed necessary based on the reasonable estimate of expected future use of the points in order to prepare for the costs in the event of future use.

n. Provision for loss on interest repayment

Provision for loss on interest repayment is provided for the possible losses on the future claims of returning interests.

o. Employees' retirement benefits

For the calculation of employees' retirement benefit obligation, the estimated amount of employees' retirement benefits is attributed to each period by the straight-line method.

Prior service cost is amortized as incurred, by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the necessary payments of the voluntary retirement for all employees at the fiscal year-end.

p. Foreign currency translation

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the balance sheet date.

q. Hedge accounting

1. Interest rate risk hedges

The Bank uses deferral hedges described in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Operational Guidelines No. 24 of the Industry-Specific Committee of the Japan Institute of Certified Public Accountants, October 8, 2020. Hereinafter, the "Operational Guidelines No. 24 of the Industry-Specific Committee.") to hedge interest rate risks generated by the Bank's financial assets and liabilities. The effectiveness of hedges to offset market fluctuations is assessed for each hedged item (for example, deposits and loans) and its hedging instrument (such as interest rate swaps). Concerning hedges to fix cash flows, the Bank identifies hedged items by grouping them based on interest rate indexes and on interest rate revision periods in accordance with Report No. 24 of the Industry Audit Committee, and specifies interest rate swaps as hedging instruments. The Bank specifies hedges in such a way that the major conditions of hedged items and hedging instruments are almost the same, so we believe that our hedges are highly effective.

2. Exchange rate fluctuation risk hedges

The method of accounting used for the hedging of foreign currency fluctuation risk arising from the bank's foreign currency-denominated financial assets and liabilities is to treat it as a deferred hedge as specified in the "Accounting and audit handling of accounting for foreign currency-denominated transactions in the banking industry" (Operational Guidelines No. 25 of the Industry-Specific Committee of the Japan Institute of Certified Public Accountants October 8, 2020. Hereinafter, the "Operational Guidelines No. 25 of the Industry-Specific Committee.") We assess the effectiveness of the hedge by regarding currency swaps and foreign exchange swaps, which are conducted to reduce or eliminate exchange rate fluctuation risks generated by monetary claims and liabilities in foreign currencies, etc., as hedging instruments and by checking whether or not we have appropriate foreign currency positions for the hedging instruments to meet the hedged items (monetary claims and liabilities in foreign currencies, etc.).

r. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

s. Consumption tax and regional consumption tax

With respect to the Bank and the domestic consolidated subsidiaries, all amounts in the accompanying consolidated balance sheet are recorded exclusive of consumption tax and regional consumption tax.

t. Criteria for recognizing income and cost

1. Finance leases

The criteria used is to record sales and cost of sales at the time of the receipt of lease payments.

2. Stock dividends

Criteria for recognizing stock dividends included in interest and dividends on securities.

Regarding the recognition standard for stock dividends due to disposal of other retained earnings (limited to cases where the dividend asset is cash only), it is recorded in the consolidated fiscal year in which the effective date of the resolution regarding the dividend occurs, made by the distributing company's shareholders, directors or other organ with decision-making authority.

u. Principles and procedures of accounting treatment adopted when the provisions of the relevant accounting standards, etc. are not clear.

Cancellation of investment trusts

Gains and losses associated with the cancellation / redemption of investment trusts are aggregated for the entire investment trust, and in the case of an overall profit including any distributions of profit made during the period, it is recorded as a "interest and dividends on securities" of "interest income," and in case of an overall loss, it is recorded as "other ordinary expense."

(Additional Information)

"Accounting Standards for Disclosure of Accounting Policies, Accounting Changes and Correction of Errors" (ASBJ Statement No. 24, March 31, 2020) was applied to the consolidated financial statements at the end of the current consolidated fiscal year, and "principles and procedures of accounting treatment adopted when the provisions of relevant accounting standards, etc. are not clear" have been disclosed.

v. Significant Accounting Estimates

The following sets forth the items for which an amount is recorded in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the next consolidated fiscal year.

allowance for doubtful accounts

1.Amount recorded in the consolidated financial statements for the current consolidated fiscal year.

	current consolidated fiscal year (March 31, 2021)
allowance for doubtful accounts	¥ 9,907 million (\$ 89,493 thousand)

Information to better understand the content of significant accounting estimates that relate to certain identified items.

1) Calculation method

The calculation method for determining the allowance for doubtful accounts is described in "Matters related to Accounting Policies" and "(5) Standards for Recording the Allowance for Doubtful Accounts". It is our assessment that the past loan loss ratio is sufficient for purposes of estimating future losses, and so we calculated the estimated future losses based on the relevant loan loss ratio and recorded the allowance for doubtful accounts.

2) Key assumptions

a.The timing for the Covid19 situation to return to normal and its impact
Since it will take a considerable period of time for the Covid19 situation to return to normal, it is our assumption that it will have some impact on the economic activities in our core business region.

b.The future outlook for individual debtor performance, etc. in determining debtor classification

In determining debtor classification, the repayment ability of individual debtors is evaluated and the future outlook for business performance, etc., is assumed, taking into account the time needed for the above-referenced Covid19 situation to return to normal and its impact. If the debtor has prepared a management improvement plan, etc., the future outlook for business performance, etc. is assumed based on an assessment of the management improvement plan, etc.

3) Impact on consolidated financial statements during the next consolidated fiscal year

If the assumptions used in the initial estimation change due to changes in the business environment surrounding the debtor, such as the effect of Covid19 or the success or failure of individual debtors' business strategies, it may have a significant impact on the amount recorded for allowance for doubtful accounts during the next consolidated fiscal year.

w. Accounting standards issued but not yet effective

• ASBJ Statement No. 29 Accounting Standard for Revenue Recognition (March 31, 2020)

• ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition (March 26, 2021)

1. Overview

The following are comprehensive standards relating to revenue recognition. Revenue is recognized by applying the following 5 steps:

Step 1: Identify each contract with clients.

Step 2: Identify the performance obligations of each contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the contractual performance obligations.

Step 5: Recognize revenue as performance obligations are completed.

2. Scheduled date of adoption

The Bank expects to adopt these revised standards from the beginning of the fiscal year ending March 31, 2022.

3. Impact of adopting revised standards

The impact of applying these accounting standards, etc. will be minor.

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

1. Overview

In order to improve comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter the "Fair Value Measurement Accounting Standards") were developed, providing guidance on how to measure fair value. "Accounting Standard for Fair Value Measurement" will be applied in determining the fair value of the following items.

•Financial instruments subject to "Accounting Standard for Financial Instruments."

Further, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised, with explanatory notes prescribed providing for a breakdown, etc. for each level of fair value of the financial instruments.

2. Scheduled date of adoption

It is expected to take effect from the beginning of the March 2022 financial period.

3. Effect of adoption of the accounting standards The impact of applying these accounting standards is currently being assessed.

x. Change in Presentation of Financial Statements

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied from the end of the current consolidated fiscal year, and is stated in the notes in the consolidated financial statements regarding significant accounting estimates.

However, in the notes, in accordance with the transitional treatment set forth in the proviso of paragraph 11 of the accounting standard, the relevant information for the previous consolidated fiscal year is not stated.

y. Additional information

The Bank has implemented a BIP (Board Incentive Plan) trust for directors using the trust framework to grant Bank stock as director compensation, with the aim of motivating directors to more strongly commit to the medium - to long - term contribution to the Bank's corporate value and improvement of the Bank's business performance.

1. Summary of the transaction

Pursuant to the Stock Grant Rules of the Bank, points are allotted to each director based upon level of achievement of business performance goals each fiscal year and based upon individual position, and the Bank stock and the money equivalent to the converted value of the Bank stock based on the points are granted and delivered through the trust at the time of leaving the Bank.

2. Matters regarding the Bank stock held by the trust

- (1) The Bank's stock held by the trust is recorded as treasury stock as part of shareholder's equity at the trust's book value.
- (2) The trust's book value was ¥149 million (\$1,354 thousand) and ¥181 million at March 31, 2021 and 2020, respectively.
- (3) The number of Bank stocks held by the trust was 70 thousand shares and 85 thousand shares at March 31, 2021 and 2020, respectively.

4. Stock or Contributed Capital of Non-Consolidated Subsidiaries and Affiliated Companies

Stock or contributed capital of non-consolidated subsidiaries and affiliated companies totaled ¥1,155 million (\$10,440 thousand) and ¥1,197 million at March 31, 2021 and 2020, respectively.

5. Government Bonds and Local government bonds with Lending Agreements

The "securities" include government bonds and local government bonds lent through unsecured lending agreements. Their amount totaled ¥33,075 million (\$298,760 thousand) and ¥44,596 million at March 31, 2021 and 2020, respectively.

6. Loans and Bills Discounted

(i) Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥1,716 million (\$15,500 thousand) and ¥15,465 million (\$139,690 thousand), respectively, at March 31, 2021, and ¥2,549 million and ¥13,977 million, respectively, at March 31, 2020. A loan is placed on non-accrual status when substantial doubt as to the collectibility of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans, after the charge-offs of loans deemed uncollectible, to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance of the Corporation Income Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

(ii) Loans past due for 3 months or more totaled ¥33 million (\$301 thousand) and ¥61 million at March 31, 2021 and 2020, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrowers under bankruptcy procedures or delinquent loans.

(iii) Restructured loans totaled ¥6,969 million (\$62,955 thousand) and ¥7,465 million at March 31, 2021 and 2020, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction of the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Restructured loans are not included in loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

(iv) The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥24,184 million (\$218,448 thousand) and ¥24,054 million at March 31, 2021 and 2020, respectively.

(v) Bills discounted are accounted for as financial transactions in accordance with "Operational Guidelines No.24 of the Industry-Specific Committee". The Bank has rights to sell or pledge accepted banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills acquired at a discount and foreign exchange bought at a discount was ¥2,564 million (\$23,163 thousand) and ¥3,776 million as of March 31, 2021 and 2020, respectively.

(vi) Overdraft protection on current accounts and contracts for loan commitments are agreements under which the Bank and the consolidated subsidiaries are bound to extend loans up to a prearranged amount, at the request of the customer, unless the customer is in breach of contract. The unutilized balance of such contracts amounted to ¥562,374 million (\$5,079,708 thousand) and ¥546,274 million as of March 31, 2021 and 2020, respectively, of which the balance of contracts that have a term of one year or less are unconditionally cancelable at any time was ¥525,014 million (\$4,742,249 thousand) and ¥512,553 million as of March 31, 2021 and 2020, respectively. Since many of these contracts are scheduled to expire without the rights having been exercised, any unutilized balance in itself does not necessarily affect the future cash flows of the Bank or its consolidated subsidiaries. A provision is included in many of these contracts which entitles the Bank and the consolidated subsidiaries to refuse the execution of such loans, or to reduce the maximum amount loaned under such contracts when there is a change in the borrower's financial situation, or when it is necessary to secure a claim, or when other similar factors arise. In addition, the Bank and its consolidated subsidiaries obtain, if needed, real estate or securities as collateral at the time when the contracts are entered into and subsequently monitor the borrower's financial condition periodically based on, and in accordance with, the procedures established, if deemed necessary, specific measures such as amendments to the contracts are undertaken in order to control the credit risk.

7. Assets Pledged

Pledged assets and liabilities related to pledged assets as of March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Pledged assets:Securities	¥ 220,901	¥ 220,732	\$ 1,995,318
Loans and bills discounted	¥ 173,334	¥ —	\$ 1,565,660
Liabilities related to the above pledged assets			
Deposits	¥ 19,139	¥ 15,404	\$ 172,877
Call money and bills sold	¥ —	¥ 19,589	\$ 0
Payable under securities lending transactions	¥ 8,318	¥ 65,505	\$ 75,136
Borrowed money	¥ 253,178	¥ 7,882	\$ 2,286,858

In addition, securitized totaling ¥6,424 million (\$58,033 thousand) and ¥9,213 million were pledged as collateral for settlement of exchange and futures transactions at March 31, 2021 and 2020, respectively.

Initial margins of futures markets included in other assets as of March 31, 2021 and 2020 were zero and ¥57 million, respectively.

Cash collateral paid for financial instruments included in other assets as of March 31, 2021 and 2020 were both ¥854 million (\$7,713 thousand).

Deposits included in other assets as of March 31, 2021 and 2020 were ¥209 million (\$1,894 thousand) and ¥271 million, respectively.

Initial margins of central counterparty included in other assets as of March 31, 2021 and 2020 were both ¥25,000 million (\$225,815 thousand).

8. Land Revaluation

Pursuant to the "Law Concerning the Land Revaluation" (the "Law"), land used for the Bank's business operations was revalued on March 31, 2002. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in net assets at an amount net of the related tax effect at March 31, 2002. The corresponding income taxes were included in liabilities at March 31, 2002 as deferred tax liability on revalued land.

The Land revaluation was determined based on two methods, the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments, and appraisal by a real estate appraiser.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the Law, and the total book value of the land after the revaluation was ¥2,899 million (\$26,187 thousand) and ¥3,508 million at March 31, 2021 and 2020, respectively.

9. Accumulated Depreciation

Accumulated depreciation totaled ¥24,965 million (\$225,502 thousand) and ¥24,603 million at March 31, 2021 and 2020, respectively.

10. Recorded Reduction in Value of Property, plant and equipment

The recorded reduction in value of property, plant and equipment was ¥1,931 million (\$17,446 thousand) and ¥1,983 million at March 31, 2021 and 2020, respectively. During the current consolidated fiscal year there were no new property, plant and equipment for which the book value was reduced in value.

11. Guarantee Obligations in Respect of the Corporate Bonds

Among the corporate bonds included in the "securities", the guarantee obligations in respect of the corporate bonds pursuant to private offering securities (Article 2, paragraph 3 of the Financial Instruments and Exchange Act) were ¥18,257 million (\$164,913 thousand) and ¥14,237 million at March 31, 2021 and 2020, respectively.

12. Other Income

Other income includes gain on sales of equity securities etc. of ¥1,639 million (\$14,804 thousand) and ¥1,375 million at March 31, 2021 and 2020, respectively.

13. General and Administrative Expenses

General and Administrative Expenses include salary and benefits of ¥9,271 million (\$83,742 thousand) and ¥9,503 million, Periodic pension costs of ¥794 million (\$7,171 thousand) and ¥294 million, and outsourcing costs of ¥2,461 million (\$22,231 thousand) and ¥2,119 million at March 31, 2021 and 2020, respectively.

14. Other Expenses

Other expenses include loss on sales of equity securities of ¥438 million (\$3,964 thousand) and ¥762 million at March 31, 2021 and 2020, respectively.

15. Impairment Loss

For the following branch businesses, etc., where the investment amount cannot be expected to be recovered due to a decrease in cash flow due to a decrease in operating income, a decline in land prices, and a decision to consolidate branches etc., the book value is reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss in the form of an impairment loss.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
(Millions of yen)

Classification	Main Use, etc.	Type	Place	Impairment loss
Working assets	20 branch businesses	land and buildings	Yamagata Prefecture	¥ 536 (of which land 457)
Working assets	1 branch business	building	Miyagi Prefecture	¥ 3 (of which land --)
Total				¥ 540

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
(Thousands of U.S. dollars)

Classification	Main Use, etc.	Type	Place	Impairment loss
Working assets	20 branch businesses	land and buildings	Yamagata Prefecture	\$ 4,845 (of which land 457)
Working assets	1 branch business	building	Miyagi Prefecture	\$ 33 (of which land --)
Total				\$ 4,879

Preceding consolidated fiscal year (from April 1, 2019 to March 31, 2020)
(Millions of yen)

Classification	Main Use, etc.	Type	Place	Impairment loss
Idle asset	one idle et	land	Yamagata Prefecture	¥ 3
Total				¥ 3

As for the shop businesses, since their financial balance is continuously monitored for each shop business on a shop-by-shop basis (however, for business office groups that operate jointly, on a group unit basis), each individual shop constitutes the smallest grouping unit, and for idle assets, each asset constitutes the smallest grouping unit. Headquarters, office centers, company housing, dormitories, etc. are categorized as shared assets since they do not generate independent cash flow. The recoverable amount of the asset group is measured based on its net sale price. The net sale price considers the importance of assets, and its calculation is mainly based on "Real Estate Appraisal Standards" and "the price calculated by the method established and announced by the Commissioner of the National Tax Agency to calculate the price of land, which is the basis for calculating the taxable value of land for the land value tax stipulated in Article 16 of the Land Value Tax Act."

16. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to other comprehensive income for the year ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available -for- sale securities:			
Amount arising during the year	¥ 11,843	¥ (10,923)	\$ 106,977
Reclassification adjustments	(169)	(2,636)	(1,533)
Amount before tax effect	11,673	(13,560)	105,444
Tax effect	(3,471)	4,046	(31,352)
Valuation difference on available -for- sale securities:	8,202	(9,514)	74,091

Deferred gains or losses on hedges:			
Amount arising during the year	2,233	(1,900)	20,178
Reclassification adjustments	1,259	1,086	11,374
Amount before tax effect	3,493	(814)	31,552
Tax effect	(1,065)	248	(9,623)
Deferred gains or losses on hedges	2,427	(566)	21,929
Retirement benefits liability adjustments:			
Amount arising during the year	1,537	(874)	13,885
Reclassification adjustments	719	214	6,499
Amount before tax effect	2,256	(660)	20,384
Tax effect	(688)	201	(6,217)
Retirement benefits liability adjustments	1,568	(458)	14,167
Total other comprehensive income	¥ 12,198	¥ (10,539)	\$ 110,188

17. Stocks Issued

The number of stocks issued and changes during the year ended March 31, 2021 and 2020 are summarized as follows:

	Thousands of stocks		Thousands of stocks	
	2021		2020	
	Treasury stock	Common stock issued	Treasury stock	Common stock issued
Beginning of the year	1,404	34,000	1,407	34,000
Increase during the year	0 ^{*1}	—	0 ^{*4}	—
Decrease during the year	14 ^{*2}	—	2 ^{*5}	—
End of the year	1,390 ^{*3}	34,000	1,404 ^{*6}	34,000

*1 The increase of less than thousand in treasury stock, which is common stock, was due to the purchase of fractional numbers of less than one unit.

*2 The decrease of 14 thousand in treasury stock, which is common stock, was due to the delivery of the Bank's stock from board incentive BIP trust.

*3 The number of treasury stock as of the end of consolidated fiscal year includes 70 thousand of the Bank's stock held by the board incentive BIP trust.

*4 The increase of less than thousand in treasury stock, which is common stock, was due to the purchase of fractional numbers of less than one unit.

*5 The decrease of 2 thousand in treasury stock, which is common stock, was due to the delivery of the Bank's stock from board incentive BIP trust.

*6 The number of treasury stock as of the end of consolidated fiscal year includes 85 thousand of the Bank's stock held by the board incentive BIP trust.

18. Dividends

Dividends for the year ended March 31, 2021 and 2020 are summarized as follows:

	2021			
	November 10, 2020		May 14, 2020	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 490 million	\$ 4,427 thousand	¥ 490 million	\$ 4,427 thousand
Dividend per share	¥ 15.00	\$ 0.135	¥ 15.00	\$ 0.135
Record date	September 30, 2020	September 30, 2020	March 31, 2020	March 31, 2020
Effective date	December 4, 2020	December 4, 2020	June 5, 2020	June 5, 2020

	2020	
	November 8, 2019	May 13, 2019
	Resolution by the board of directors	
Total dividends	¥ 490 million	¥ 571 million
Dividend per share	¥ 15.00	¥ 17.50
Record date	September 30, 2019	March 31, 2019
Effective date	December 5, 2019	June 5, 2019

Dividends for which the Record date belonged to the year ended March 31, 2021 and 2020 but to be effective in the following year are summarized as follows:

	2021		2020	
	May 13, 2021		May 14, 2020	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 490 million	\$ 4,427 thousand	¥ 490 million	
Dividend per share	¥ 15.00	\$ 0.135	¥ 15.00	
Record date	March 31, 2021	March 31, 2021	March 31, 2020	
Effective date	June 4, 2021	June 4, 2021	June 5, 2020	

Total dividends above include 1 million yen for the stocks held by the board incentive BIP trust.

Dividends are recorded in the fiscal year in which the proposed appropriation of retained earnings is approved by the Board of Directors and by the general meeting of shareholders. There is a limit on dividends under Article 18 of the Banking Act. An amount equal to 20% of the aggregated amount of dividends shall be set aside as a legal reserve or legal capital surplus, regardless of Article 445-4 of the Companies Act of Japan.

19. Cash Flows

Cash and cash equivalents stated in the consolidated statement of cash flows consisted of the following:

	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and due from banks	¥ 394,592	¥ 86,123	\$ 3,564,200
Current deposits	(87)	(139)	(794)
Ordinary deposits	(377)	(264)	(3,406)
Time deposits	(12,000)	(10,000)	(108,394)
Deposits with Japan Post Bank	(193)	(63)	(1,751)
Others	(5)	(6)	(52)
Cash and cash equivalents	¥ 381,927	¥ 75,649	\$ 3,449,799

20. Leases

(As lessee)

Finance Lease transaction

Finance lease transactions that do not transfer ownership.

① Description of lease asset

Property, plant and equipment

Primarily, a portion of vehicles and electronic computers.

② Method of depreciation of lease assets

As stated in the "f. Leased assets" of "3. Summary of Significant Accounting Policies".

(As lessor)

Investments in leased assets at March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars)
Gross lease receivables	¥ 14,727	¥ 15,457	\$ 133,023
Estimated residual values	1,219	1,125	11,013
Unearned interest income	(1,981)	(2,187)	(17,898)
Investments in leased assets	¥ 13,964	¥ 14,396	\$ 126,139

Maturities of lease receivables at March 31, 2021 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2022	¥ 4,407	\$ 39,813
2023	3,572	32,272
2024	2,721	24,583
2025	1,858	16,787
2026	1,135	10,256
2027 and thereafter	1,030	9,311

Maturities of lease receivables at March 31, 2020 are as follows:

Years ending March 31	(Millions of yen)
2021	4,504
2022	3,684
2023	2,841
2024	1,997
2025	1,156
2026 and thereafter	1,273

21. Financial Instruments

1. Matters relating to the state of financial instruments

(1) Policy for financial instruments

The Bank provides financial services mainly connected with the banking business including deposits, loans, buying and selling trading securities and security investments. In the banking business, which is the main business of the Bank, funds are raised by means such as accepting deposits and borrowing money from the call money market, and are invested by providing loans and buying securities. Financial assets and liabilities are susceptible to interest rate fluctuations, so the Bank bears market risk, which is the risk of loss caused by changes in financial market conditions (for example, interest rate risk and price fluctuation risk), and the risk of failing to raise sufficient funds.

The Bank performs comprehensive asset and liability management (ALM) to appropriately control the balance of profit and risk in a way that suits fund raising and investment policy as well as taking into consideration the state of assets and liabilities and the trends of the financial and capital markets. The Bank uses derivatives as part of such management.

(2) Nature and risk of financial instruments

The Bank's financial assets consist mainly of loans to domestic companies and individuals, and the Bank is exposed to the credit risks arising from customers defaulting on their loans. Securities mainly consist of stocks, bonds and investment trusts, some of which are held until the maturity date, others are held for purposes such as investment and business promotion. Those securities are exposed to credit risk of the relevant issuer, the risks of fluctuations in interest rates and market prices.

Deposits, call money, etc., those are financial liabilities are exposed to interest rate fluctuation risks caused by differences in interest rates and the periods between financial liabilities and financial assets. Financial liabilities are also exposed to the funding risk of loss due to inability to raise funds, because of reasons such as unexpected outflow of funds, and by raising funds at interest rates much higher than the normal rate because of unavoidable reasons; and the market liquidity risk of loss caused by the inability to raise the required funds because of disruption such as a credit crunch in the entire market and by trading at prices greatly disadvantageous compared with the normal price.

(3) Risk management for financial instruments

i. Credit risk management

The Bank measures the risk amount through credit judgments, credit ratings and self-assessments, attaching importance to the public good, safety, growth potential and profitability, and controls the risk on the principle of elimination of concentration on specific customers, in accordance with credit policy (lending standards), which states the basic ideas about lending, the code of conduct and other matters, and with the credit risk management rules, which specify credit risk management methods.

The Bank's credit review division and sales promotion division are separated to ensure independence of each other and stringent credit risk management.

The Bank conducts rigorous self-assessment, which includes audits by the audit division, in order to secure the soundness of the assets. Based on the results, the Bank appropriately writes off bad debts and sets aside reserves.

The Bank has a credit rating system for business loans to understand the true state of companies from both quantitative and qualitative aspects.

To reduce and offset credit risk, the Bank receives collateral and guarantees for lending transactions and offsets loans against deposits. The Bank's basic approach to security is stated in the credit policy, and security assessments, management policies and procedures are set out in the operation manual.

Measurement method and procedures for credit risk amount are stipulated in the operation manual and the risk is measured monthly based on the borrower's credit rating and other factors. The results are reported to the ALM Council (the board of managing directors).

ii. Market risk management

a. Interest rate risk management

The Bank's interest rate fluctuation risk is managed by ALM. Risk management methodology and procedures are stated in detail in the rules and manuals related to ALM. Present conditions are checked, state of execution is checked and future

actions are discussed by the ALM Council, based on the outcome of the deliberations of the ALM Committee.

Risks are monitored using methodology such as basis point value (BPV) and value at risk (VaR), and mainly with gap analyses and interest rate sensitivity analyses, and the results are reported monthly to the ALM Council. As part of ALM, derivatives such as interest rate swap transactions are conducted to hedge interest rate risks.

b. Price fluctuation risk management

Trading and management of investment instruments such as securities are performed in accordance with the investment policy and risk management policy as determined by the board of directors on a semi-annual basis. The middle section of the Financial Markets Division and the Risk Management Division measure market risk for securities investments quantitatively and comprehensively using VaR, etc. The results are reported to the relevant directors, the ALM Council, etc., with the frequency set for each financial instrument to check the state of compliance with the rule.

c. Quantitative information concerning market risk

The principal financial instruments that are subject to interest rate risk and price fluctuation risk, which are the main risk variables affecting the Bank, are loans and bills discounted, securities, deposits and derivative transactions.

The variance-covariance method (holding period: 90 days*, confidence interval: 99%, observation period: 250 business days) was used for the calculation of VaR, the market risk volume. The volume of overall market risk (estimated loss) as of March 31, 2021 (consolidated accounts settlement date) and 2020 was ¥44,492 million (\$401,881 thousand) and ¥53,187 million, respectively.

The Bank believes that the measurement model estimates market risk with sufficient accuracy because the Bank examines the model by means such as performing backtesting to compare the VaR calculated using the model with the actual profit and loss.

However, VaR measures market risk volume with a certain probability that is calculated statistically based on historical market movements, and therefore VaR may fail to represent risk in the case of exceptionally drastic change in market conditions.

* Holding period for shares purchased for business relationships, which are included in the securities: 125 days.

iii. Liquidity risk management

Sections managing liquidity risks at the Bank are clearly stated in the liquidity risk management rules that stipulate the liquidity risk management procedures, system and so on. The Bank has a management system to secure sufficient liquidity in case of unexpected events by setting liquidity standards for various cases including times of normality, times of concern, and times of emergency.

(4) Supplementary explanation of fair values of financial instruments

Fair value of financial instruments includes market price as well as reasonably determined value where market price is unavailable. The reasonably determined value could differ depending on different conditions and assumptions because calculation of such value is conducted based on certain conditions and assumptions.

2. Fair value of financial instruments

Carrying amount and fair value, as of March 31, 2021 and 2020, and the difference between the values are shown in the table below. Unlisted stocks and others whose fair value is deemed to be extremely difficult to determine are not listed in the table (see Note 2). Accounts considered to be immaterial are omitted.

<March 31, 2021> (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥ 394,592	¥ 394,592	¥ -
(2) Securities			
Held-to-maturity bonds	18,035	18,336	300
Other securities	863,311	863,311	-
(3) Loans and bills discounted	1,739,782		
Allowance for loan losses (*1)	(9,189)		
	1,730,592	1,751,379	20,786
Total assets	3,006,532	3,027,619	21,087
(1) Deposits	2,579,349	2,579,380	31
(2) Negotiable certificates of deposit	80,834	80,834	-
(3) Payables under securities lending transactions	8,318	8,318	-
(4) Borrowed money	258,073	258,102	29
Total liabilities	2,926,575	2,926,636	60
Derivative transactions (*2)			
To which hedge accounting is not applied	22	22	-
To which hedge accounting is applied	(1,252)	(1,252)	-
Total derivatives	¥ (1,230)	¥ (1,230)	¥ -

<March 31, 2021> (Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	\$ 3,564,200	\$ 3,564,200	\$ -
(2) Securities			
Held-to-maturity bonds	162,908	165,625	2,716
Other securities	7,797,954	7,797,954	-
(3) Loans and bills discounted	15,714,770		
Allowance for loan losses (*1)	(83,005)		
	15,631,764	15,819,519	187,755
Total assets	27,156,828	27,347,299	190,471
(1) Deposits	23,298,251	23,298,535	283
(2) Negotiable certificates of deposit	730,147	730,147	-
(3) Payables under securities lending transactions	75,136	75,136	-
(4) Borrowed money	2,331,076	2,331,342	266
Total liabilities	26,434,611	26,435,161	550
Derivative transactions (*2)			
To which hedge accounting is not applied	200	200	-
To which hedge accounting is applied	(11,313)	(11,313)	-
Total derivatives	\$ (11,113)	\$ (11,113)	\$ -

(*1) General reserve and specific allowance for loan losses corresponding to loans and bills discounted are deducted.

(*2) Derivative transactions recorded in other assets and other liabilities are presented on a net basis.

<March 31, 2020> (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥ 86,123	¥ 86,123	¥ -
(2) Securities			
Held-to-maturity bonds	14,237	14,493	256
Other securities	727,057	727,057	-
(3) Loans and bills discounted	1,713,248		
Allowance for loan losses (*1)	(9,164)		
	1,704,083	1,725,536	21,452
Total assets	2,531,502	2,553,211	21,709
(1) Deposits	2,267,133	2,267,177	43
(2) Negotiable certificates of deposit	101,111	101,111	-
(3) Call money and bills sold	19,589	19,589	-
(4) Payables under securities lending transactions	65,505	65,505	-
(5) Borrowed money	13,505	13,544	38
Total liabilities	2,466,844	2,466,927	62
Derivative transactions (*2)			
To which hedge accounting is not applied	(723)	(723)	-
To which hedge accounting is applied	(4,758)	(4,758)	-
Total derivatives	¥ (5,482)	¥ (5,482)	¥ -

Note 1 Method to calculate fair values of financial instruments
Assets

(1) Cash and due from banks
Concerning due from banks without maturity, the carrying amount is

reported as fair value because the fair value is approximately the same as the carrying amount. Concerning due from banks with maturity, the carrying amount is reported as fair value because the remaining periods are as short as less than one year, and the fair value is approximately the same as the carrying amount.

(2) Securities

Fair value of stocks is determined based on the exchange price, and that of bonds based on the exchange price or price quoted by the counterparty financial institutions. Fair value of investment trusts is determined based on the price publicly available. Fair value of privately placed guaranteed bonds is calculated by discounting the total amount of principal and interest at an interest rate deemed to be applicable to similar bonds by categories based on internal ratings and terms of the bonds.

(3) Loans and bills discounted

Fair value of loans and bills discounted is calculated by categorizing the loans based on the type, internal rating, term (the remaining period or the period between interest rate renewals), and then discounting the total of the principals and interest with a rate expected for a new similar loan. For loans with short remaining periods (less than one year), the carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

For receivables from "legally bankrupt", "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on factors such as present value of expected future cash flow and expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected loan losses at the end of the year, such carrying amount is presented as fair value. Concerning loans whose maturity dates were not set because they were limited to within the values of the collateral offered as security, the carrying amount is reported as fair value because the fair value is expected to be approximately the same as the carrying amount considering expected periods of repayments and the terms of interest rate.

Liabilities

(1) Deposits, and (2) negotiable certificates of deposit

Concerning demand deposits, the amounts to be paid if such deposits were withdrawn at the end of the year (book values) are regarded as fair value. Time deposits are separated by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for new deposit-taking. For those with short remaining periods (less than one year), their carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

(3) Payables under securities lending transactions

The carrying amount is reported as fair value for payables under securities lending transactions because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

(4) Borrowed money

Fair value of borrowed money is calculated by discounting the total amount of the principal and interest of such borrowed money classified by the type, and the remaining period at the interest rates considered to be applicable to new similar borrowed money. The fair value of short-term borrowed money with remaining period as of the end of the fiscal year not exceeding one year is based on the carrying amount because the fair value is approximately the same as the carrying amount.

Derivative transactions

Matters related to derivative transactions are as stated in Note 24 "Fair Value Information on Derivatives".

Note 2 Financial instruments whose fair value is deemed to be extremely difficult to determine were as follows. These were not included in the Asset, "(2) Securities" in "Fair value of financial instruments".

Category	Carrying amount		
	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Unlisted stocks (*1)(*2)	¥ 1,776	¥ 1,802	\$ 16,043
Investment in partnerships (*3) and others	18,389	14,985	166,107
Total	¥ 20,165	¥ 16,788	\$ 182,150

(*1) Unlisted stocks are not subject to fair value disclosure because of the extreme difficulty in determining their fair values as they are not sold in the market.

(*2) Impairment accounting was applied to unlisted stocks of ¥ 0 million in the previous consolidated fiscal year. Impairment accounting was applied to unlisted stocks of ¥ 0 million (\$ 0) in this consolidated fiscal year.

(*3) In the case that partnership assets consist of unlisted stocks whose fair value is deemed to be extremely difficult to determine, investment in partnerships is not subject to fair value disclosure.

Note 3 Scheduled redemption amounts of financial assets and securities with maturities
<March 31, 2021>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and due from banks	¥ 394,592	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	24,618	105,816	110,072	73,835	273,910	190,399
Held-to-maturity bonds	1,396	4,938	6,782	4,918	—	—
Corporate bonds	1,396	4,938	6,782	4,918	—	—
Other securities with a maturity date	23,222	100,878	103,290	68,916	273,910	190,399
Government bonds	9,074	42,225	7,165	—	25,730	75,485
Local government bonds	138	296	20,410	18,412	120,810	23,753
Corporate bonds	10,534	24,770	17,936	26,711	18,425	20,164
Other	3,474	33,586	57,776	23,792	108,944	70,995
Loans and bills discounted(*)	383,779	312,753	241,100	174,786	176,114	430,669
Total	¥ 802,991	¥ 418,570	¥ 351,173	¥ 248,621	¥ 450,025	¥ 621,068

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" borrowers, loans to "Virtually bankrupt" borrowers, and loans to "Possibly bankrupt" borrowers, amounting to ¥20,577 million (\$185,865 thousand) is not included in the above table.

<March 31, 2021 >

(Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and due from banks	\$ 3,564,200	\$ —	\$ —	\$ —	\$ —	\$ —
Securities	222,372	955,801	994,245	666,924	2,474,124	1,719,800
Held-to-maturity bonds	12,610	44,606	61,265	44,425	—	—
Corporate bonds	12,610	44,606	61,265	44,425	—	—
Other securities with a maturity date	209,761	911,195	932,980	622,498	2,474,124	1,719,800
Government bonds	81,970	381,403	64,726	—	232,413	681,826
Local government bonds	1,255	2,682	184,363	166,315	1,091,229	214,558
Corporate bonds	95,154	223,737	162,017	241,273	166,432	182,142
Other	31,381	303,371	521,873	214,908	984,048	641,273
Loans and bills discounted(*)	3,466,533	2,824,983	2,177,769	1,578,774	1,590,775	3,890,067
Total	\$ 7,253,106	\$ 3,780,785	\$ 3,172,015	\$ 2,245,698	\$ 4,064,900	\$ 5,609,868

<March 31, 2020>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and due from banks	¥ 86,123	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	44,209	97,379	165,070	47,672	144,867	141,106
Held-to-maturity bonds	1,219	3,890	5,428	3,699	—	—
Corporate bonds	1,219	3,890	5,428	3,699	—	—
Other securities with a maturity date	42,990	93,489	159,641	43,973	144,867	141,106
Government bonds	24,989	35,174	29,836	—	6,821	62,158
Local government bonds	—	20,486	59,899	4,261	87,548	31,775
Corporate bonds	15,024	27,006	24,545	23,386	7,151	14,765
Other	2,976	10,821	45,360	16,326	43,346	32,407
Loans and bills discounted(*)	410,950	306,532	237,854	153,781	153,274	433,587
Total	¥ 541,284	¥ 403,911	¥ 402,924	¥ 201,454	¥ 298,141	¥ 574,694

Note 4 Scheduled repayment amounts of bonds, borrowed money and other interest bearing liabilities
<March 31, 2021>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits(*)	¥ 2,451,673	¥ 119,411	¥ 8,264	¥ —	¥ —	¥ —
Negotiable certificates of deposit	80,834	—	—	—	—	—
Payable under securities lending transactions	8,318	—	—	—	—	—
Borrowed money	254,811	2,654	499	100	7	—
Total	¥ 2,795,638	¥ 122,066	¥ 8,764	¥ 100	¥ 7	¥ —

*Demand deposits are included in "Due in 1 year or less".

<March 31, 2021>

(Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits(*)	\$ 22,145,004	\$ 1,078,595	\$ 74,651	\$ —	\$ —	\$ —
Negotiable certificates of deposit	730,147	—	—	—	—	—
Payable under securities lending transactions	75,136	—	—	—	—	—
Borrowed money	2,301,616	23,979	4,510	905	63	—
Total	\$ 25,251,904	\$ 1,102,575	\$ 79,162	\$ 905	\$ 63	\$ —

<March 31, 2020>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits(*)	¥ 2,122,564	¥ 133,271	¥ 11,296	¥ —	¥ —	¥ —
Negotiable certificates of deposit	101,111	—	—	—	—	—
Call money and bills sold	19,589	—	—	—	—	—
Payable under securities lending transactions	65,505	—	—	—	—	—
Borrowed money	9,650	2,791	1,028	24	10	—
Total	¥ 2,318,421	¥ 136,063	¥ 12,325	¥ 24	¥ 10	¥ —

*Demand deposits are included in "Due in 1 year or less".

22. Securities

Trading account securities, marketable securities classified as held-to-maturity bonds and other securities at March 31, 2021 and 2020 are summarized as follows:

1. Trading account securities
There are no applicable matters.

2. Held-to-maturity bonds (As of March 31, 2021)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Fair value	Difference	Carrying Value	Fair value	Difference
Fair value exceeding carrying value	Government bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Local government bonds	—	—	—	—	—	—
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	17,382	17,688	306	157,010	159,777	2,767
	Other	—	—	—	—	—	—
	Subtotal	17,382	17,688	306	157,010	159,777	2,767
Fair value not exceeding carrying value	Government bonds	—	—	—	—	—	—
	Local government bonds	—	—	—	—	—	—
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	653	647	(5)	5,898	5,847	(50)
	Other	—	—	—	—	—	—
	Subtotal	653	647	(5)	5,898	5,847	(50)
Total		¥ 18,035	¥ 18,336	¥ 300	\$ 162,908	\$ 165,625	\$ 2,716

Held-to-maturity bonds (As of March 31, 2020)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Fair value exceeding carrying value	Government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	13,692	13,965	272
	Other	—	—	—
	Subtotal	13,692	13,965	272
Fair value not exceeding carrying value	Government bonds	—	—	—
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	544	527	(16)
	Other	—	—	—
	Subtotal	544	527	(16)
Total		¥ 14,237	¥ 14,493	¥ 256

3. Other securities (As of March 31, 2021)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Carrying value exceeding cost	Stocks	¥ 30,690	¥ 15,460	¥ 15,230	\$ 277,217	\$ 139,649	\$ 137,567
	Bonds	337,896	333,471	4,424	3,052,085	3,012,116	39,968
	Government bonds	81,215	79,287	1,928	733,591	716,173	17,418
	Local government bonds	183,823	181,702	2,120	1,660,404	1,641,249	19,155
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	72,857	72,481	375	658,088	654,693	3,395
	Other	184,165	174,035	10,130	1,663,498	1,571,995	91,503
	Foreign bonds	58,571	55,799	2,772	529,057	504,018	25,039
	Other	125,593	118,235	7,358	1,134,441	1,067,976	66,464
	Subtotal	552,752	522,967	29,785	4,992,800	4,723,761	269,039
Carrying value not exceeding cost	Stocks	3,745	4,421	(675)	33,833	39,935	(6,101)
	Bonds	124,152	127,050	(2,898)	1,121,417	1,147,600	(26,183)
	Government bonds	78,465	81,180	(2,715)	708,748	733,274	(24,525)
	Local government bonds	—	—	—	—	—	—
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	45,686	45,870	(183)	412,668	414,326	(1,657)
	Other	190,563	195,158	(4,595)	1,721,286	1,762,793	(41,507)
	Foreign bonds	47,284	48,416	(1,131)	427,106	437,324	(10,218)
	Other	143,278	146,742	(3,464)	1,294,179	1,325,469	(31,289)
	Subtotal	318,461	326,631	(8,169)	2,876,537	2,950,329	(73,792)
Total	¥ 871,214	¥849,598	¥ 21,615	\$ 7,869,338	\$7,674,090	\$ 195,247	

Other securities (As of March 31, 2020)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Carrying value exceeding cost	Stocks	¥ 22,949	¥ 9,889	¥ 13,060
	Bonds	361,064	355,259	5,805
	Government bonds	113,144	110,042	3,102
	Local government bonds	193,711	191,444	2,267
	Short-term corporate bonds	—	—	—
	Corporate bonds	54,208	53,771	436
	Other	56,911	52,939	3,972
	Foreign bonds	32,943	29,880	3,063
	Other	23,967	23,059	908
	Subtotal	440,926	418,088	22,837
Carrying value not exceeding cost	Stocks	6,883	8,602	(1,718)
	Bonds	113,764	115,207	(1,442)
	Government bonds	45,835	47,005	(1,170)
	Local government bonds	10,258	10,276	(18)
	Short-term corporate bonds	—	—	—
	Corporate bonds	57,670	57,924	(254)
	Other	175,266	184,956	(9,689)
	Foreign bonds	37,917	39,461	(1,544)
Other	137,349	145,494	(8,144)	
Subtotal	295,914	308,765	(12,850)	
Total	¥ 736,840	¥726,854	¥ 9,986	

4. Held-to-maturity bonds sold during the year
There are no applicable matters.

5. Other securities sold during the year ended March 31, 2021

(Millions of yen)

(Thousands of U.S. dollars)

	Proceeds from Sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 9,860	¥ 1,377	¥ 350	\$ 89,067	\$ 12,446	\$ 3,166
Bonds	402,218	706	998	3,633,084	6,381	9,015
Government bonds	296,089	494	991	2,674,463	4,466	8,957
Local government bonds	93,144	187	—	841,335	1,694	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	12,984	24	6	117,285	220	57
Other	52,221	1,116	1,300	471,695	10,082	11,743
Total	¥ 464,300	¥ 3,200	¥ 2,648	\$ 4,193,847	\$ 28,910	\$ 23,926

Other securities sold during the year ended March 31, 2020

(Millions of yen)

	Proceeds from Sales	Gains on sales	Losses on sales
Stocks	¥ 6,667	¥ 1,227	¥ 685
Bonds	340,244	2,301	1,040
Government bonds	333,029	2,288	1,026
Local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	7,215	13	13
Other	71,420	2,250	882
Total	¥ 418,332	¥ 5,780	¥ 2,608

6. Securities for which the purpose of holding it has changed.

During the current consolidated fiscal year, the holding purpose for 228 million yen of bonds held for maturity was changed due to the significant deterioration of the credit status of the bond issuer, and the securities were categorized as other securities. The impact of this change on the consolidated financial statements for the current consolidated fiscal year is immaterial.

7. Securities which have readily determinable fair value are written down to fair value, and the difference between cost and fair value is treated as loss for the fiscal year if fair value has significantly deteriorated compared with cost and fair value is unlikely to recover up to the acquisition cost.

The amount of the impairment loss for the year ended March 31, 2021 was 346 million yen (stocks 196 million yen and corporate bonds 150 million yen)

The amount of the impairment loss for the year ended March 31, 2020 was zero.

The criteria for determining whether a security's fair value has "significantly deteriorated" is: whether a security whose fair value is 50% or less and whether a security whose fair value exceeds 50% but is 70% or less of the acquisition cost, considering the changes in the quoted market price during a certain period in the past, business performance and other factors.

23. Money Held in Trust

Other moneys held in trust (other than if held for operational purposes or held to maturity) during the year ended March 31, 2021

(Millions of yen)

(Thousands of U.S dollars)

	Carrying value	Fair value	Difference	Carrying value exceeding cost	Carrying value not exceeding cost	Carryin value	Fair value	Difference	Carrying value exceeding cost	Carrying value not exceeding cost
Other moneys held in trust	¥ 1,261	¥ 1,261	—	—	—	\$ 11,398	\$ 11,398	—	—	—

Note Among these "Carrying value exceeding cost" and "carrying value not exceeding cost" are each a breakdown of "the difference."

For the preceding consolidated accounting year (as of March 31, 2020)

(Millions of yen)

	Carrying value	Fair value	Difference	Carrying value exceeding cost	Carrying value not exceeding cost
Other moneys held in trust	¥ 481	¥ 481	—	—	—

24. Valuation difference on available-for-sale securities

The components of valuation difference on available-for-sale securities recorded on the consolidated financial statements at March 31, 2021 and 2020 are as follows:

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Valuation Gains (losses)	¥ 21,649	¥ 9,976	\$ 195,554
Other Securities	21,649	9,976	195,554
Other money held in trust	—	—	—
(△) Deferred tax liabilities	6,581	3,110	59,446
Valuation difference on available-for-sale securities (before adjustment based on equivalent amount of shareholdings)	15,068	6,865	136,107
(△) Amount equivalent to non-controlling interests equity	—	—	—
Valuation difference on available-for-sale securities owned by companies accounted for using the equity method, the amount equivalent to owners of parent	—	—	—
Valuation difference on available-for-sale securities	¥ 15,068	¥ 6,865	\$ 136,107

25. Fair Value Information on Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Derivative transactions to which hedge accounting is not applied are set forth in the table below. Contract amounts themselves do not reflect the market risks of the derivative transactions.

Interest rate-related transactions

<March 31, 2021>

There are no applicable matters.

<March 31, 2020>

(Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Interest rate swaps				
	Receive-fixed/pay-floating	¥ 6,000	¥ 6,000	¥ 81	¥ 81
	Receive-floating/pay-fixed	14,000	14,000	(826)	(826)
Total		—	—	¥ (745)	¥ (745)

Currency-related transactions

<March 31, 2021>

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-Counter transactions	Forward exchange contracts								
	Sold	¥ 6,748	¥ —	¥ (28)	¥ (28)	\$ 60,953	\$ —	\$ (253)	\$ (253)
	Bought	7,838	—	68	68	70,800	—	615	615
	Currency options								
	Sold	¥ 12,570	¥ —	¥ (330)	¥ (241)	\$ 113,539	\$ —	\$ (2,983)	\$ (2,185)
	Bought	12,570	—	330	267	113,539	—	2,983	2,419
Total		—	—	¥ 40	¥ 66	—	—	\$ 362	\$ 596

<March 31, 2020>

(Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-Counter transactions	Forward exchange contracts				
	Sold	¥ 17,906	¥ —	¥ 107	¥ 107
	Bought	9,514	—	(65)	(65)
	Currency options				
	Sold	¥ 3,550	¥ —	¥ (44)	¥ (26)
	Bought	3,550	—	44	32
Total		—	—	¥ 41	¥ 46

1. The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statement of income.

2. Fair values are obtained using the discounted cash flow, etc.

Credit derivatives transactions

<March 31, 2021>

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Credit default swaps								
	Sold	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
	Bought	2,227	2,227	(17)	(17)	20,115	20,115	(162)	(162)
Total		—	—	¥ (17)	¥ (17)	—	—	\$ (162)	\$ (162)

<March 31, 2020>

(Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Credit default swaps				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	1,752	1,752	(19)	(19)
Total		—	—	¥ (19)	¥ (19)

1. The above transactions are measured at fair value and the resulting gains or losses are included in the consolidated statement of income.

2. Fair values are obtained using the discounted cash flow, etc.

3. "Sold" and "Bought" indicate assumption and cession of credit risk, respectively.

(2) Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting is applied are set forth in the table below. Contract amounts themselves below do not represent the market risks of the derivative transactions.

Interest rate-related transactions

<March 31, 2021>

(Millions of yen)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 61,399	¥ 61,399	¥ (1,195)	\$ 554,599	\$ 554,599	\$ (10,800)
Exceptional method	Interest rate swaps receive-floating/pay-fixed		—	—	—	—	—	—
Total			—	—	¥ (1,195)	—	—	\$ (10,800)

1. Deferred hedging is used, primarily based on Operational Guidelines No. 24 of the Industry-Specific Committee.

2. Calculation of market value

For transactions made through the exchange, the final price on the Tokyo Financial Exchange, etc. is used. Over-the-counter transactions are calculated using the discounted present value and option price calculation models.

<March 31, 2020>

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 66,139	¥ 65,144	¥ (4,701)
Exceptional method	Interest rate swaps receive-floating/pay-fixed		—	—	
Total		—	—	—	¥ (4,701)

- The above transactions apply deferral hedge accounting stipulated in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24 February 13, 2002).
- The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

Currency-relate transactions

<March 31, 2021>

(Millions of yen)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Foreign securities in foreign currency	¥ 28,395	¥ 23,206	¥ (56)	\$ 256,481	\$ 209,611	\$ (512)
Total		—	—	—	¥ (56)	—	—	\$ (512)

- Deferred hedging is used, primarily based on Operational Guidelines No. 25 of the Industry-Specific Committee.
- Calculation of market value
Calculated using the discounted present value, etc.

<March 31, 2020>

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Foreign securities in foreign currency	¥ 28,395	¥ 28,395	¥ (56)
Total		—	—	—	¥ (56)

- The above transactions apply deferral hedge accounting stipulated in "Accounting and auditing for transactions in foreign currencies, etc., in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 25 July 29, 2002).
- The fair value is calculated based on the discounted present value.

26. Retirement Benefit Plans

The Bank and the consolidated subsidiaries have defined-benefit corporation pension funds and lump-sum retirement benefits. Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities. The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet for the Bank's and the consolidated subsidiaries' defined retirement benefit plans:

- The changes in the retirement benefit obligation during the year ended March 31, 2021 and 2020 are as follows:

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	¥ 16,817	¥ 17,148	\$ 151,905
Service cost	519	535	4,693
Interest cost	50	51	454
Actuarial gain/loss	(333)	(96)	(3,013)
Retirement benefits paid	(996)	(821)	(8,998)
Prior service cost	—	—	—
Other	—	—	—
Retirement benefit obligation at the end of the year	¥ 16,057	¥ 16,817	\$ 145,041

- The changes in plan assets during the year ended March 31, 2021 and 2020 are as follows:

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Plan assets at the beginning of the year	¥ 16,349	¥ 17,338	\$ 147,675
Expected return on plan assets	441	450	3,987
Actuarial gain/loss	1,203	(970)	10,871
Contributions by employers	283	293	2,556
Contributions by employees	54	56	487
Retirement benefits paid	(989)	(818)	(8,937)
Other	—	—	—
Plan assets at the end of the year	¥ 17,341	¥ 16,349	\$ 156,640

- The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2020 for the bank's and the consolidated subsidiaries' defined benefit plans:

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 16,004	¥ 16,762	\$ 144,565
Plan assets at fair value	(17,341)	(16,349)	(156,640)
	(1,336)	413	(12,075)
Unfunded retirement benefit obligation	52	54	476
Net liabilities for retirement benefits in the consolidated balance sheet	(1,284)	468	(11,599)
Liabilities for retirement benefits	52	468	476
Assets for retirement benefits	(1,336)	—	(12,075)
Net liabilities for retirement benefits in consolidated balance sheet	¥ (1,284)	¥ 468	\$ (11,599)

- The components of retirement benefit expense for the year ended March 31, 2021 and 2020 are as follows:

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Service cost	¥ 465	¥ 479	\$ 4,205
Interest cost	50	51	454
Expected return on plan assets	(441)	(450)	(3,987)
Amortization of actuarial gain/loss cost	719	214	6,499
Amortization of prior service cost	—	—	—
Other	—	—	—
Retirement benefit expense	¥ 794	¥ 294	\$ 7,171

Notes

- Concerning the consolidated subsidiaries that use a simplified method, all of the retirement benefit cost is included in the service cost.
- Service cost does not include the amounts contributed by employees with respect to corporate pension fund plans.

- (5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 are as follows:

	2021 (Millions of yen)		2020 (Thousands of U.S. dollars)
Prior service cost.....	¥ —	¥ —	\$ —
Actuarial gain and loss	2,256	(660)	20,384
Other	—	—	—
Total	¥ 2,256	¥ (660)	\$ 20,384

- (6) Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 are as follows:

	2021 (Millions of yen)		2020 (Thousands of U.S. dollars)
Unrecognized prior service cost ...	¥ —	¥ —	\$ —
Unrecognized actuarial gain/loss ...	325	(1,931)	2,935
Other	—	—	—
Total	¥ 325	¥ (1,931)	\$ 2,935

- (7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 is as follows:

	2021	2020
Bonds	21%	24%
Stocks	34%	26%
General account	29%	31%
Other	16%	19%
Total	100%	100%

Note

The expected long-term return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term return on assets held in each category.

- (8) The assumptions used in accounting for the above plans are as follows:

	2021	2020
1) Discount rate:	0.4%	0.3%
2) Expected rate of long-term return on assets: ...	2.7%	2.6%

27. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2021 and 2020 are summarized as follows:

	2021 (Millions of yen)		2020 (Thousands of U.S. dollars)
Deferred tax assets:			
Allowance for loan losses	¥ 2,799	¥ 2,654	\$ 25,283
Devaluation on securities	243	140	2,199
Depreciation	605	629	5,466
Deferred gains or losses on hedges	368	1,433	3,329
Other	1,883	1,785	17,015
Subtotal: deferred tax assets	5,900	6,643	53,294
Valuation allowance (Note1)	(1,609)	(1,432)	(14,539)
Total: deferred tax assets	4,290	5,211	38,754
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(6,581)	(3,110)	(59,446)
Net defined benefits assets	(407)	—	(3,683)
Other	(159)	(149)	(1,442)
Total: deferred tax liabilities	(7,148)	(3,259)	(64,571)
Net deferred tax assets (liabilities)	¥ (2,858)	¥ 1,951	\$ (25,817)

Notes

Net deferred tax assets (liabilities) as of March 31, 2021 and 2020 were included in the following accounts in the consolidated balance sheets.

	2021 (Millions of yen)	2020 (Thousands of U.S. dollars)
Deferred tax assets	¥ 389	¥ 1,965
Deferred tax liabilities	(3,248)	(13)
		\$ 3,521
		(29,338)

For the fiscal year ended March 31, 2021 and 2020, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate was as follows:

	2021	2020
Statutory tax rate	30.50%	30.50%
Valuation allowance	4.21%	11.59%
Non-deductible expenses	0.51%	0.69%
Non-taxable income	(1.25%)	(1.30%)
Per capita inhabitants' tax rate	0.82%	0.78%
Reversal of revaluation reserve for land	(2.67%)	(0.15%)
Others	0.88%	1.02%
Effective tax rate	33.00%	43.13%

(Change in Presentation of Financial Statements)

Since the "Reversal of revaluation reserve for land" included in "Others" in the previous consolidated fiscal year has become more important, it has been separately presented from the current consolidated fiscal year. In order to reflect this change in presentation, the notes for the previous consolidated fiscal year have been reclassified.

As a result, 0.87% displayed in "Others" in the previous consolidated fiscal year has been reclassified as "Reversal of revaluation reserve for land" Minus 0.15% and "Others" 1.02%.

28. Asset Retirement Obligations

Among asset retirement obligations, recorded amounts on the consolidated financial statements

A. Summary description of the asset retirement obligations

Obligation to restore to original condition, under leasing agreements for land for operating facilities and for ATMs outside of the bank facilities, obligation to remove toxic substances used at a portion of the operating facilities and the administrative center, due to legal requirements, etc.

B. Calculation Method of Amount of Asset Retirement Obligations

The asset retirement obligation amounts are calculated by estimating the period of use to be from 6 years to 30 years from time of acquisition, using a discount rate of 0.0% to 2.0% based on the government bond yields as a reference.

C. Gains/Losses in total asset retirement obligation

	2021 (Millions of yen)		2020 (Thousands of U.S. dollars)
Balance at beginning of year	¥ 131	¥ 169	\$ 1,187
Increase in amount due to acquisition of property, plant and equipment	0	—	2
Adjustment due to the passage of time	0	0	4
Increase due to change in estimate	50	—	457
Reduction due to performance of asset retirement obligations	2	38	20
Balance at the end of the year	¥ 180	¥ 131	\$ 1,632

29. Segment Information

1. Outline of reportable segments

The Bank Group previously reported "Banking business" "Leasing business" and "Credit guarantee business".

Reportable segments are components for which separate financial information is available and that are subject to periodic examination by the board of directors to determine the allocation of management resources and assess performances.

The Bank and its consolidated subsidiaries consist of the Bank and 7 consolidated subsidiaries that are engaged in the financial services business that includes mainly banking services as well as leasing services.

Therefore, the reportable segments of the Bank and its consolidated subsidiaries comprise 'Banking', 'Leasing', and 'Credit guarantee' which are distinguished by the type of the business.

'Banking' includes deposit taking, lending, investment in securities and exchange services.

'Leasing' represents the lease business of Yamagin Lease Co., Ltd., one of the consolidated subsidiaries.

'Credit guarantee' is a credit guarantee business operated by Yamagin Guarantee Service Co., Ltd., one of the consolidated subsidiaries.

2. Calculation method of ordinary income, profit (loss), assets, liabilities and other items by reportable segment

The accounting policies in Note 3, "Summary of Significant Accounting Policies", are adopted for the reportable segments.

Reportable segment profit corresponds to ordinary profit.

Ordinary income arising from intersegment transactions is based on arm's length prices.

3. Ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Year ended March 31, 2021

(Millions of yen)

	Reportable segment				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Credit guarantee	Total				
Ordinary income								
External customers	¥ 33,821	¥ 5,917	¥ 249	¥ 39,988	¥ 1,246	¥ 41,234	¥ (9)	¥ 41,225
Intersegment	760	97	698	1,555	257	1,813	(1,813)	—
Total	34,581	6,015	947	41,544	1,503	43,047	(1,822)	41,225
Segment profit	4,329	205	686	5,221	205	5,426	(587)	4,838
Segment assets	3,115,372	17,028	6,043	3,138,445	6,082	3,144,527	(15,559)	3,128,968
Segment liabilities	2,961,124	13,425	2,970	2,977,521	3,978	2,981,499	(14,344)	2,967,155
Other items								
Depreciation	1,676	8	0	1,684	2	1,686	—	1,686
Interest income	25,067	0	5	25,073	57	25,130	(685)	24,444
Interest expenses	1,327	56	—	1,383	20	1,403	(53)	1,350
Increase in property, plant and equipment and intangible assets	2,070	34	0	2,106	0	2,107	—	2,107

Year ended March 31, 2021

(Thousands of U.S. dollars)

	Reportable segment				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Credit guarantee	Total				
Ordinary income								
External customers	\$ 305,495	\$ 53,454	\$ 2,250	\$ 361,200	\$ 11,255	\$ 372,456	\$ (82)	\$ 372,373
Intersegment	6,867	879	6,305	14,051	2,327	16,379	(16,379)	—
Total	312,363	54,333	8,555	375,251	13,583	388,835	(16,462)	372,373
Segment profit	39,103	1,859	6,198	47,160	1,857	49,018	(5,310)	43,708
Segment assets	28,139,939	153,814	54,591	28,348,345	54,941	28,403,287	(140,542)	28,262,744
Segment liabilities	26,746,678	121,266	26,835	26,894,780	35,938	26,930,719	(129,567)	26,801,152
Other items								
Depreciation	15,141	72	1	15,215	21	15,237	—	15,237
Interest income	226,429	3	47	226,479	515	226,995	(6,195)	220,799
Interest expenses	11,988	510	—	12,498	182	12,680	(485)	12,195
Increase in property, plant and equipment and intangible assets	18,703	315	8	19,027	6	19,033	—	19,033

Notes

1. Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.

2. "Other" represents business segments that are not the reportable segments and comprises business support service, data processing, credit card business, regional trading company, venture capital business, etc.

3. "Adjustments" are as follows:

(1) Adjusted amount of ordinary income from external customers Minus 9 million yen is the adjusted amount of the allowance for doubtful accounts provision for "leasing business" and "others".

(2) The 587 million yen adjustment for segment profit, the 15,559 million yen reduction adjustment for segment assets, the 14,344 million yen reduction adjustment for segment liabilities, the 685 million yen reduction adjustment for interest income, and the 53 million yen reduction adjustment for interest expenses are eliminations of intersegment transactions.

4. "Segment profit (loss)" corresponds to ordinary income (net) of Consolidated Statements of Income.

Year ended March 31, 2020

(Millions of yen)

	Reportable segment				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Credit guarantee	Total				
Ordinary income								
External customers	¥ 36,686	¥ 5,887	¥ 273	¥ 42,847	¥ 1,193	¥ 44,041	¥ (0)	¥ 44,041
Intersegment	431	98	692	1,223	256	1,479	(1,479)	—
Total	37,118	5,986	965	44,070	1,450	45,521	(1,479)	44,041
Segment profit	3,892	125	708	4,726	134	4,861	(226)	4,634
Segment assets	2,640,225	17,753	6,498	2,664,477	6,198	2,670,676	(17,557)	2,653,119
Segment liabilities	2,498,385	14,206	3,420	2,516,013	4,142	2,520,155	(14,743)	2,505,412
Other items								
Depreciation	1,338	6	0	1,345	2	1,347	—	1,347
Interest income	25,351	0	4	25,356	67	25,423	(337)	25,085
Interest expenses	2,087	61	—	2,148	29	2,178	(62)	2,115
Increase in property, plant and equipment and intangible assets	3,111	22	—	3,134	0	3,135	—	3,135

Notes

- Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.
- "Other" represents business segments that are not the reportable segments and comprises business support service, data processing, credit card business, venture capital business, etc.
- "Adjustments" are as follows:
 - The 0 million yen reduction adjustment for ordinary income with respect to outside customers is due to an adjustment for a provision of allowance for loan losses in "other".
 - The 226 million yen reduction adjustment for segment profit, the 17,557 million yen reduction adjustment for segment assets, the 14,743 million yen reduction adjustment for segment liabilities, the 337 million yen reduction adjustment for interest income, and the 62 million yen reduction adjustment for interest expenses are eliminations of intersegment transactions.
- "Segment profit" corresponds to ordinary income (net) of Consolidated Statements of Income.

4. Related information

Information by service
Year ended March 31, 2021

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 17,229	¥ 10,414	¥ 5,910	¥ 7,671	¥ 41,225

Year ended March 31, 2021

(Thousands of U.S. dollars)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	\$ 155,625	\$ 94,073	\$ 53,383	\$ 69,290	\$ 372,373

Information about geographical areas is omitted because the Bank and its consolidated subsidiaries conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

Year ended March 31, 2020

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 17,616	¥ 12,979	¥ 5,887	¥ 7,558	¥ 44,041

5. Information concerning the impairment loss of fixed assets by reportable segment

Year ended March 31, 2021

(Millions of yen)

	Reportable segment				Other	Total
	Banking	Leasing	Credit guarantee	Total		
Impairment loss	¥ 540	¥ —	¥ —	¥ 540	¥ —	¥ 540

Year ended March 31, 2021

(Thousands of U.S. dollars)

	Reportable segment				Other	Total
	Banking	Leasing	Credit guarantee	Total		
Impairment loss	\$ 4,879	\$ —	\$ —	\$ 4,879	\$ —	\$ 4,879

Year ended March 31, 2020

(Millions of yen)

	Reportable segment				Other	Total
	Banking	Leasing	Credit guarantee	Total		
Impairment loss	¥ 3	¥ —	¥ —	¥ 3	¥ —	¥ 3

30. Related Parties Information

Transactions with Related Parties

Transactions of the Corporation Submitting Consolidated Financial Statements with Related Parties

Directors and Major Stockholders (only in the case of individuals) etc. of the Corporation Submitting Consolidated Financial Statements

Year ended March 31, 2021

(Millions of yen)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	Happy Product Inc. (note 2)	Yamagata City, Yamagata Prefecture	70	Pig iron and cast iron manufacturing	—	Credit customer	Loan of funds	1,870	Loans and bills discounted	1,870
	Happy Japan Inc. (note 3)	Yamagata City, Yamagata Prefecture	73	Manufacture of general machinery and equipment	Owned directly 0.84	Credit customer	Loan of funds	1,038	Loans and bills discounted	1,038
	Otokoyama Shuzou Co., Ltd. (Note 4)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned by, directly, 0.02	Credit customer	Loan of funds	73	Loans and bills discounted	66
Directors and close relatives	Junichi Matsuda	—	—	Director of the Bank; Attorney	—	Credit customer	Loan of funds	39	Loans and bills discounted	56

Year ended March 31, 2021

(Thousands of U.S. dollars)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	Happy Product Inc. (note 2)	Yamagata City, Yamagata Prefecture	632	Pig iron and cast iron manufacturing	—	Credit customer	Loan of funds	16,890	Loans and bills discounted	16,890
	Happy Japan Inc. (note 3)	Yamagata City, Yamagata Prefecture	659	Manufacture of general machinery and equipment	Owned directly 0.84	Credit customer	Loan of funds	9,382	Loans and bills discounted	9,382
	Otokoyama Shuzou Co., Ltd. (Note 4)	Yamagata City, Yamagata Prefecture	316	Sake Manufacturer	Owned by, directly, 0.02	Credit customer	Loan of funds	661	Loans and bills discounted	598
Directors and close relatives	Junichi Matsuda	—	—	Director of the Bank; Attorney	—	Credit customer	Loan of funds	353	Loans and bills discounted	511

Notes

- The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. Transaction amounts are average balances.
- At Happy Product Inc., Mr. Keitaro Harada, a director, and his close relatives hold the majority of voting rights.
- At Happy Japan Inc., Mr. Keitaro Harada, a director, and his close relatives hold the majority of voting rights.
- A majority of the voting rights of Otokoyama Shuzou Co., Ltd. are owned by Director Gisuke Ohara and his close relatives.

Year ended March 31, 2020

(Millions of yen)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	Otokoyama Shuzou Co., Ltd. (Note 2)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned by, directly, 0.02	Credit customer	Loan of funds	34	Loans and bills discounted	45
Directors and close relatives	Junichi Matsuda	—	—	Director of the Bank; Attorney	—	Credit customer	Loan of funds	41	Loans and bills discounted	57

Notes

- The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. Transaction amounts are average balances.
- A majority of the voting rights of Otokoyama Shuzou Co., Ltd. are owned by Director Gisuke Ohara and his close relatives.

31. Amounts Per Share

Amounts per share of net assets, net income and diluted net income, as presented below, are based on the number of stocks outstanding at each balance sheet date and the weighted average number of stocks of common stock outstanding during each year.

	2021	2020	2021
	(Yen)		(U.S. dollars)
Net assets	¥ 4,957.12	¥ 4,526.62	\$ 44.77
Net income	¥ 87.50	¥ 77.86	\$ 0.79

Notes

- The shares of the Bank held by the BIP Trust Officer Compensation are recorded as treasury stock in the consolidated financial statements. The Bank's shares held by the trust are included in the number of treasury shares deducted from the total number of issued shares as of the end of the period for purposes of the calculation of net assets per share, and the number of treasury shares deducted in connection with the calculation of net assets per share at the end of the period was 70,000 shares (85,000 shares at the end of the previous consolidated fiscal year). In addition, the shares are included in the number of treasury shares deducted for the calculation of the average number of shares during the period, for purposes of the calculation of net income per share, and the average of the treasury shares deducted in calculating the net income per share during the period was 75,000 (86,000 shares in the previous consolidated fiscal year).
- The basics of the calculation of the current net income per share is as follows.

The basis for the calculation of net income per share for the year ended March 31, 2021 and 2020 is summarized as follows:

	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars)
Profit attributable to owners of parent	¥ 2,852	¥ 2,537	\$ 25,769
Amount not attributable to common stock	—	—	—
Profit attributable to owners of parent related to common stock	2,852	2,537	25,769
Weighted average number of stocks of common stock outstanding	32,604 thousand	32,594 thousand	32,604 thousand

Net income per share after adjustment for potentially dilutive shares for the previous consolidated fiscal year and the current consolidated fiscal year is not stated because there are no potentially dilutive shares.

32. Significant Subsequent Events

There are no applicable matters.

Non-Consolidated Balance Sheet

As of March 31, 2021 and 2020

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Assets			
Cash and due from banks	¥ 394,585	¥ 86,116	\$ 3,564,133
Call loans	1,465	1,310	13,238
Monetary claims bought	7,272	7,768	65,685
Money held in trust	1,261	481	11,398
Securities	902,416	758,994	8,151,177
Loans and bills discounted	1,748,110	1,721,894	15,789,995
Foreign exchanges	774	2,491	6,999
Other assets	31,303	30,232	282,749
Property, plant and equipment	15,183	15,235	137,143
Buildings, net	3,849	3,793	34,769
Land	8,320	8,782	75,152
Leased assets, net	12	12	115
Construction in progress	1,658	1,082	14,977
Other, net	1,342	1,563	12,128
Intangible assets	3,519	3,540	31,787
Software	3,315	3,335	29,945
Other	203	204	1,842
Prepaid pension costs	1,011	1,518	9,139
Deferred tax assets	—	1,108	—
Customers' liabilities for acceptances and guarantees	16,764	17,736	151,431
Allowance for loan losses	(9,013)	(8,921)	(81,416)
Assets	¥ 3,114,655	¥ 2,639,508	\$ 28,133,463
Liabilities and Net Assets			
Liabilities			
Deposits	¥ 2,581,043	¥ 2,269,022	\$ 23,313,553
Negotiable certificates of deposit	84,934	105,211	767,181
Call money	1,992	19,589	18,000
Payables under securities lending transactions	8,318	65,505	75,136
Borrowed money	253,265	7,980	2,287,651
Foreign exchanges	36	29	330
Other liabilities	10,072	11,441	90,982
Provision for bonuses for directors	22	22	203
Provision for share payments of board incentive plan	96	101	872
Provision for reimbursement of deposits	122	168	1,105
Provision for contingent loss	290	304	2,627
Deferred tax liabilities	3,006	—	27,157
Deferred tax liabilities for land revaluation	1,156	1,270	10,445
Acceptances and guarantees	16,764	17,736	151,431
Liabilities	¥ 2,961,124	¥ 2,498,385	\$ 26,746,678
Net Assets			
Share capital	¥ 12,008	¥ 12,008	\$ 108,468
Capital surplus	4,932	4,932	44,554
Retained earnings	124,548	122,658	1,124,996
Treasury shares	(3,142)	(3,173)	(28,389)
Shareholders' equity	138,346	136,425	1,249,629
Valuation difference on available-for-sale securities	15,052	6,854	135,959
Deferred gains or losses on hedges	(839)	(3,267)	(7,585)
Revaluation reserve for land	972	1,109	8,780
Total valuation and translation adjustments	15,184	4,696	137,154
Net assets	153,530	141,122	1,386,784
Liabilities and net assets	¥ 3,114,655	¥ 2,639,508	\$ 28,133,463

Non-Consolidated Statements of Income

For the years ended March 31, 2021 and 2020

	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)
Ordinary income	¥ 34,581	¥ 37,118	\$ 312,363
Interest income	25,067	25,351	226,429
Interest on loans and discounts	16,828	17,160	152,001
Interest and dividends on securities	8,064	7,990	72,847
Interest on call loans	(4)	77	(37)
Interest on receivables under resale agreements	(0)	(1)	(2)
Interest on deposits with banks	89	12	809
Other interest income	89	111	810
Fees and commissions	6,353	6,466	57,384
Fees and commissions on domestic and foreign exchanges.....	1,553	1,563	14,033
Other fees and commissions.....	4,799	4,902	43,350
Other ordinary income	1,381	3,798	12,478
Gains on foreign exchange transactions	129	—	1,172
Gain on trading account securities transactions	0	0	1
Gain on sales of bonds	1,251	3,797	11,304
Other income	1,779	1,502	16,071
Recoveries of written off receivables	3	3	31
Gain on sales of equity securities	1,639	1,375	14,804
Gain on money held in trust	4	—	41
Other	132	124	1,193
Ordinary expenses	30,252	33,225	273,259
Interest expenses	1,327	2,087	11,988
Interest on deposits	494	643	4,462
Interest on negotiable certificates of deposit	12	20	112
Interest on call money	37	7	337
Interest on payables under securities lending transactions	54	486	491
Interest on borrowings and rediscounts	68	137	617
Interest expenses on interest rate swaps	660	705	5,966
Other interest expenses	—	87	—
Fees and commissions payments	3,340	3,354	30,170
Fees and commissions on domestic and foreign exchanges.....	332	341	3,000
Other fees and commissions	3,007	3,012	27,170
Other ordinary expenses	2,560	4,197	23,128
Loss on foreign exchange transactions	—	246	—
Loss on sales of bonds	2,085	1,773	18,840
Loss on devaluation of bonds	150	—	1,354
Expenses on derivatives other than for trading or hedging.....	324	2,177	2,933
General and administrative expenses	21,137	20,474	190,923
Other expenses	1,887	3,111	17,048
Provision of allowance for loan losses	688	1,679	6,214
Loss on sales of equity securities	438	762	3,964
Loss on devaluation of equity securities	196	0	1,770
Other	564	668	5,099
Ordinary profit	<u>4,329</u>	<u>3,892</u>	<u>39,103</u>
Extraordinary income.....	—	3	—
Other	—	3	—
Extraordinary losses	574	169	5,188
Loss on disposal of non-current assets	34	165	309
Impairment loss	540	3	4,879
Profit before income taxes	<u>3,754</u>	<u>3,727</u>	<u>33,915</u>
Income taxes -current	1,554	962	14,041
Income taxes -deferred	(532)	612	(4,809)
Income taxes	<u>1,022</u>	<u>1,575</u>	<u>9,231</u>
Profit	<u>¥ 2,732</u>	<u>¥ 2,151</u>	<u>\$ 24,683</u>
Amounts per share:	2021	2020	2021
	(yen)	(yen)	(U.S. dollars)
Profit	83.81	66.02	0.75
Net assets	4,708.23	4,329.58	42.52

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Tsuruoka Branch

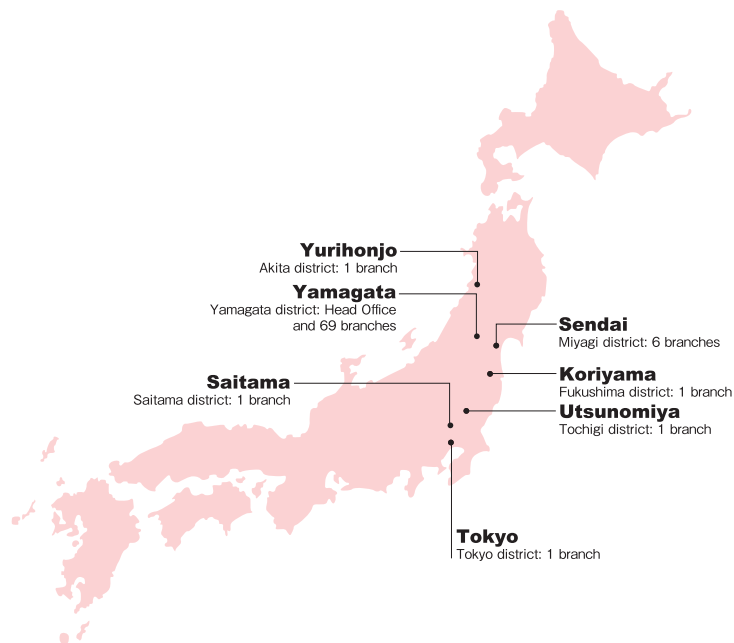
1-13, Hon-cho 2-chome, Tsuruoka 997-0034,Japan
Phone:+81 235 22 5530

Sakata Branch

10-1, Hon-cho 3-chome, Sakata 998-0043,Japan
Phone:+81 234 22 7222

Tokyo Branch

3rd Floor Meidi-Ya Kyobashi Bldg. 2-8, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031,Japan
Phone:+81 3 3567 1861



(Total: Head Office and 80 branches)
(As of March 31, 2021)

Bank Data: (As of March 31, 2021)

Date of Incorporation: 1896
Authorized Stocks: 59,670,000
Issued Stocks: 34,000,000
Number of Shareholders: 8,160
Number of Employees: 1,232



Cherries
Cherries are a special product of Yamagata Prefecture.
Stylized cherries are used as the symbol of The Yamagata Bank, Ltd.



THE YAMAGATA BANK, LTD.
Yamagata, Japan