Annual Securities Report

"Yukashoken Hokokusho"

(Excerpt)

For the fiscal years ended March 31, 2021 and 2020

FIDEA Holdings Co. Ltd.

and Subsidiaries

Message from the President and CEO

Dear Shareholders and Investors,

On behalf of the FIDEA Group, I would like to express my sincere gratitude for your continued interest and support for all of us, including The Shonai Bank, Ltd. and The Hokuto Bank, Ltd.
I would also like to extend my sincere sympathy to those affected by the Novel Coronavirus (COVID-19), and my cordial thanks to the healthcare professionals who are on the frontline of this pandemic.

It has been more than ten years since we, the FIDEA Group, started the merger between the Shonai Bank and the Hokuto Bank across the prefectural border between Akita and Yamagata. During this period, there were constant and abrupt changes in the social environment, such as a declining population, aging society, recovery from the Great East Japan Earthquake, and the new normal that has spread in view of the post-COVID-19 era. In addition, regional banks face an increasingly difficult environment due to the declining number of offices in their operating areas, prolonged negative interest rates, and a changing competitive landscape owing to new companies entering the market from different industries.
Amidst these circumstances, the Shonai Bank and the Hokuto Bank have established a shared new management philosophy as the FIDEA Group.

Group Management Philosophy

We will make the Tohoku region a center for producing happiness and hope through the passion, wisdom, and challenging spirit of all employees.

Through the ideas and actions of all employees, we will build and expand the future of the Tohoku region where people feel pride and desire to live.

Based in the Tohoku region, we create new value together with people in the area and offer this value to them and the world.

We cannot reach the future that we wish to create today simply by dreaming about it.
It is important to take action.
As the greatest fan and supporter of the region, we will always take the same viewpoint as local people. We will also take bold actions that go beyond people’s expectations of a financial institution.

All employees think about and take action for the future of the Tohoku region where people can be happier and more hopeful than at any other place in the world.

Since last year, a project team comprised of our young and mid-level employees has discussed the mission, value, and vision for the FIDEA Group over the next ten years in Japan’s new Reiwa era. Based on these discussions, we have established a management philosophy that expresses the ideal state that we should aspire toward as the FIDEA Group.
The Tohoku region faces many different issues, but we will strive to revitalize this beloved area by bringing together the best minds we have and working with a shared sense of passion and a challenging spirit as we think and act to make a better future for the customers in front of us.
Thank you for your continuous support.

August 2021
Yuichi Tao
President and CEO
FIDEA Holdings Co. Ltd.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets:			
Cash and due from banks (Notes 11, 19 and 23)	¥ 612,331	¥ 148,358	$ 5,530,446
Monetary claims bought (Note 23)	3,775	4,145	34,095
Trading account securities (Notes 5 and 23)	553	230	4,994
Money held in trust (Notes 6 and 23)	47,358	20,996	427,727
Securities (Notes 5, 6, 11, 13 and 23)	729,245	739,251	6,586,389
Loans and bills discounted (Notes 7, 11, 22 and 23)	1,731,224	1,697,947	15,636,054
Foreign exchange assets (Note 23)	1,604	1,838	14,486
Lease receivables and investments in leases	4,249	3,781	38,376
Tangible fixed assets (Note 8):			
Buildings	13,502	14,565	121,947
Land	8,558	9,694	77,294
Lease assets	41	90	370
Construction in progress	237	253	2,140
Other tangible fixed assets	1,827	2,065	16,501
Intangible fixed assets:			
Software	2,288	2,223	20,664
Goodwill	74	104	668
Other intangible fixed assets	153	163	1,381
Defined benefit asset (Note 12)	734	388	6,629
Deferred tax assets (Note 20)	1,293	2,558	11,678
Customers' liabilities for acceptances and guarantees (Note 22)	19,401	21,575	175,225
Other assets (Note 11)	56,553	57,215	510,774
Allowance for loan losses (Notes 7 and 23)	(13,549)	(12,461)	(122,371)
Total assets	¥ 3,221,460	¥ 2,714,985	$ 29,095,556

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities:			
Deposits (Note 23)	¥ 2,593,356	¥ 2,390,297	$ 23,422,651
Negotiable certificates of deposit (Note 23)	57,152	74,039	516,184
Call money and bills sold (Notes 11 and 23)	-	11,427	-
Payables under securities lending transactions (Notes 11 and 23)	75,999	66,106	686,407
Borrowed money (Notes 10, 11 and 23)	323,700	13,900	2,923,591
Foreign exchange liabilities (Note 23)	16	9	144
Provision for bonuses for directors and other officers	30	-	270
Defined benefit liability (Note 12)	614	1,944	5,545
Provision for reimbursement of deposits	239	394	2,158
Provision for contingent loss	443	409	4,001
Other provisions	-	14	-
Deferred tax liabilities (Notes 6 and 20)	3,424	1,979	30,924
Deferred tax liabilities for land revaluation (Note 9)	454	480	4,100
Acceptances and guarantees	19,401	21,575	175,225
Other liabilities (Note 10)	26,554	20,606	239,830
Total liabilities	3,101,387	2,603,185	28,011,082
Net assets (Note 14):			
Common stock	18,000	18,000	162,572
Capital surplus	29,197	29,197	263,701
Retained earnings	53,564	51,398	483,778
Treasury stock	(6)	(5)	(54)
Total shareholders' equity	100,756	98,590	910,007
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 6)	18,255	11,865	164,875
Deferred gain (loss) on hedges	(387)	173	(3,495)
Revaluation reserve for land (Note 9)	1,000	1,054	9,031
Remeasurements of defined benefit plans	154	(167)	1,390
Total accumulated other comprehensive income	19,023	12,926	171,811
Non-controlling interests	293	283	2,646
Total net assets	120,073	111,800	1,084,474
Total liabilities and net assets	¥ 3,221,460	¥ 2,714,985	$ 29,095,556

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 19,477	¥ 19,998	$ 175,912
Interest and dividends on securities	12,961	9,727	117,061
Other	136	29	1,228
Fees and commissions	8,328	8,287	75,216
Other operating income	7,737	10,105	69,878
Other income	4,691	2,838	42,368
Total income	53,332	50,988	481,683
Expenses:			
Interest expenses:			
Interest on deposits	366	460	3,305
Interest on payables under securities lending transactions	52	309	469
Interest on borrowings and rediscounts	0	0	0
Other	78	4	704
Fees and commissions	3,615	3,695	32,649
Other operating expenses	11,222	10,780	101,354
General and administrative expenses (Note 15)	26,781	27,775	241,880
Provision of allowance for loan losses	1,755	1,168	15,850
Other expenses (Notes 16 and 17)	4,144	4,329	37,427
Total expenses	48,017	48,523	433,679
Income before income taxes	5,314	2,464	47,994
Income taxes (Note 20):			
Current	1,913	460	17,277
Deferred	84	682	758
Total income taxes	1,998	1,142	18,045
Net income	3,315	1,321	29,940
Net income (loss) attributable to non-controlling interests	1	(25)	9
Net income attributable to owners of parent	¥ 3,314	¥ 1,346	$ 29,931
	Yen		U.S. dollars
Per share of common stock (Note 25):			
Basic net income	¥ 17.64	¥ 6.79	$ 0.1593
Diluted net income	13.28	4.58	0.1199
Cash dividends applicable to the year	6.00	6.00	0.0541

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 3,315	¥ 1,321	$ 29,940
Other comprehensive income (loss) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	6,399	(8,391)	57,794
Deferred gain (loss) on hedges	(561)	(98)	(5,066)
Remeasurements of defined benefit plans	321	662	2,899
Total other comprehensive income (loss)	6,159	(7,826)	55,626
Comprehensive income (loss)	¥ 9,475	¥ (6,505)	$ 85,576
Total comprehensive income (loss) attributable to:			
Owners of parent	¥ 9,465	¥ (6,474)	$ 85,485
Non-controlling interests	9	(31)	81

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2021 and 2020

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2019	¥ 18,000	¥ 29,261	¥ 51,248	¥ (5)	¥ 98,504	¥ 20,252	¥ 272	¥ 1,059	¥ (829)	¥ 20,754	¥ 250	¥ 119,508
Cash dividends			(1,201)		(1,201)							(1,201)
Net income attributable to owners of parent			1,346		1,346							1,346
Acquisition of treasury stock				(0)	(0)							(0)
Change in scope of consolidation		(63)			(63)							(63)
Reversal of revaluation reserve for land			4		4							4
Net changes of items other than shareholders' equity						(8,386)	(98)	(4)	662	(7,827)	33	(7,793)
Balance as of March 31, 2020	18,000	29,197	51,398	(5)	98,590	11,865	173	1,054	(167)	12,926	283	111,800
Cash dividends			(1,202)		(1,202)							(1,202)
Net income attributable to owners of parent			3,314		3,314							3,314
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		(0)		0	0							0
Reversal of revaluation reserve for land			54		54							54
Net changes of items other than shareholders' equity						6,390	(561)	(54)	321	6,096	9	6,106
Balance as of March 31, 2021	¥ 18,000	¥ 29,197	¥ 53,564	¥ (6)	¥ 100,756	¥ 18,255	¥ (387)	¥ 1,000	¥ 154	¥ 19,023	¥ 293	¥ 120,073

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2020	$ 162,572	$ 263,701	$ 464,216	$ (45)	$ 890,444	$ 107,162	$ 1,562	$ 9,519	$ (1,508)	$ 116,744	$ 2,555	$1,009,754
Cash dividends			(10,856)		(10,856)							(10,856)
Net income attributable to owners of parent			29,931		29,931							29,931
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		(0)		0	0							0
Reversal of revaluation reserve for land			487		487							487
Net changes of items other than shareholders' equity						57,713	(5,066)	(487)	2,899	55,057	81	55,148
Balance as of March 31, 2021	$ 162,572	$ 263,701	$ 483,778	$ (54)	$ 910,007	$ 164,875	$ (3,495)	$ 9,031	$ 1,390	$ 171,811	$ 2,646	$1,084,474

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Operating activities:			
Income before income taxes	¥ 5,314	¥ 2,464	$ 47,994
Adjustments for:			
Income taxes—paid	(1,087)	(379)	(9,817)
Depreciation and amortization	1,953	2,007	17,639
Loss on impairment—fixed assets	891	309	8,047
Amortization of goodwill	29	29	261
Change in allowance for loan losses	1,087	(1,848)	9,817
Change in provision for bonuses for directors and other officers	30	(30)	270
Change in defined benefit asset	(72)	(52)	(650)
Change in defined benefit liability	(1,219)	218	(11,009)
Change in provision for reimbursement of deposits	(154)	(229)	(1,390)
Change in provision for contingent loss	34	61	307
Change in other provisions	(14)	(1)	(126)
Interest income	(32,574)	(29,756)	(294,201)
Interest expenses	498	773	4,497
Loss on securities—net	1,301	501	11,750
(Gain) loss on money held in trust—net	(41)	498	(370)
Foreign exchange (gain) loss—net	(3)	3	(27)
Loss on sale and disposal of fixed assets—net	688	30	6,213
Loss on reduction of fixed assets	5	67	45
Subsidy income	(5)	-	(45)
Net change in loans and bills discounted	(33,277)	19,051	(300,550)
Net change in deposits	203,059	(4,414)	1,833,986
Net change in negotiable certificates of deposit	(16,886)	1,222	(152,510)
Net change in trading account securities	(322)	364	(2,908)
Net change in borrowed money, excluding subordinated borrowings	309,800	2,000	2,798,049
Net change in due from banks, excluding due from Bank of Japan	1,257	(1,083)	11,352
Net change in call loans and bills bought	369	87	3,332
Net change in call money and bills sold	(11,427)	11,427	(103,206)
Net change in payables under securities lending transactions	9,893	1,934	89,351
Net change in foreign exchange assets	234	(102)	2,113
Net change in foreign exchange liabilities	7	(6)	63
Net change in lease receivables and investments in leases	(467)	(363)	(4,217)
Interest received	32,825	30,451	296,468
Interest paid	(621)	(1,041)	(5,608)
Other—net	(1,474)	11,337	(13,312)
Total adjustments	464,315	43,072	4,193,596
Net cash provided by operating activities —(Forward)	¥ 469,629	¥ 45,536	$ 4,241,591

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net cash provided by operating activities —(Forward)	¥ 469,629	¥ 45,536	$ 4,241,591
Investing activities:			
Purchase of securities	(499,093)	(512,637)	(4,507,704)
Proceeds from sales of securities	396,288	378,271	3,579,190
Proceeds from maturity of securities	126,831	106,698	1,145,511
Increase in money held in trust	(31,568)	(11,738)	(285,115)
Decrease in money held in trust	5,344	3,245	48,265
Purchase of tangible fixed assets	(786)	(1,057)	(7,098)
Proceeds from sales of tangible fixed assets	607	205	5,482
Purchase of intangible fixed assets	(771)	(1,317)	(6,963)
Subsidy income	5	-	45
Net cash used in investing activities	(3,141)	(38,329)	(28,368)
Financing activities:			
Repayment of subordinated borrowings	-	(5,000)	-
Repayment of lease obligations	(60)	(65)	(541)
Dividends paid	(1,200)	(1,200)	(10,838)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	-	0
Net cash used in financing activities	(1,260)	(6,266)	(11,380)
Effect of exchange rate change on cash and cash equivalents	3	(3)	27
Net increase in cash and cash equivalents	465,230	937	4,201,860
Cash and cash equivalents at the beginning of year	144,070	143,132	1,301,210
Cash and cash equivalents at the end of year (Note 19)	¥ 609,301	¥ 144,070	$ 5,503,079

See notes to consolidated financial statements.

(Concluded)

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the "Company") is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. ("Shonai") and The Hokuto Bank, Ltd. ("Hokuto") on October 1, 2009 by way of a transfer of shares.

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

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

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures to the nearest million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥110.72 = U.S.$1.00, the exchange rate prevailing on March 31, 2021. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 6 subsidiaries (collectively the "Group") as of March 31, 2021 and 2020.

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The Company has 4 unconsolidated subsidiaries as of March 31, 2021 and 2020.

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

The excess of the acquisition cost over the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as "goodwill" and is amortized by the straight-line method over a period of five years. Insignificant amounts of goodwill are fully charged to income in the fiscal year when it is incurred.

The balance sheet dates of all 6 subsidiaries are March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control are accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date, and cost of trading account securities sold is determined principally using the moving-average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving-average method. Available-for-sale securities are generally stated at fair value determined based on the quoted market price as of the balance sheet date, except for equity securities which are stated at fair value determined based on the average market price during one month before the balance sheet date. Cost of sales of theses available-for-sale securities is principally determined using the moving-average method. Available-for-sale securities, for which it is extremely difficult to determine the fair value, are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Securities held in money trusts

Securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Group, except for lease assets, is calculated by the straight-line method. The principal useful lives are as follows:

Buildings	5 to 50 years
Others	4 to 20 years

The Group leases automated teller machines, etc. under finance lease arrangements as a lessee.

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise with no residual value.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally five years) determined by the Group.

(7) Allowance for loan losses

Allowance for loan losses is provided by the consolidated banking subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards.

(i) For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings (the "bankrupt borrowers"), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation (the "virtually bankrupt borrowers"), an allowance is generally provided based on the carrying amount of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For collateralized and guaranteed claims on the bankrupt borrowers or virtually bankrupt borrowers of Hokuto and its certain consolidated subsidiaries, the amount of claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of outstanding claims. These write-offs amounted to ¥12,621 million ($113,990 thousand) and ¥12,501 million for the years ended March 31, 2021 and 2020, respectively.

(ii) For claims on borrowers who are not currently bankrupt but are likely to become bankrupt (the "potentially bankrupt borrowers"), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees (hereinafter the "unsecured amount"). In particular,

a. For the unsecured amount, an allowance is provided based on the expected loan loss over the next three years. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over three years, with necessary adjustments such as future projections.

b. Of claims on above borrowers, as to claims on borrowers with certain amounts or more of the unsecured amount, the allowance estimated based on the expected loan loss as described in the preceding paragraph is individually reviewed if the allowance is sufficient. Then as necessary, a collectible amount reasonably estimated based on the borrower's financial status is deducted from the unsecured amount to provide the amount of the allowance.

(iii) For claims on borrowers with restructured loans, etc., an allowance is provided based on the expected loan loss over the next three years. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over three years, with necessary adjustments such as future projections.

(iv) For other claims, an allowance is provided based on the expected loan loss over the next one year. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over one year, with necessary adjustments such as future projections.

(v) Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment, and then the assessment results are audited by the Asset Audit Department which is independent from the Asset Assessment Department.

(8) Provision for bonuses for directors and other officers

Provision for bonuses for directors and other officers is provided for the payment of bonuses to directors and other officers at an estimated amount attributed to the current fiscal year.

(9) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(10) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a

(11) Retirement benefits

The benefit formula method is used as a method of attributing expected retirement benefits to each period in calculating retirement benefit obligation.

Past service costs are amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees when such past service costs occur.

Actuarial gains and losses are amortized from the year following the year in which the gains and losses occur by the straight-line method over a certain period of 10 to 15 years within the average remaining years of service of the eligible employees when such actuarial gains and losses occur.

Certain consolidated subsidiaries adopt the simplified method in calculating defined benefit liability and retirement benefit expenses. Under this method, the severance payment amount required at the fiscal year-end for voluntary termination is deemed as retirement benefit obligations.

(12) Foreign currency translation

The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

For the translation difference of debt securities out of available-for-sale securities denominated in foreign currencies, the translation difference related to changes in fair value is recognized as unrealized gain or loss and other differences are recognized as foreign exchange gain or loss under other operating income or expenses.

(13) Hedge accounting

Interest rate risk hedging

With respect to the hedge accounting for the interest rate risk arising from financial assets and liabilities of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guideline No. 24 (October 8, 2020). With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and bills discounted and hedging instruments such as interest rate swaps after grouping these items by definite remaining maturity. With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange risk hedging

With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Committee Practical Guideline No. 25 (October 8, 2020). Hedge effectiveness is assessed by comparing the amount of monetary assets and liabilities denominated in foreign currencies as underlying hedged items with the corresponding foreign-currency amount of the respective hedging instruments such as currency swaps and foreign exchange swaps entered into in order to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies.
In addition, in order to hedge foreign exchange risk of available-for-sale securities denominated in foreign currencies except for debt securities, the fair value hedge is applied as portfolio hedging on the condition that liabilities of spot and forward foreign exchange contracts exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

Equity price fluctuation risk hedging

With respect to hedge accounting for the equity price fluctuation risk arising from equity securities out of available-for-sale securities held by the consolidated banking subsidiaries, the Group applies deferral hedge accounting for equity forward contracts and others as hedging instruments.
Hedge effectiveness is assessed by periodically comparing the aggregate amounts of price fluctuations or changes in cash flows of underlying hedged items with those of corresponding hedging instruments, in principle, for the period from the beginning of the hedge and the point in time of evaluating hedge effectiveness. However, if the material conditions of the hedged item and the hedging instrument are consistent and it is obvious that the hedge is highly effective, the assessment for the effectiveness is omitted.

(14) Cash and cash equivalents

In preparing the consolidated statements of cash flows, of cash and due from banks in the consolidated balance sheets, cash and due from Bank of Japan ("BoJ") are considered to be cash and cash equivalents.

(15) Consumption taxes

Transactions are principally stated exclusive of national and local consumption taxes.

(16) Accounting treatments and procedures applied in cases where relevant accounting standards are unclear

Regarding gain or loss on cancellation or redemption of investment trusts, when an aggregate amount on investment trusts as a whole including interim distributions is a gain, the gain is recognized as interest and dividends on securities under interest income, and when it is a loss, the loss is recognized as loss on redemption of bonds under other operating expenses.

(17) Accounting standards and guidance issued but not yet applied

(Accounting standard and guidance for revenue recognition)

- "Accounting Standard for Revenue Recognition" (the Accounting Standards Board of Japan ("ASBJ")

Statement No. 29, March 31, 2020)

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

(i) Overview

Conducting a joint project to clarify the comprehensive principles for recognizing revenues, the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the US issued "Revenues from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. IFRS 15 shall be effective from a fiscal period beginning on or after January 1, 2018 and Topic 606 shall be effective from a fiscal period beginning after December 15, 2017. Under these circumstances, the ASBJ also developed a comprehensive accounting standard for revenue recognition and issued a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, the ASBJ determined to adopt the core principles of IFRS 15 in order to enhance comparability of financial statements, which is one of the benefits aligning with IFRS 15. In addition, for any practical issue to be considered in Japan, alternative treatment shall be added to the extent that comparability is not impaired.

(ii) Scheduled date of application

The Company and its consolidated subsidiaries will apply the new accounting standard and implementation guidance effective from the fiscal year beginning on April 1, 2021.

(iii) Effect from the application of the new accounting standard and implementation guidance

The effect from the application of the new accounting standard and implementation guidance is currently under evaluation.

(Accounting standards and guidance for fair value measurement)

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(i) Overview

The IASB and the FASB provide detailed guidance on fair value measurement that is almost identical (IFRS 13 "Fair Value Measurement" by the IASB and Topic 820 of Accounting Standards Codification "Fair Value Measurement" by the FASB).

Under these circumstances, the ASBJ issued accounting standards such as "Accounting Standard for Fair Value Measurement" to harmonize Japanese GAAP with international accounting standards, mainly for guidance and disclosure of the fair value of financial instruments.

As a basic policy for the development of the new standard, the ASBJ incorporated all the provisions of IFRS 13 to improve the comparability of financial statements between domestic and foreign companies by using a uniform method of the measurement. Further, in consideration of the practices that have been taken in Japan, other treatments for individual items are to be prescribed to the extent that they do not significantly impair comparability between financial statements.

(ii) Scheduled date of application

The Company and its consolidated subsidiaries will apply the new accounting standards and implementation guidance effective from the fiscal year beginning on April 1, 2021.

(iii) Effect from the application of the new accounting standards and implementation guidance

The effect from the application of the new accounting standards and implementation guidance on the Company's consolidated financial statements has not yet clarified.

(18) Changes in presentation

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) effective from the consolidate financial statements as of March 31, 2021, and disclosed notes on significant accounting estimates to the consolidated financial statements.

(19) Additional information

The Company has applied "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) effective from the consolidate financial statements as of March 31, 2021, and newly described accounting treatments and procedures applied in cases where relevant accounting standards are unclear.

4. Significant Accounting Estimates

The following summarizes items that are recognized in the current fiscal year's consolidated financial statements based on the accounting estimates and such estimates may give significant impacts on the consolidated financial statements in the following fiscal year.

(1) Allowance for loan losses

(i) Amount recognized in the consolidated financial statements in the current fiscal year

Allowance for loan losses: ¥13,549 million ($122,371 thousand)

(ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

a. Estimation method

It is described in Note "3. Significant Accounting Policies, (7) Allowance for loan losses."

b. Major assumptions

For estimating the allowance, it is particularly important to determine the borrower classification.
Major assumptions used for determining the borrower classification are "outlook for future performance of borrowers," which the Company assesses by each individual borrower based on the evaluation of each borrower's ability to earn income, after comprehensively evaluating the qualitative and quantitative information collected, including each borrower's management performance, financial status, lending terms, repayment status, and formulation and progress of a management improvement plan.
In addition, the COVID-19 pandemic may have a certain impact, mainly on the credit risk of loans and bills discounted. While assuming the economic impact of the COVID-19 pandemic would continue over the next year or so, the Company determines the allowance for loan losses based on assumptions that the risk would be controlled to some extent by economic stimulus measures taken by the government and local governments and supports from financial institutions.

c. Impact on the consolidated financial statements in the following fiscal year

Since the major assumptions: "outlook for future performance of borrowers" involve uncertainty, there is a risk to have a significant impact on determining the borrower classification if any changes occur in the status of borrowers or the future economic environment including the impact of the COVID-19 pandemic. When the borrower classification changes, there is a possibility that the allowance for loan losses in the consolidated financial statements in the following fiscal year may increase or decrease.
Although the Company estimates the impact of the COVID-19 pandemic by taking all possible events into account based on information available as of March 31, 2021, there is a high degree of uncertainty in the assumptions used in the estimate under the current economic environment. If the status of the pandemic, its duration, and the impact on the economy and other factors would change, the amounts of allowance for loan losses in the consolidated financial statements of the following year may increase or decrease.

(2) Deferred tax assets

(i). Amount recognized in the consolidated financial statements in the current fiscal year

Deferred tax assets: ¥1,293 million ($11,678 thousand)
Deferred tax liabilities: ¥3,424 million ($30,924 thousand)

(ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

a. Estimation method

A deferred tax asset is an asset allowed to recognize to the extent that the taxable income will be reduced, thereby the tax burden will be reduced, for the fiscal period when the tax loss carryforward and the

temporary differences, which are the differences between the carrying amount of an asset or liability in the consolidated balance sheet and its tax base, are reversed. Accordingly, deferred tax assets are recognized at the amount expected to be recovered based on the assessment of recoverability of the assets to reduce future tax burden. In addition, the Company reviews the future recoverability of the assets every fiscal year.
In particular, the Company estimates deferred tax assets using the scheduling of temporary differences for the future reasonable estimable period of five years based on the estimates of taxable income before deductible or taxable temporary differences for the estimable period. For the preparation of the scheduling, it is especially important to project a future deductible temporary difference for an individual allowance for loan losses; thus, the Company prepares the scheduling after a detailed analysis of timing and compliance with requirements for the use of tax loss carryforward for an individual allowance for loan losses over certain amounts.

b. Major assumptions
For determining the recoverability of deferred tax assets, it is particularly important to estimate future taxable income.
Future taxable income is estimated based on the Group's profit plan, which is established by taking into account past performance, prevailing market yields and the future economic environment including the impact of the COVID-19 pandemic. The major assumptions used for the establishment of the plan are: "outlook for income from assets under management and corporate-related fees and commissions" and "outlook of general and administrative expenses such as personnel expenses," which are projected based on the Group's management policy of "strengthening of top-line profitability including income from assets under management and corporate-related fees and commissions, and further reduction of general and administrative expenses." Considering the uncertainty of achieving the profit plan, the Company determines the recoverability of deferred tax assets with a certain stress scenario to the plan.

c. Impact on the consolidated financial statements in the following fiscal year
Although the Company determines the recoverability of deferred tax assets at every fiscal year-end, the major assumptions: "outlook for income from assets under management and corporate-related fees and commissions" and "outlook of general and administrative expenses such as personnel expenses" involve high uncertainty. When the future economic environment including the impact of the COVID-19 pandemic changes, the estimates of future taxable income based on the profit plan may change, and it may result in a risk of having a significant impact on the recoverability of deferred tax assets. When the Company determines that a part or all of the deferred tax assets recognized in the last fiscal year cannot be recovered since estimated future taxable income may be insufficient to offset the future deductible temporary differences, the deferred tax assets will be reversed and the same amount will be recognized as income tax-deferred.

(3) Impairment of fixed assets

(i). Amount recognized in the consolidated financial statements in the current fiscal year
Impairment loss: ¥891 million ($8,047 thousand)

(ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

a. Estimation method
It is described in Note "17. Impairment Loss."

b. Major assumptions
It is necessary to estimate the future cash flows, used for the purposes of measuring the value in use and determining the recognition of impairment loss, based on reasonable and explainable assumptions and predictions reflecting unique circumstances of an entity. These future cash flows are estimated based on the profit plan with a certain stress scenario, for determining the recoverability of deferred tax assets as stated in aforementioned "(2) Deferred tax assets."

c. Impact on the consolidated financial statements in the following fiscal year
The major assumptions used to establish the profit plan as stated in aforementioned "(2) Deferred tax assets" involve high uncertainty. When the future economic environment including the impact of the COVID-19 pandemic changes, the estimates of future cash flows based on the profit plan may change, and it may result in a risk of having significant impact on determining the recognition of impairment

loss and measuring the value in use. When the estimates of future cash flows decrease, it may become necessary to recognize additional impairment loss.

5. Securities

Gain and loss from revaluation of trading account securities included in the consolidated statements of income was ¥0 million ($0 thousand) and ¥(2) million for the years ended March 31, 2021 and 2020, respectively.

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

	Millions of yen		
March 31, 2021	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 16,642	¥ 8,878	¥ 7,763
Debt securities:	286,270	279,402	6,868
Japanese government bonds	49,016	47,775	1,241
Municipal bonds	163,568	159,534	4,034
Corporate bonds	73,685	72,093	1,592
Other	164,296	145,623	18,673
Subtotal	¥ 467,209	¥ 433,904	¥ 33,305
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 2,356	¥ 2,533	¥ (176)
Debt securities:	173,383	175,123	(1,739)
Japanese government bonds	68,063	68,912	(849)
Municipal bonds	60,691	61,240	(549)
Corporate bonds	44,629	44,970	(341)
Other	82,446	87,586	(5,139)
Subtotal	¥ 258,186	¥ 265,243	¥ (7,056)
Total	¥ 725,396	¥ 699,147	¥ 26,249

March 31, 2020	Millions of yen Carrying amount	 Acquisition cost	 Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 8,985	¥ 4,246	¥ 4,738
Debt securities:	384,490	375,620	8,869
Japanese government bonds	109,051	107,098	1,953
Municipal bonds	198,561	193,583	4,978
Corporate bonds	76,876	74,938	1,937
Other	146,880	133,485	13,395
Subtotal	¥ 540,356	¥ 513,352	¥ 27,003
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 2,522	¥ 3,087	¥ (565)
Debt securities:	98,535	99,551	(1,015)
Japanese government bonds	12,531	12,734	(202)
Municipal bonds	61,854	62,415	(560)
Corporate bonds	24,149	24,401	(252)
Other	93,762	102,117	(8,354)
Subtotal	¥ 194,820	¥ 204,756	¥ (9,936)
Total	¥ 735,177	¥ 718,109	¥ 17,067

As of March 31, 2021 and 2020, ¥383 million ($3,459 thousand) and ¥400 million of capital investment in unconsolidated subsidiaries were included in the balance of securities, respectively.

March 31, 2021	Thousands of U.S. dollars Carrying amount	 Acquisition cost	 Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 150,307	$ 80,184	$ 70,113
Debt securities:	2,585,531	2,523,500	62,030
Japanese government bonds	442,702	431,493	11,208
Municipal bonds	1,477,312	1,440,877	36,434
Corporate bonds	665,507	651,128	14,378
Other	1,483,887	1,315,236	168,650
Subtotal	$ 4,219,734	$ 3,918,930	$ 300,803
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 21,278	$ 22,877	$ (1,589)
Debt securities:	1,565,959	1,581,674	(15,706)
Japanese government bonds	614,730	622,398	(7,667)
Municipal bonds	548,148	553,106	(4,958)
Corporate bonds	403,079	406,159	(3,079)
Other	744,635	791,058	(46,414)
Subtotal	$ 2,331,882	$ 2,395,619	$ (63,728)
Total	$ 6,551,625	$ 6,314,550	$ 237,075

Available-for-sale securities sold for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		
March 31, 2021	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 13,809	¥ 2,997	¥ 471
Debt securities:	132,122	672	569
Japanese government bonds	87,732	201	560
Municipal bonds	44,322	469	8
Corporate bonds	66	0	-
Other	250,352	3,895	7,714
Total	¥ 396,284	¥ 7,564	¥ 8,754

	Millions of yen		
March 31, 2020	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 16,892	¥ 1,772	¥ 1,411
Debt securities:	124,785	1,153	165
Japanese government bonds	68,893	1,020	135
Municipal bonds	53,380	131	29
Corporate bonds	2,511	1	-
Other	237,193	5,430	7,415
Total	¥ 378,870	¥ 8,355	¥ 8,991

	Thousands of U.S. dollars		
March 31, 2021	Sales proceeds	Realized gain	Realized loss
Equity securities	$ 124,720	$ 27,068	$ 4,253
Debt securities:	1,193,298	6,069	5,139
Japanese government bonds	792,377	1,815	5,057
Municipal bonds	400,307	4,235	72
Corporate bonds	596	0	-
Other	2,261,127	35,178	69,671
Total	$ 3,579,154	$ 68,316	$ 79,064

Write-down of securities

Non-trading securities, with the exception of those whose fair value is extremely difficult to determine, whose fair value significantly declined compared with their acquisition cost and is not considered to be able to recover their acquisition cost, are written down to their respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

For the year ended March 31, 2021, no available-for sale securities were written down. For the year ended March 31, 2020, ¥62 million of available-for sale securities were written down. Of which, equity securities were ¥62 million.

The criteria for determining whether the fair value is "significantly declined" are as follows:
(1) If the fair value as of the balance sheet date declines 50% or more compared to the acquisition cost, the difference is recognized as write-down of securities.
(2) If the fair value as of the balance sheet date declines by 30% or more but less than 50% compared to the acquisition cost, write-down of securities is recognized for the securities which meets criteria of the Group after considering the financial condition of the issuer and past trend of the market value for a certain period.

6. Unrealized Gain on Available-for-Sale Securities

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gain:	¥ 26,249	¥ 17,067	$ 237,075
Available-for-sale securities	26,249	17,067	237,075
Money held in trust	-	-	-
Deferred tax liabilities	(7,974)	(5,192)	(72,019)
Unrealized gain on available-for-sale securities before adjustments by equity interest:	18,274	11,875	165,046
Non-controlling interests	(18)	(10)	(162)
Unrealized gain on available-for-sale securities	¥ 18,255	¥ 11,865	$ 164,875

7. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted

Bills discounted are accounted for as financial transactions rather than as purchased bills in accordance with JICPA Industry Committee Practical Guideline No. 24 (October 8, 2020). The Group has the right to sell or pledge (repledge) such bills without any restrictions. These include commercial bills discounted, etc. The total face value of such financial transactions at March 31, 2021 and 2020 amounted to ¥2,912 million ($26,300 thousand) and ¥4,067 million, respectively.

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥287,946 ($2,600,668 thousand) and ¥281,284 million at March 31, 2021 and 2020, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥280,808 million ($2,536,199 thousand) and ¥266,690 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments of the consolidated subsidiaries. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, such as a change in financial situation and preservation of claims. At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms and conditions of the contracts and/or requiring additional collateral or guarantees.

Risk monitored loans

Risk monitored loans which were included in loans and bills discounted at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans to bankrupt borrowers	¥ 1,241	¥ 1,175	$ 11,208
Delinquent loans	26,101	24,065	235,738
Loans past due for 3 months or more	-	-	-
Restructured loans	1,024	2,726	9,248
Total	¥ 28,366	¥ 27,966	$ 256,195

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 96-1-4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans on which interest payments have been suspended in order to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties.

Loans past due for 3 months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the day after the due date, and which are not classified as “loans to bankrupt borrowers” or “delinquent loans.”

Restructured loans are loans which have been restructured to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the borrowers (such as reducing the rate of interest, suspending the payment of principal/interest, forgiving debt, etc.) and loans which are not classified in any of the above categories.

The amounts presented in the table above are stated before deducting the amount of allowance for loan losses.

8. Tangible Fixed Assets

At March 31, 2021 and 2020, accumulated depreciation of tangible fixed assets was ¥30,183 million ($272,606 thousand) and ¥32,508 million, respectively.

The amounts of advanced depreciation by reduction of carrying amount of assets as of and for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance as of the fiscal year-end	¥ 1,010	¥ 1,206	$ 9,122
Amount applicable for the year	-	67	-

9. Revaluation of Land

In accordance with the “Act on Revaluation of Land” (Act No. 34 of March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying amount at the time of revaluation, net of income taxes corresponding to the excess which are recognized as “Deferred tax liabilities for land revaluation,” is stated as “Revaluation reserve for land” under net assets.

Date of revaluation: September 30, 1999

The method of revaluation of asset set forth in Article 3, Paragraph 3 of the "Act on Revaluation of Land":

Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3 of the "Order for Enforcement of Act on Revaluation of Land" (the "Ordinance") (Cabinet Order No. 119 of March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent real estate appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair values of land used for business operations revalued pursuant to Article 10 of the "Act on Revaluation of Land" and carrying amount after revaluation of the relevant land at March 31, 2021 and 2020 was ¥1,230 million ($11,109 thousand) and ¥1,377 million, respectively.

10. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2021	2020	2021		
Borrowed money	¥323,700	¥13,900	$2,923,591	0.00	Apr. 2021 through Mar. 2024
Current portion of lease obligations	44	53	397	1.00	-
Lease obligations, less current portion	35	77	316	1.34	Apr. 2022 through Feb. 2026

Note: Average interest rate is calculated based on the interests and the balances as of the balance sheet date by the weighted average method.

Annual maturities of borrowed money and lease obligations within five years at March 31, 2021 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 312,800	¥ 4,800	¥ 6,100	¥ -	¥ -
Lease obligations	44	20	10	2	1

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	$2,825,144	$ 43,352	$ 55,093	$ -	$ -
Lease obligations	397	180	90	18	9

Note: Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheet.

11. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥ 145,927	¥ 82,560	$ 1,317,982
Loans and bills discounted	256,845	-	2,319,770
Total	¥402,773	¥ 82,560	$ 3,637,761

The liabilities secured by the above pledged assets at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Payables under securities lending transactions	¥ 75,999	¥ 66,106	$ 686,407
Borrowed money	323,700	13,900	2,923,591

In addition to the pledged assets listed above, the following assets are pledged as collateral of domestic exchange transactions or as margins on futures contracts at March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥ 175,186	¥ 221,255	$ 1,582,243
Cash and due from banks	8	8	72
Other assets	43,711	42,966	394,788

Note: Other assets include guarantee deposits in the amount of ¥470 million ($4,244 thousand) and ¥515 million at March 31, 2021 and 2020, respectively.

12. Retirement Benefit Plans

The Company and its consolidated banking subsidiaries have a defined contribution plan as well as a corporate pension plan and a lump-sum payment plan, as defined benefit plans. In addition, additional retirement allowance may be paid to employees when they retire. Further, a retirement benefit trust is established for the lump-sum payment plan of consolidated banking subsidiaries of the Company.

On April 1, 2020, the Company and its consolidated banking subsidiaries unified the comprehensive retirement plan and adopted the point system under which certain points are given based on the functional classes and titles and employees are entitled to lump-sum payments based on the accumulated points at the time of the termination multiplied by unit price by point.

Certain consolidated subsidiaries other than the consolidated banking subsidiaries have lump-sum payment plans as defined benefit pension plans, and adopt the simplified method in calculating defined benefit liability and retirement benefit expenses.

Defined benefit pension plans

(1) Reconciliation between retirement benefit obligations at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations at beginning of year	¥ 11,902	¥ 13,497	$ 107,496
Service costs	387	463	3,495
Interest costs	16	1	144
Actuarial gains and losses arising during year	295	(27)	2,664
Retirement benefits paid	(814)	(944)	(7,351)
Past service costs arising during year	-	(1,087)	-
Retirement benefit obligations at end of year	¥ 11,788	¥ 11,902	$ 106,466

(2) Reconciliation between plan assets at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at beginning of year	¥ 10,346	¥ 11,175	$ 93,442
Expected return on plan assets	155	144	1,399
Actuarial gains and losses	709	(258)	6,403
Contribution from employer	1,396	106	12,608
Retirement benefits paid	(699)	(821)	(6,313)
Plan assets at end of year	¥ 11,908	¥ 10,346	$ 107,550

Note: Retirement benefit trust is included in plan assets.

(3) Reconciliation between retirement benefit obligations and plan assets at end of year and defined benefit liability and defined benefit asset on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 11,572	¥ 10,353	$ 104,515
Plan assets	(11,908)	(10,346)	(107,550)
	(335)	6	(3,025)
Unfunded retirement benefit obligation	215	1,549	1,941
Net balance of liability and asset recorded on the consolidated balance sheets	¥ (119)	¥ 1,556	$ (1,074)

	Millions of yen		Thousands of U.S. dollars
Defined benefit liability	¥ 614	¥ 1,944	$ 5,545
Defined benefit asset	(734)	(388)	(6,629)
Net balance of liability and asset recorded on the consolidated balance sheets	¥ (119)	¥ 1,556	$ (1,074)

Note: Retirement benefit trust is included in plan assets.

(4) Retirement benefit expenses and components thereof

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service costs	¥ 387	¥ 463	$ 3,495
Interest costs	16	1	144
Expected return on plan assets	(155)	(144)	(1,399)
Amortization of actuarial gains and losses	187	113	1,688
Amortization of past service costs	(217)	-	(1,959)
Other	8	1	72
Retirement benefit expenses on defined benefit plans	¥ 226	¥ 434	$ 2,041

Note: Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively included in "Service costs."

(5) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service costs	¥ (217)	¥ 1,087	$ (1,959)
Actuarial gains and losses	601	(117)	5,428
Total	¥ 383	¥ 970	$ 3,459

(6) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized past service costs	¥ (870)	¥ (1,087)	$ (7,857)
Unrecognized actuarial gains and losses	595	1,196	5,373
Total	¥ (274)	¥ 109	$ (2,474)

(7) Components of plan assets

(i) Percentages to total plan by major category are as follows:

	2021	2020
Debt securities	32.2%	46.0%
Equity securities	27.0	19.9
Cash and deposits	20.4	8.4
Call loans	0.1	0.1
General account	6.3	7.2
Other	14.0	18.4
Total	100.0%	100.0%

Note: 38.0% and 30.9% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan as of March 31, 2021 and 2020, respectively.

(ii) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(8) Actuarial assumptions at end of year

	2021	2020
Discount rate	0.05% - 0.25%	0.02% - 0.31%
Expected long-term rate of return on plan assets	1.50%	1.00% - 1.50%
Expected rate of salary increase (Note)	2.20% - 2.30%	3.64%

Note: The Company and its consolidated banking subsidiaries unified the comprehensive retirement plan and adopted the point system on April 1, 2020. For Hokuto, the expected rate of salary increase is not included in the basis for calculation of retirement benefit obligations and others for the year ended March 31, 2020.

Defined contribution pension plans

The amounts to be contributed to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥171 million ($1,544 thousand) and ¥150 million as of March 31, 2021 and 2020, respectively.

13. Contingent Liabilities

Guarantee liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in "Securities" amounted to ¥20,445 million ($184,654 thousand) and ¥17,206 million at March 31, 2021 and 2020, respectively.

14. Shareholders' Equity

Japanese banks are required to comply with the Banking Act and the Companies Act. The Companies Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Companies Act also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the bank can distribute as dividends is calculated based on the non-consolidated financial statements of the bank and in accordance with the Companies Act.

Movements in common stock, preferred stock and treasury stock during the years ended March 31, 2021 and 2020 are summarized as follows:

	Number of shares (in thousands)				
	April 1, 2020	Increase	Decrease	March 31, 2021	Ref.
Issued shares:					
Common stock	181,421	-	-	181,421	
Preferred stock class B	25,000	-	-	25,000	
Total	206,421	-	-	206,421	
Treasury stock:					
Common stock	30	1	0	31	Note
Total	30	1	0	31	

Note: Increase in number of shares is due to request for purchase of less than one unit. Decrease in number of shares is due to request for sale of less than one unit

	Number of shares (in thousands)				
	April 1, 2019	Increase	Decrease	March 31, 2020	Ref.
Issued shares:					
Common stock	181,421	-	-	181,421	
Preferred stock class B	25,000	-	-	25,000	
Total	206,421	-	-	206,421	
Treasury stock:					
Common stock	28	2	-	30	Note
Total	28	2	-	30	

Note: Increase in number of shares is due to request for purchase of less than one unit.

15. General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Salaries and allowances	¥ 11,678	¥ 12,290	$ 105,473
Retirement benefit expenses	398	584	3,594
Outsourcing expenses	2,801	2,576	25,298

16. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on sales of equity securities, etc.	¥ 595	¥ 1,978	$ 5,373

17. Impairment Loss

For the years ended March 31, 2021 and 2020, with regard to assets from which cash flows declined due to decrease in income from operating activities, idle properties and assets which were determined to be sold, the Company recognized the impairment loss by writing off the carrying amount of each asset to its respective recoverable amount.

March 31, 2021

Category	Area	Main use	Description	Impairment loss: Millions of yen	Impairment loss: Thousands of U.S. dollars
Business assets	Within Akita Prefecture	Banking office – 10 locations	Land and buildings	¥ 444	$ 4,010
Business assets	Within Miyagi Prefecture	Banking office – three locations	Buildings	201	1,815
Business assets	Within Yamagata Prefecture	Banking office – six locations	Land and buildings	199	1,797
Business assets	Within Tokyo Metropolitan Area	Banking office – one location	Buildings	14	126
Idle assets	Within Akita Prefecture	Idle assets – four locations	Land and buildings	30	270
Total				¥ 891	$ 8,047

March 31, 2020

Category	Area	Main use	Description	Impairment loss: Millions of yen
Business assets	Within Akita Prefecture	Banking office – 13 locations	Land and buildings	¥ 147
Business assets	Within Yamagata Prefecture	Banking office – six locations	Land and buildings	96
Business assets	Within Miyagi Prefecture	Banking office – two locations	Buildings	31
Idle assets	Within Yamagata Prefecture	Idle assets – two locations	Land and buildings	19
Idle assets	Within Akita Prefecture	Idle assets – three locations	Land	5
Assets held for sale	Within Yamagata Prefecture	Idle assets – one location	Land and buildings	9
Total				¥ 309

Banking offices of consolidated subsidiaries in the banking business are grouped by office which is the minimum unit for management accounting purposes. Certain banking office group which operates in cooperation is considered as one unit, and banking offices located in the same building are also considered as one unit. For idle assets and assets held for sale, each asset is considered as the minimum unit. Head office, administrative centers and others are considered as corporate assets since they contribute to generate future cash flows of multiple assets or asset groups.

The Company and consolidated subsidiaries in other than the banking business are grouped by entity as a general rule.

The recoverable amount of relevant asset group is measured at net selling price and calculated by deducting estimated costs to sell from the amount which properly reflects the fair market value such as real estate appraisal value or roadside land prices.

18. Other Comprehensive Income (Loss)

Reclassification adjustments and income tax effect for each component of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 7,989	¥ (12,767)	$ 72,154
Reclassification adjustments	1,191	702	10,756
Before income tax effect	9,181	(12,065)	82,920
Income tax effect	(2,782)	3,674	(25,126)
Unrealized gain (loss) on available-for-sale securities	6,399	(8,391)	57,794
Deferred gain (loss) on hedges:			
Adjustments arising during the year	(807)	58	(7,288)
Reclassification adjustments	-	(200)	-
Before income tax effect	(807)	(141)	(7,288)
Income tax effect	245	43	2,212
Deferred gain (loss) on hedges	(561)	(98)	(5,066)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	413	856	3,730
Reclassification adjustments	(30)	113	(270)
Before income tax effect	383	970	3,459
Income tax effect	(62)	(307)	(559)
Remeasurements of defined benefit plans	321	662	2,899
Total other comprehensive income (loss)	¥ 6,159	¥ (7,826)	$ 55,626

19. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2021 and 2020 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥ 612,331	¥ 148,358	$5,530,446
Due from banks (excluding due from BoJ)	(3,029)	(4,287)	(27,357)
Cash and cash equivalents	¥ 609,301	¥ 144,070	$5,503,079

20. Income Taxes

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 7,374	¥ 6,875	$ 66,600
Defined benefit liability	1,727	1,726	15,597
Tax loss carryforwards	1,078	1,499	9,736
Depreciation	663	669	5,988
Write-down of securities	138	107	1,246
Other	1,452	1,257	13,114
Gross deferred tax assets	12,435	12,136	112,310
Valuation allowance	(5,945)	(5,726)	(53,694)
Total deferred tax assets	¥ 6,490	¥ 6,409	$ 58,616
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (7,974)	¥ (5,192)	$ (72,019)
Other	(646)	(638)	(5,834)
Total deferred tax liabilities	(8,621)	(5,830)	(77,863)
Net deferred tax assets (liabilities)	¥ (2,130)	¥ 579	$ (19,237)

Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2021 and 2020 is shown as below.

	2021	2020
Normal effective statutory tax rate	30.58%	30.57%
Non-deductible expenses such as entertainment expenses	0.36	1.08
Non-taxable income such as dividend income	(7.26)	(26.90)
Per capita inhabitant tax	0.95	2.11
Valuation allowance	4.59	20.16
Consolidation adjustments	6.36	17.20
Other	2.03	2.15
Actual effective tax rate	37.61%	46.37%

21. Segment Information

(1) Segment information

The Group has a single segment of banking business. Accordingly, segment information by reportable segment is omitted.

(2) Related information

Information by service

	Millions of yen			
March 31, 2021	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 19,534	¥ 20,526	¥ 13,130	¥ 53,191

	Millions of yen			
March 31, 2020	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 20,069	¥ 18,462	¥ 12,331	¥ 50,864

	Thousands of U.S. dollars			
March 31, 2021	Lending	Securities investment	Other	Total
Ordinary income from external customers	$ 176,427	$ 185,386	$ 118,587	$ 480,410

Note: "Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

Geographic information

(i) Ordinary income

Information about ordinary income by geographic area for the years ended March 31, 2021 and 2020 is omitted as ordinary income from external customers in Japan was more than 90% of ordinary income in the consolidated statements of income.

(ii) Tangible fixed assets

Information about tangible fixed assets by geographic area as of March 31, 2021 and 2020 is omitted as tangible fixed assets in Japan was more than 90% of "Tangible fixed assets" in the consolidated balance sheets.

Information by major customer

Information by major customer for the years ended March 31, 2021 and 2020 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

22. Related Party Transactions

Transactions between the Company's consolidated subsidiaries and their directors and major shareholders as of March 31, 2021 and 2020 and for the years then ended are as follows:

2021

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2021
Relative of the director	Yuki Fukuoka Note (1)	-	-	Doctor	-	Lending	¥88 million ($794 thousand)	Loans and bills discounted	¥121 million ($1,092 thousand)
Companies, etc. whose voting rights are owned by the director (including the director of the consolidated subsidiaries) or his/her relatives	Akita Kubota Co., Ltd. Note (2)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥223 million ($2,014 thousand)	Loans and bills discounted	¥196 million ($1,770 thousand)
	Netz Toyota Akita Co., Ltd. Note (3)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥950 million ($8,580 thousand)	Loans and bills discounted	¥1,080 million ($9,754 thousand)
	Toyota Renta Lease Akita Co., Ltd. Note (3)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥526 million ($4,750 thousand)	Loans and bills discounted	¥540 million ($4,877 thousand)
	Okuyama Boring Co., Ltd. Note (4)	Yokote city, Akita Pref.	¥40	Construction	-	Lending	¥1,164 million ($10,513 thousand)	Loans and bills discounted	¥1,139 million ($10,287 thousand)
						Guarantee for liabilities	¥225 million ($2,032 thousand)	Customers' liabilities for acceptances and guarantees	¥259 million ($2,339 thousand)

2020

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2020
Companies, etc. whose voting rights are owned by the director (including the director of the consolidated subsidiaries) or his/her relatives	Akita Kubota Co., Ltd. Note (2)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥123 million	Loans and bills discounted	¥236 million
	Netz Toyota Akita Co., Ltd. Note (3)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥935 million	Loans and bills discounted	¥961 million
	Toyota Renta Lease Akita Co., Ltd. Note (3)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥500 million	Loans and bills discounted	¥500 million
	Okuyama Boring Co., Ltd. Note (4)	Yokote city, Akita Pref.	¥40	Construction	-	Lending	¥1,040 million	Loans and bills discounted	¥1,198 million
						Guarantee for liabilities	¥139 million	Customers' liabilities for acceptances and guarantees	¥169 million

Notes: (1) Yuki Fukuoka is a relative of Eikichi Saito who is a director of Hokuto which is a significant consolidated subsidiary of the Company.

(2) Akita Kubota Co., Ltd. is a subsidiary of Ishii Shoji Co., Ltd. Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ishii Shoji Co., Ltd.

(3) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, his relatives and Ishii Shoji Co., Ltd. own the majority of voting rights of Netz Toyota Akita Co., Ltd. Toyota Renta Lease Akita Co., Ltd. is a subsidiary of Netz Toyota Akita Co., Ltd.

(4) Kazuhiko Okuyama, a director and audit & supervisory board member of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Okuyama Boring Co., Ltd.

(5) The transactions are with Hokuto, which is a significant consolidated subsidiary of the Company, and the trading conditions and policies are the same as those of the transactions with general parties.

(6) The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed for the years ended March 31, 2021 and 2020.

23. Financial Instruments and Related Disclosures

(1) Status of Financial Instruments

(i) Policy on financial instruments

The Group is engaged in financial information services centering on banking business such as deposit-taking and lending services for domestic corporate and individual customers and management of securities such as debt and equity securities and investment trusts. The Group accepts risk as long as it remains financially healthy and intends to improve its earning power in order to continue to conduct these services.

The Group holds financial assets and liabilities exposed to the fluctuation risk of interest rates. Accordingly, the Group conducts asset and liability management (ALM) and enters into derivative transactions if necessary in order to avoid adverse effect by the interest-rate fluctuation.

(ii) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans and bills discounted to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trusts and investment in partnerships, are held for the purposes of net investment and strategic investment. These financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.

Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts. The liquidity risk is also controlled by limiting the ratio of large deposit accounts to a certain level.

Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and futures of debt securities held as available-for-sale securities, options, etc. These derivatives are not entered into for speculative purpose but mainly for hedging purposes.

(iii) Risk management system for financial instruments

The Group has established the "Basic Policy on Risk Management" and various risk control rules and a system to conduct the risk management as follows:

a. Credit risk management:
   In accordance with the "Credit Policy" and "Credit Risk Management Rule," for loans and bills discounted, a credit control system has been established and maintained, including credit review by individual contract, credit limit control, credit information control, internal ratings, retrospective control including self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management, etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings on a regular basis. Furthermore, the status of credit control is examined by the internal audit department.
b. Market risk management:
   For market transactions, front office, middle office and back office, each of which is independent of others, are mutually controlled.

   Interest rate risk management:
   The Group manages the fluctuation risk of interest rates by ALM. In accordance with the "Market Risk Management Rule," the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis, and the monitoring results are reported to the management meetings on a regular basis. In addition, the future countermeasures based on the analysis of current status are discussed.

   Foreign exchange risk management:
   The Group manages foreign exchange risk, in accordance with the "Market Risk Management Rule," by establishing total positions and loss limits or entering into hedging activities.

   Price fluctuation risk management:
   The Group manages price fluctuation risk in accordance with "Market Risk Management Rule." Risk

exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department on a daily basis based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.

Derivative transactions:
With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness, and operation administration and conducts transactions under the management and control based on the handling rules.

Quantitative information about market risk:
Financial instruments not for trading purposes
The Group identifies and manages the market risk volume using VaR on a daily basis (monthly basis with regard to interest rate risk volume of deposits, loans and bills discounted, etc.), since the Group holds many financial instruments whose fair values fluctuate on a daily basis and such fluctuation amount is greater than other risk categories. The market risk volume of the Group is controlled as the total amounts of market risk volume of Shonai and Hokuto which are the subsidiaries.
Market risk volume of the banking business of the Group at March 31, 2021 and 2020 and for the years then ended was as follows:

	Billions of yen			
	2021			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	51.6	60.3	31.5	31.5
Debt securities	12.4	16.6	6.1	6.1
Equity securities	6.6	7.8	5.0	5.6
Other	39.4	47.2	24.3	24.3

	Billions of yen			
	2020			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	34.6	64.6	29.2	59.9
Debt securities	7.2	12.1	5.0	12.2
Equity securities	7.1	7.1	6.1	5.6
Other	20.3	45.5	18.1	42.0

	Millions of U.S. dollars			
	2021			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Securities:	466.0	544.6	284.5	284.5
Debt securities	111.9	149.9	55.0	55.0
Equity securities	59.6	70.4	45.1	50.5
Other	355.8	426.3	219.4	219.4

(*1) VaR is measured in principle using the variance/co-variance method.

(*2) Holding period is assumed to be 60 business days for higher market liquidity financial instruments such as Japanese government bonds, municipal bonds, listed equity securities (excluding strategic investments), etc., 250 business days for cross-holding shares of listed equity securities, and 125 or 250 business days for less market liquidity financial instruments, due from banks, loans and bills discounted, etc.

(*3) 99 % is used for confidence interval, and 250 business days are used as extraction period of market data to measure volatility.

(*4) The total amount does not agree with the sum of the individual amounts since correlation between the risk factors of debt securities and equity securities is taken into account.

(*5) The current interest rate risk volume of deposits, loans and bills discounted, etc., represents decreasing interest rate risk, not increasing interest rate risk. The increasing interest rate risk is managed as internal control. Therefore, the interest rate risk volume of due from banks, loans and bills discounted and others is considered to be zero.

Within the Group, each banking subsidiary implements backtests comparing the VaR of one day holding period measured by the model and actual change in losses, in order to verify the accuracy of the measurement model of the market risk volume concerning the VaR of securities.
The measurement model currently in use is deemed to capture the market risk on the reasonably accurate basis. However, the Group will take conservative actions as necessary when VaR is expected to increase due to an increase in volatility.

In implementing the risk management using the VaR, the following particular points are paid attention to:

(a) Quantitative information such as VaR of market risk is determined based on the statistical assumptions and may result in a different value depending on the different assumptions and calculation methods.
(b) Quantitative information such as VaR of market risk is a statistical value calculated based on the assumptions and not intended to estimate the amount of maximum losses. Profit or loss is assumed to exceed VaR on the frequency corresponding to the confidence interval.
(c) Future market conditions may differ significantly from the past.

Financial instruments for trading purposes are excluded from the scope of disclosure, since the outstanding balance at any banking subsidiary is very insignificant and the materiality of effect on the management is quite limited.

c. Liquidity risk management:
The Group sets limits on liquidity risk management and reports to the management meetings, monitoring the results on a daily basis in accordance with the “Liquidity Risk Management Rule.”

(iv) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis, such as theoretical price if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

(2) Fair value of financial instruments

The carrying amount, the fair value and their difference as of March 31, 2021 and 2020 were as follows. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (See Note 2 below).

	Millions of yen		
March 31, 2021	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 612,331	¥ 612,331	¥ -
Monetary claims bought (*1)	3,761	3,761	-
Trading account securities:			
Trading securities	553	553	-
Money held in trust	47,358	47,358	-
Securities:			
Available-for-sale securities	725,396	725,396	-
Loans and bills discounted:	1,731,224		
Allowance for loan losses (*1)	(13,130)		
	1,718,094	1,747,376	29,281
Foreign exchange assets (*1)	1,603	1,603	-
Total assets	¥3,109,099	¥3,138,380	¥ 29,281
Deposits	¥2,593,356	¥2,593,387	¥ 30
Negotiable certificates of deposit	57,152	57,152	-
Call money and bills sold	-	-	-
Payables under securities lending transactions	75,999	75,999	-
Borrowed money	323,700	323,700	-
Foreign exchange liabilities	16	16	-
Total liabilities	¥3,050,225	¥3,050,256	¥ 30
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ (2,726)	¥ (2,726)	¥ -
To which hedge accounting is applied	(208)	(208)	-
Total derivative transactions	¥ (2,934)	¥ (2,934)	¥ -

March 31, 2020	Millions of yen Carrying amount	Fair value	Difference
Cash and due from banks	¥ 148,358	¥ 148,358	¥ -
Monetary claims bought (*1)	4,126	4,126	-
Trading account securities:			
Trading securities	230	230	-
Money held in trust	20,996	20,996	-
Securities:			
Available-for-sale securities	735,177	735,177	-
Loans and bills discounted:	1,697,947		
Allowance for loan losses (*1)	(12,244)		
	1,685,702	1,716,212	30,509
Foreign exchange assets (*1)	1,837	1,837	-
Total assets	¥2,596,428	¥2,626,937	¥ 30,509
Deposits	¥2,390,297	¥2,390,331	¥ 33
Negotiable certificates of deposit	74,039	74,040	0
Call money and bills sold	11,427	11,427	-
Payables under securities lending transactions	66,106	66,106	-
Borrowed money	13,900	13,900	-
Foreign exchange liabilities	9	9	-
Total liabilities	¥2,555,779	¥2,555,814	¥ 34
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ (260)	¥ (260)	¥ -
To which hedge accounting is applied	290	290	-
Total derivative transactions	¥ 29	¥ 29	¥ -

March 31, 2021	Thousands of U.S. dollars Carrying amount	 Fair value	 Difference
Cash and due from banks	$ 5,530,446	$ 5,530,446	$ -
Monetary claims bought (*1)	33,968	33,968	-
Trading account securities:			
Trading securities	4,994	4,994	-
Money held in trust	427,727	427,727	-
Securities:			
Available-for-sale securities	6,551,625	6,551,625	-
Loans and bills discounted:	15,636,054		
Allowance for loan losses (*1)	(118,587)		
	15,517,467	15,781,936	264,459
Foreign exchange assets (*1)	14,477	14,477	-
Total assets	$28,080,735	$28,345,195	$ 264,459
Deposits	$23,422,651	$23,422,931	$ 270
Negotiable certificates of deposit	516,184	516,184	-
Call money and bills sold	-	-	-
Payables under securities lending transactions	686,407	686,407	-
Borrowed money	2,923,591	2,923,591	-
Foreign exchange liabilities	144	144	-
Total liabilities	$27,548,997	$27,549,277	$ 270
Derivative transactions (*2):			
To which hedge accounting is not applied	$ (24,620)	$ (24,620)	$ -
To which hedge accounting is applied	(1,878)	(1,878)	-
Total derivative transactions	$ (26,499)	$ (26,499)	$ -

(*1) General and specific allowances for loan losses corresponding to loans and bills discounted are deducted. With respect to allowance for loan losses related to monetary claims bought and foreign exchange assets, carrying amount is shown, net of allowance, since the amount is insignificant.

(*2) Assets and liabilities arising from derivative transactions are presented in net amounts, and net liabilities are shown in parenthesis.

(Note 1) Calculation method for the fair value of financial instruments

Assets:

Cash and due from banks

For due from banks without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For due from banks with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is mostly short (within one year).

Monetary claims bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (within one year).

Trading account securities

For securities such as debt securities held for dealing purpose, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Money held in trust

For securities that are invested as part of trust assets in an independently managed money trust with the primary purpose of managing securities, the fair value of equity securities is determined using the price at the exchange and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Securities
The fair value of equity securities is determined using the price at the exchange (average market price during one month before the fiscal year-end) and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value of investment trust is determined based on the published standard quotation price.
For privately placed bonds, the fair value is determined by discounting the future cash flows of bonds categorized based on the internal ratings and terms using credit risk spread by credit rating and market interest rate.

Loans and bills discounted
For the loans and bills discounted with short remaining terms (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For the loans and bills discounted without predetermined maturity because of characteristics such as the loans and bills discounted being limited within the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value is considered to approximate the carrying amount considering the expected repayment term and interest rate conditions.
The fair value of the loans and bills discounted with fixed interest rates categorized by type of loans and bills discounted, internal rating and term is calculated by discounting the total of principal and interest using credit risk spread by credit rating and market interest rate. The fair value of the loans and bills discounted with floating interest rates, categorized by internal rating and term, is calculated by discounting the total of principal and interest, basically until the interest maturity date, using credit risk spread by credit rating and market interest rate. Credit risk spread is calculated by remaining term based on accumulated default rate by credit rating and loss rate by borrower classification.
For loans and bills discounted due from bankrupt, virtually bankrupt or potentially bankrupt borrowers, loan losses are estimated based on factors such as the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount net of the recoded amount of allowance for loan losses, such carrying amount is presented as the fair value.

Foreign exchange assets
Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks) and export bills and traveler's checks, etc. (foreign bills bought). For these items, the carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they are deposit without maturity or have short-term remaining terms (within one year).

Liabilities:
Deposits and Negotiable certificates of deposit
For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposit is determined using the discounted present value of future cash flows, grouping by certain maturity length. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining term is short (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call money and bills sold and Payables under securities lending transactions
The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (within one year).

Borrowed money
For borrowed money whose remaining term is short (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
For subordinated borrowed money whose remaining term is more than one year and which is subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated

cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the consolidated subsidiaries.

Foreign exchange liabilities
The carrying amount is presented as the fair value, since the fair value of these liabilities approximates the carrying amount because they are settled within a short period of time.

Derivative transactions:
Please see Note “24. Financial Instruments and Related Disclosures.”

(Note 2) Financial instruments whose fair value is extremely difficult to determine are as follows. These financial instruments are not included in “Securities” under “Assets” of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted equity securities (*1) (*2)	¥ 1,580	¥ 1,691	$ 14,270
Investment in partnerships (*3)	2,268	2,382	20,484
Total	¥ 3,849	¥ 4,074	$ 34,763

(*1) The fair value of unlisted equity securities is not disclosed since no market price is available and it is extremely difficult to determine the fair value.
(*2) The Company recognized write-down of unlisted equity securities in an amount of ¥110 million ($993 thousand) and ¥3 million for the years ended March 31, 2021 and 2020, respectively.
(*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to determine is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2021

	Millions of yen					
March 31, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 579,914	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	3,775	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	61,636	97,451	77,160	88,745	145,201	177,665
Japanese government bonds	13,000	22,500	6,000	1,000	33,000	40,000
Municipal bonds	19,811	30,940	39,945	33,849	44,352	51,058
Corporate bonds	5,191	12,551	16,617	8,034	3,200	71,338
Other	23,633	31,459	14,598	45,862	64,649	15,269
Loans and bills discounted (*2)	312,789	305,067	271,560	178,057	208,261	372,476
Total	¥ 958,116	¥ 402,519	¥ 348,720	¥ 266,803	¥ 353,462	¥ 550,142

March 31, 2021	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	$5,237,662	$ -	$ -	$ -	$ -	$ -
Monetary claims bought	34,095	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	556,683	880,157	696,893	801,526	1,311,425	1,604,633
Japanese government bonds	117,413	203,215	54,190	9,031	298,049	361,271
Municipal bonds	178,928	279,443	360,774	305,717	400,578	461,145
Corporate bonds	46,884	113,358	150,081	72,561	28,901	644,309
Other	213,448	284,131	131,846	414,216	583,896	137,906
Loans and bills discounted (*2)	2,825,045	2,755,301	2,452,673	1,608,173	1,880,970	3,364,125
Total	$8,653,504	$3,635,467	$3,149,566	$2,409,709	$3,192,395	$4,968,768

(*1) Due from banks without maturity is shown under "Due in one year or less."

(*2) Loans and bills discounted as of March 31, 2021 do not include ¥27,335 million ($246,884 thousand) of receivables such as those due from bankrupt, virtually bankrupt or potentially bankrupt borrowers since these are not certain when they can be collected or redeemed, and ¥55,675 million ($502,845 thousand) of receivables without maturity.

(Note 4) Repayment schedule of bonds payable, borrowed money and other interest bearing liabilities subsequent to March 31, 2021

March 31, 2021	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 2,294,130	¥ 95,905	¥ 11,876	¥ -	¥ -	¥ -
Negotiable certificates of deposit	57,152	-	-	-	-	-
Payables under securities lending transactions	75,999	-	-	-	-	-
Borrowed money	312,800	10,900	-	-	-	-
Total	¥ 2,740,081	¥ 106,805	¥ 11,876	¥ -	¥ -	¥ -

March 31, 2021	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$20,720,104	$ 866,194	$ 107,261	$ -	$ -	$ -
Negotiable certificates of deposit	516,184	-	-	-	-	-
Payables under securities lending transactions	686,407	-	-	-	-	-
Borrowed money	2,825,144	98,446	-	-	-	-
Total	$24,747,841	$ 964,640	$ 107,261	$ -	$ -	$ -

(*) Demand deposits are shown under "Due in one year or less" of deposits.

24. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss by transaction type at the balance sheet date and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Interest rate related derivatives

Interest rate related derivatives at March 31, 2021 were as follows:

		Millions of yen			
		Contract amount			Valuation gain
March 31, 2021		Total	Over one year	Fair value	(loss)
OTC transactions:					
Interest rate swaps:					
	Receive floating / Pay fix	¥ 3,000	¥ 3,000	¥ 14	¥ 14
Total				¥ 14	¥ 14

		Thousands of U.S. dollars			
		Contract amount			Valuation gain
March 31, 2021		Total	Over one year	Fair value	(loss)
OTC transactions:					
Interest rate swaps:					
	Receive floating / Pay fix	$ 27,095	$ 27,095	$ 126	$ 126
Total				$ 126	$ 126

Notes: (1) Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

(2) The fair value is calculated using the discounted present value.

There was no interest rate related derivative at March 31, 2020.

Currency related derivatives

Currency related derivatives at March 31, 2021 and 2020 were as follows:

		Millions of yen			
		Contract amount			Valuation gain
March 31, 2021		Total	Over one year	Fair value	(loss)
OTC transactions:					
Forward foreign exchange contracts:					
	Sold	¥ 84,456	¥ -	¥ (2,754)	¥ (2,754)
	Bought	3,773	-	14	14
Total				¥ (2,740)	¥ (2,740)

		Millions of yen			
		Contract amount			Valuation gain
March 31, 2020		Total	Over one year	Fair value	(loss)
OTC transactions:					
Forward foreign exchange contracts:					
	Sold	¥ 53,423	¥ -	¥ (239)	¥ (239)
	Bought	10,905	-	(20)	(20)
Total				¥ (260)	¥ (260)

	Thousands of U.S. dollars			
	Contract amount			
March 31, 2021	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	$ 762,789	$ -	$(24,873)	$(24,873)
Bought	34,076	-	126	126
Total			$(24,747)	$(24,747)

Notes: (1) Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.
(2) The fair value is calculated using the discounted present value.

Debt securities related derivatives

There was no debt securities related derivative at March 31, 2021. Debt securities related derivatives at March 31, 2020 were as follows:

	Millions of yen			
	Contract amount			
March 31, 2020	Total	Over one year	Fair value	Valuation gain (loss)
Exchange-traded transactions:				
Bond futures contracts:				
Sold	¥ 457	¥ -	¥ -	¥ -
Bought	-	-	-	-
Total			¥ -	¥ -

Notes: (1) Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.
(2) The fair value is the closing price on Osaka Exchange and other exchanges.

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Equity securities related derivatives

Equity securities related derivatives at March 31, 2021 and 2020 were as follows:

March 31, 2021

			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts	Available-for-sale securities (Equity securities)			
	Sold		¥ 1,507	¥ -	¥ (208)
	Bought		-	-	-
Total					¥ (208)

March 31, 2020

Hedge accounting method	Transaction type	Major hedged item	Millions of yen		
			Contract amount		
			Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts	Available-for-sale securities (Equity securities)			
	Sold		¥ 1,228	¥ -	¥ 290
	Bought		-	-	-
Total					¥ 290

March 31, 2021

Hedge accounting method	Transaction type	Major hedged item	Thousands of U.S. dollars		
			Contract amount		
			Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts	Available-for-sale securities (Equity securities)			
	Sold		$ 13,610	$ -	$ (1,878)
	Bought		-	-	-
Total					$ (1,878)

Notes: (1) In principle, the deferred hedge accounting is applied in accordance with the JICPA Industry Committee Practical Guideline No. 24 (October 8, 2020).

(2) The fair value is the closing price on Osaka Exchange and other exchanges for exchange-traded transactions. For OTC transactions, the fair value is measured by the discounted present value, prices calculated by option pricing models or other method, or prices provided by counterparty financial institutions.

25. Amounts per Share

Amounts per share at March 31, 2021 and 2020 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets	¥ 604.90	¥ 559.34	$ 5.4633
Net income:			
Basic	17.64	6.79	0.1593
Diluted	13.28	4.58	0.1199

Net income per share—basic and net income per share—diluted for the years ended March 31, 2021 and 2020 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income attributable to owners of parent —basic:	¥ 3,314	¥ 1,346	$ 29,931
Amounts not attributed to common stock shareholders	114	113	1,029
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	57	56	514
O/W, interim dividends for preferred stock	57	56	514
Net income attributable to common stock owners of parent	¥ 3,200	¥ 1,233	$ 28,901
Average outstanding number of shares of common stock (Unit: thousand shares)	181,390	181,391	
Net income attributable to owners of parent —diluted:			
Adjustments to net income attributable to owners of parent	¥ 114	¥ 113	$ 1,029
O/W, dividends for preferred stock class B	114	113	1,029
Increase in number of shares of common stock (Unit: thousand shares)	68,027	112,359	
O/W, preferred stock class B	68,027	112,359	

Net assets per share at March 31, 2021 and 2020 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥ 120,073	¥ 111,800	$1,084,474
Amounts deducted from total net assets:	10,350	10,340	93,479
O/W, payment for preferred stock	10,000	10,000	90,317
O/W, dividends for preferred stock	57	56	514
O/W, non-controlling interests	293	283	2,646
Net assets attributable to common stock as of March 31, 2021 and 2020	¥ 109,722	¥ 101,460	$ 990,986
Number of shares of common stock as of March 31, 2021 and 2020 used to calculate net assets per share (Unit: thousand shares)	181,389	181,390	

26. Subsequent Events

Stock consolidation

At the Board of Directors' meeting held on May 14, 2021, it was resolved to propose the stock consolidation (hereinafter the "Stock Consolidation") to the 12th General Shareholders' meeting (hereinafter the "General Shareholders' Meeting), the class meeting of common stock shareholders and the class meeting of class-B preferred stock shareholders (hereinafter, collectively with the General Shareholders' Meeting, the "Meetings of Shareholders") to be held on June 24, 2021, and the proposal was approved at the Meetings of Shareholders.

(1) Purpose of the Stock Consolidation

The current share price level of the Company's common stock is far below the range of "between ¥50,000 and ¥500,000," which is the desirable investment unit level under the securities listing regulations of the Tokyo Stock Exchange. In addition, the stock price volatility per yen, which is the minimum unit of stock price volatility, is also relatively large. And it may make it easy to cause drastic changes in the stock price as a speculative target. In order to improve the situation, the Company will implement the Stock Consolidation, whereby 10 shares will be consolidated to one share.

(2) Outline of the Stock Consolidation

(i) Class of stock to be consolidated

Common stock

Preferred stock class B

(ii) Ratio of consolidation

One share per 10 shares

(Based on the number of shares held by shareholders listed or recorded in the final shareholder registry as of September 30, 2021)

(iii) Effective date

October 1, 2021

(iv) Number of shares to be decreased due to the consolidation

a. Common stock

Total number of common stock issued and outstanding before the consolidation (as of March 31, 2021)	181,421,226 shares
Number of shares to be decreased due to the consolidation	163,279,104 shares
Total number of common stock issued and outstanding after the consolidation	18,142,122 shares

(Note) "Number of shares to be decreased due to the consolidation" and "Total number of common stock issued and outstanding after the consolidation" above are the theoretical figures calculated by multiplying the total number of common stock issued and outstanding before the consolidation by the ration of the Stock Consolidation.

b. Preferred stock class B

Total number of class-B preferred stock issued and outstanding before the consolidation (as of March 31, 2021)	25,000,000 shares
Number of shares to be decreased due to the consolidation	22,500,000 shares
Total number of class-B preferred stock issued and outstanding after the consolidation	2,500,000 shares

(Note) "Number of shares to be decreased due to the consolidation" and "Total number of class-B preferred stock issued and outstanding after the consolidation" above are the theoretical figures calculated by multiplying the total number of class-B preferred stock issued and outstanding before the consolidation by the ration of the Stock Consolidation.

(3) Impact on the information on amounts per share

Information on amounts per share if the Stock Consolidation was implemented at April 1, 2019 is as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets	¥ 6,049.00	¥ 5,593.46	$ 54.6333
Net income:			
Basic	176.41	67.98	1.5932
Diluted	132.89	45.84	1.2002

27. Non-Consolidated Financial Statements of Shonai Bank and Hokuto Bank as of March 31, 2021 and 2020 and for the Years Then Ended

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Cash and due from banks	¥ 348,693	¥ 62,406	$ 3,149,322
Monetary claims bought	1,583	1,783	14,297
Trading account securities	417	169	3,766
Money held in trust	21,253	14,987	191,952
Securities	397,258	400,924	3,587,951
Loans and bills discounted	870,494	859,252	7,862,120
Foreign exchange assets	1,050	1,221	9,483
Tangible fixed assets:			
Buildings	8,304	9,195	75,000
Land	5,058	5,840	45,682
Lease assets	16	21	144
Construction in progress	237	243	2,140
Other tangible fixed assets	992	1,230	8,959
Intangible fixed assets:			
Software	932	1,083	8,417
Other intangible fixed assets	65	67	587
Prepaid pension cost	33	-	298
Customers' liabilities for acceptances and guarantees	5,926	7,609	53,522
Other assets	17,363	15,788	156,819
Allowance for loan losses	(6,889)	(5,823)	(62,220)
Total assets	¥ 1,672,793	¥ 1,376,002	$ 15,108,318

(Continued)

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liabilities:			
Deposits	¥ 1,262,562	¥ 1,163,328	$ 11,403,197
Negotiable certificates of deposit	45,845	58,759	414,062
Call money	-	11,427	-
Payables under securities lending transactions	68,658	46,235	620,104
Borrowed money	209,000	13,900	1,887,644
Foreign exchange liabilities	7	2	63
Provision for bonuses for directors and other officers	10	-	90
Provision for retirement benefits	146	1,459	1,318
Provision for reimbursement of deposits	60	97	541
Provision for contingent loss	302	278	2,727
Deferred tax liabilities	3,289	1,912	29,705
Deferred tax liabilities for land revaluation	454	480	4,100
Acceptances and guarantees	5,926	7,609	53,522
Other liabilities	8,805	7,185	79,524
Total liabilities	1,605,068	1,312,675	14,496,640
Net assets:			
Common stock	8,500	8,500	76,770
Capital surplus	20,308	20,308	183,417
Retained earnings	25,424	24,347	229,624
Total shareholders' equity	54,232	53,156	489,812
Unrealized gain on available-for-sale securities	12,492	9,116	112,825
Revaluation reserve for land	1,000	1,054	9,031
Total valuation and translation adjustments	13,492	10,170	121,856
Total net assets	67,725	63,327	611,678
Total liabilities and net assets	¥ 1,672,793	¥ 1,376,002	$ 15,108,318

(Concluded)

The Shonai Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 10,098	¥ 10,614	$ 91,203
Interest and dividends on securities	8,795	5,375	79,434
Other	93	19	839
Fees and commissions	3,886	3,749	35,097
Other operating income	1,944	2,759	17,557
Other income	2,393	1,472	21,613
Total income	27,211	23,990	245,764
Expenses:			
Interest expenses:			
Interest on deposits	249	287	2,248
Interest on negotiable certificates of deposit	6	12	54
Interest on payables under securities lending transactions	40	232	361
Interest on borrowings and rediscounts	0	0	0
Other	48	(1)	433
Fees and commissions	2,419	2,410	21,847
Other operating expenses	4,957	3,580	44,770
General and administrative expenses	12,993	13,657	117,350
Other expenses	3,673	2,861	33,173
Total expenses	24,388	23,042	220,267
Income before income taxes	2,822	947	25,487
Income taxes:			
Current	1,363	153	12,310
Deferred	(107)	392	(966)
Total income taxes	1,256	546	11,343
Net income	¥ 1,566	¥ 401	$ 14,143

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Cash and due from banks	¥ 262,658	¥ 85,437	$ 2,372,272
Monetary claims bought	973	1,015	8,787
Trading account securities	135	61	1,219
Money held in trust	26,105	6,008	235,774
Securities	331,887	338,251	2,997,534
Loans and bills discounted	874,866	852,163	7,901,607
Foreign exchange assets	553	616	4,994
Tangible fixed assets:			
Buildings	4,842	4,992	43,731
Land	6,394	7,024	57,749
Lease assets	23	29	207
Construction in progress	-	9	-
Other tangible fixed assets	697	693	6,295
Intangible fixed assets:			
Software	1,125	959	10,160
Other intangible fixed assets	62	62	559
Prepaid pension cost	428	418	3,865
Deferred tax assets	882	2,162	7,966
Customers' liabilities for acceptances and guarantees	13,492	13,983	121,856
Other assets	35,893	38,200	324,178
Allowance for loan losses	(4,840)	(4,727)	(43,713)
Total assets	¥ 1,556,182	¥ 1,347,364	$ 14,055,111

(Continued)

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liabilities:			
Deposits	¥ 1,336,786	¥ 1,231,065	$12,073,572
Negotiable certificates of deposit	11,307	16,280	102,122
Payables under securities lending transactions	7,340	19,871	66,293
Borrowed money	114,700	-	1,035,946
Foreign exchange liabilities	9	6	81
Provision for bonuses for directors and other officers	10	-	90
Provision for retirement benefits	236	190	2,131
Provision for reimbursement of deposits	179	297	1,616
Provision for contingent loss	141	131	1,273
Deferred tax liabilities for land revaluation	914	980	8,255
Acceptances and guarantees	13,492	13,983	121,856
Other liabilities	12,273	8,712	110,847
Total liabilities	1,497,391	1,291,517	13,524,123
Net assets:			
Common stock	12,500	12,500	112,897
Capital surplus	19,999	19,999	180,626
Retained earnings	19,019	18,380	171,775
Total shareholders' equity	51,519	50,880	465,308
Unrealized gain on available-for-sale securities	5,745	2,738	51,887
Deferred gain (loss) on hedges	(387)	173	(3,495)
Revaluation reserve for land	1,915	2,054	17,295
Total valuation and translation adjustments	7,272	4,966	65,679
Total net assets	58,791	55,847	530,988
Total liabilities and net assets	¥ 1,556,182	¥ 1,347,364	$14,055,111

(Concluded)

The Hokuto Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 9,444	¥ 9,591	$ 85,296
Interest and dividends on securities	4,163	4,350	37,599
Other	42	8	379
Fees and commissions	3,890	3,961	35,133
Other operating income	1,801	3,875	16,266
Other income	2,350	1,270	21,224
Total income	21,692	23,058	195,917
Expenses:			
Interest expenses:			
Interest on deposits	108	153	975
Interest on negotiable certificates of deposit	2	6	18
Interest on payables under securities lending transactions	11	77	99
Interest on borrowings and rediscounts	0	0	0
Other	28	1	252
Fees and commissions	1,630	1,742	14,721
Other operating expenses	3,466	4,821	31,304
General and administrative expenses	12,463	12,938	112,563
Other expenses	2,269	2,465	20,493
Total expenses	19,980	22,206	180,455
Income before income taxes	1,711	852	15,453
Income taxes:			
Current	408	175	3,684
Deferred	144	269	1,300
Total income taxes	553	444	4,994
Net income	¥ 1,158	¥ 407	$ 10,458