

**The Hyakugo Bank, Ltd.**  
**Consolidated Financial Statements**

March 31, 2021 and 2020



# Independent auditor's report

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

## Opinion

We have audited the accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

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

## Company's judgments on the classification of borrowers

The key audit matter	How the matter was addressed in our audit
In the consolidated financial statements of the Group, for the year ended March 31, 2021, loans and bills discounted of ¥3,971,146 million are recognized, representing a significant proportion of total assets of ¥7,452,803 million. In addition, allowance for	For the key audit matter, we performed the following procedures among others: <b>(1) Internal control testing</b> We assessed the design and operating effectiveness of relevant internal controls over the judgment on the

loan losses of ¥19,399 million is recognized, mainly provided for loans and bills discounted.

Of these amounts, loans and bills discounted of ¥3,988,368 million and allowance for loan losses of ¥17,471 million (including the intercompany balances for consolidated subsidiaries) are recognized in the Company's nonconsolidated balance sheet as at March 31, 2021, respectively. These balances are of significance to the consolidated financial statements of the Group.

As described in Note 2.(u) "Significant Accounting Estimates" to the consolidated financial statements, the Company assessed asset quality based on its internal rules on self-assessment of asset quality. An allowance for loan losses is provided for each borrower category based on the result of the asset assessment in accordance with internal rules set out for write-offs and provisions of allowance.

The classification of a borrower into a borrower category is based on parameters defined in the system using quantitative information such as financial information of the borrower, but also takes into account qualitative factors among others, and accordingly involves subjective judgment of the Company's management.

The classification of borrowers may have a significant impact on the consolidated financial position and financial performance of the Group, particularly with respect to: large borrowers with a significant amount of unsecured loans (change in the classification of the borrower may result in a significant change in allowance for loan losses); borrowers for whom the Company needs to make judgments based on the estimates of future events under their business improvement plans; borrowers reside in Aichi prefecture to whom the Company intends to increase loans under its medium-term management plan; and borrowers in industries where there may be concerns about

classification of borrowers, primarily performing procedures set out below:

- i. evaluation of whether the relevant internal rules on self-assessment was set out in compliance with relevant accounting standards.
- ii. evaluation of the reliability of financial information of borrowers that were entered into the IT system.
- iii. evaluation relating to judgments on the classification of borrowers, including qualitative judgments.

**(2) Substantive procedures relevant to judgments on the classification of borrowers**

With respect to judgements on the classification of borrowers, we primarily performed the procedures set out below, and considered quantitative and qualitative judgements on the classification of borrowers made by the Company, referring to the relevant internal rules on self-assessment;

- i. We selected certain borrowers to be considered by us, particularly with respect to the following:
  - Large borrowers, of which change in the classification may result in a significant change in allowance for loan losses of the Company,
  - Borrowers, whose classification was determined based on their business improvement plans and a change in classification may potentially impact allowance for loan losses of the Company,
  - Borrowers residing in Aichi prefecture for whom the Company intends to increase loans and for which a change in classification may potentially impact allowance for loan losses of the Company,
  - Borrowers in the accommodations, eating and drinking services industry where there may be concerns about deterioration in business performance indicated by the statistical study on corporate trends published by the Bank of Japan and for which a change in classification may potentially impact allowance for loan losses of the Company.
- ii. For the selected borrowers, we examined the analysis of their financial results performed by the Company by comparing it with their

deterioration in business performance due to adverse impacts of COVID-19 infections in Mie and Aichi prefectures among others where the Company has operational bases.

We, therefore, determined that our assessment of the Company's judgments on the classification of borrowers was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

financial statements.

- iii. For the selected borrowers, we evaluated their current business conditions and future projections, considering also the impacts of COVID-19 infections, by inspecting the self-assessment documents prepared by the Company and the documents that the Company obtained from them, as well as inquiring of relevant personnel.
- iv. For the selected borrowers whose classification was determined based on their business improvement plans, we evaluated the reasonableness and feasibility of those plans, primarily by analyzing the details of their countermeasures for business improvement, comparing the details of their plans with actual results in the past and available external information, and analyzing the progress of their plans.

## **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements**

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements,

whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

## Convenience Translation

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

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

鈴木賢次 

Kenji Suzuki

Designated Engagement Partner


Certified Public Accountant

山田昌紀 

Masaki Yamada

Designated Engagement Partner

Certified Public Accountant

藤澤孝 

Takashi Fujisawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 30, 2021

**The Hyakugo Bank, Ltd. and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Assets:</b>			
Cash and due from banks (Notes 3 and 7)	¥ 1,569,749	¥ 873,542	\$ 14,178,931
Call loans and bills bought (Note 3)	9,268	15,510	83,716
Monetary claims bought (Note 3)	18,465	23,829	166,792
Trading account securities (Notes 3 and 4)	15	18	142
Money held in trust (Notes 3 and 4)	2,017	1,977	18,221
Securities (Notes 3, 4 and 7)	1,699,643	1,733,678	15,352,216
Loans and bills discounted (Notes 3, 5 and 14)	3,971,146	3,616,221	35,869,810
Foreign exchange (Notes 3 and 5)	7,521	5,840	67,939
Lease receivables and lease investment assets (Note 15)	25,850	23,447	233,496
Other assets (Notes 3, 7 and 16)	73,405	69,065	663,044
Tangible fixed assets (Note 6)	46,025	46,947	415,731
Intangible fixed assets	4,073	4,579	36,796
Asset for employee retirement benefits (Note 10)	28,779	14,969	259,955
Deferred tax assets (Note 17)	781	777	7,059
Customers' liabilities for acceptances and guarantees (Note 11)	15,458	22,904	139,632
Allowance for loan losses	(19,399)	(15,860)	(175,231)
Total assets (Note 19)	<u>¥ 7,452,803</u>	<u>¥ 6,437,449</u>	<u>\$ 67,318,249</u>

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Liabilities:</b>			
Deposits (Notes 3, 7 and 8)	¥ 5,381,099	¥ 4,944,240	\$ 48,605,357
Negotiable certificates of deposit (Notes 3 and 8)	150,205	155,560	1,356,747
Call money and bills sold (Note 3)	200,000	210,000	1,806,522
Payables under securities lending transactions (Notes 3 and 7)	487,998	319,236	4,407,900
Borrowed money (Notes 3, 7 and 9)	700,784	359,098	6,329,914
Foreign exchange (Note 3)	363	72	3,286
Other liabilities (Notes 3, 9, 15, 16 and 17)	68,277	61,421	616,720
Provision for bonuses	247	240	2,238
Liability for employee retirement benefits (Note 10)	422	2,492	3,818
Provision for directors' retirement benefits	103	116	936
Provision for reimbursement of deposits	1,602	1,573	14,476
Provision for point card certificates	515	461	4,660
Provision for contingent loss	326	405	2,948
Reserves under special laws	1	1	16
Deferred tax liabilities (Note 17)	48,223	25,133	435,584
Deferred tax liabilities for land revaluation (Note 6)	2,495	2,534	22,538
Acceptances and guarantees (Note 11)	15,458	22,904	139,632
Total liabilities	<u>7,058,126</u>	<u>6,105,493</u>	<u>63,753,292</u>
<b>Net assets (Notes 12, 18 and 21):</b>			
Capital stock	20,000	20,000	180,652
Capital surplus	10,386	10,384	93,820
Retained earnings	252,070	241,481	2,276,850
Treasury stock	(40)	(104)	(368)
Total shareholders' equity	<u>282,416</u>	<u>271,761</u>	<u>2,550,954</u>
Valuation difference on available-for-sale securities (Note 4)	106,918	62,889	965,756
Deferred gains/losses on hedges	(3,447)	(4,631)	(31,136)
Revaluation reserve for land (Note 6)	4,133	4,168	37,332
Retirement benefit adjustments (Note 10)	4,558	(2,379)	41,171
Total accumulated other comprehensive income	<u>112,162</u>	<u>60,046</u>	<u>1,013,123</u>
Stock acquisition rights (Note 13)	97	147	880
Total net assets	<u>394,676</u>	<u>331,955</u>	<u>3,564,957</u>
Total liabilities and net assets	<u>¥ 7,452,803</u>	<u>¥ 6,437,449</u>	<u>\$ 67,318,249</u>



**The Hyakugo Bank, Ltd. and Consolidated Subsidiaries**  
**Consolidated Statements of Income**  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Income (Note 19):</b>			
Interest income:			
Interest on loans and bills discounted	¥ 32,947	¥ 35,019	\$ 297,599
Interest and dividends on securities	17,184	19,114	155,219
Interest on call loans and bills bought	51	386	464
Other interest income	410	296	3,707
Total interest income	50,593	54,816	456,989
Fees and commissions	17,704	16,934	159,917
Other operating income	16,408	17,212	148,210
Other income (Note 10)	8,868	4,759	80,108
Total income	93,574	93,724	845,224
<b>Expenses (Note 19):</b>			
Interest expense:			
Interest on deposits	594	924	5,368
Interest on negotiable certificates of deposit	16	29	150
Interest on call money and bills sold	(39)	(66)	(356)
Interest on payables under securities lending Transactions	728	3,186	6,582
Interest on borrowings and rediscounts	391	271	3,539
Other interest expense	1,626	1,931	14,692
Total interest expense	3,318	6,276	29,975
Fees and commissions	4,540	4,577	41,014
Other operating expenses	14,047	16,732	126,882
General and administrative expenses	44,607	44,422	402,921
Provision of allowance for loan losses	4,900	2,238	44,260
Other expenses	3,895	3,809	35,184
Total expenses	75,308	78,058	680,236
Income before income taxes (Note 19)	18,265	15,666	164,988
<b>Income taxes (Note 17):</b>			
Current	4,541	3,596	41,017
Deferred	759	642	6,859
Total income taxes (Note 19)	5,300	4,238	47,876
Net income	12,965	11,427	117,112
Net income attributable to owners of the parent (Note 21)	¥ 12,965	¥ 11,427	\$ 117,112
	Yen		U.S. dollars
<b>Per share (Note 21):</b>			
Net income:			
- Basic	¥ 51.05	¥ 45.02	\$ 0.46
- Diluted	50.98	44.95	0.46
Cash dividends	10.00	9.00	0.09

See accompanying Notes to Consolidated Financial Statements.

**The Hyakugo Bank, Ltd. and Consolidated Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 12,965	¥ 11,427	\$ 117,112
Other comprehensive income (loss) (Note 20):			
Valuation difference on available-for-sale securities	44,029	(31,183)	397,703
Deferred gains/losses on hedges	1,184	347	10,699
Retirement benefit adjustments	6,937	(2,230)	62,664
Total other comprehensive income (loss)	52,151	(33,065)	471,066
Comprehensive income (loss) for the year	¥ 65,117	¥ (21,638)	\$ 588,178
Comprehensive income (loss) attributable to:			
Owners of the parent	¥ 65,117	¥ (21,638)	\$ 588,178

See accompanying Notes to Consolidated Financial Statements.

**The Hyakugo Bank, Ltd. and Consolidated Subsidiaries**  
**Consolidated Statements of Changes in Net Assets**  
For the Years Ended March 31, 2021 and 2020

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Number of shares of common stock issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains/losses on hedges	Revaluation reserve for land	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	
<b>Balance at April 1, 2019</b>	254,119,000	¥ 20,000	¥ 10,381	¥ 232,337	¥ (146)	¥ 262,572	¥ 94,072	¥ (4,979)	¥ 4,168	¥ (149)	¥ 93,112	¥ 174	¥ 355,859
Net income attributable to owners of the parent	-	-	-	11,427	-	11,427	-	-	-	-	-	-	11,427
Dividends from surplus	-	-	-	(2,284)	-	(2,284)	-	-	-	-	-	-	(2,284)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	3	-	42	45	-	-	-	-	-	-	45
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(31,183)	347	-	(2,230)	(33,065)	(26)	(33,092)
<b>Balance at March 31, 2020 (April 1, 2020)</b>	254,119,000	¥ 20,000	¥ 10,384	¥ 241,481	¥ (104)	¥ 271,761	¥ 62,889	¥ (4,631)	¥ 4,168	¥ (2,379)	¥ 60,046	¥ 147	¥ 331,955
Net income attributable to owners of the parent	-	-	-	12,965	-	12,965	-	-	-	-	-	-	12,965
Dividends from surplus	-	-	-	(2,412)	-	(2,412)	-	-	-	-	-	-	(2,412)
Reversal of revaluation reserve for land	-	-	-	35	-	35	-	-	-	-	-	-	35
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	1	-	64	66	-	-	-	-	-	-	66
Net changes in items other than shareholders' equity	-	-	-	-	-	-	44,029	1,184	(35)	6,937	52,116	(50)	52,066
<b>Balance at March 31, 2021</b>	<u>254,119,000</u>	<u>¥ 20,000</u>	<u>¥ 10,386</u>	<u>¥ 252,070</u>	<u>¥ (40)</u>	<u>¥ 282,416</u>	<u>¥ 106,918</u>	<u>¥ (3,447)</u>	<u>¥ 4,133</u>	<u>¥ 4,558</u>	<u>¥ 112,162</u>	<u>¥ 97</u>	<u>¥ 394,676</u>
Thousands of U.S. dollars (Note 1)													
<b>Balance at April 1, 2020</b>		\$ 180,652	\$ 93,802	\$ 2,181,207	\$ (946)	\$ 2,454,715	\$ 568,053	\$ (41,835)	\$ 37,653	\$ (21,493)	\$ 542,378	\$ 1,333	\$ 2,998,426
Net income attributable to owners of the parent		-	-	117,112	-	117,112	-	-	-	-	-	-	117,112
Dividends from surplus		-	-	(21,790)	-	(21,790)	-	-	-	-	-	-	(21,790)
Reversal of revaluation reserve for land		-	-	321	-	321	-	-	-	-	-	-	321
Purchase of treasury stock		-	-	-	(2)	(2)	-	-	-	-	-	-	(2)
Disposal of treasury stock		-	18	-	580	598	-	-	-	-	-	-	598
Net changes in items other than shareholders' equity		-	-	-	-	-	397,703	10,699	(321)	62,664	470,745	(453)	470,292
<b>Balance at March 31, 2021</b>		<u>\$ 180,652</u>	<u>\$ 93,820</u>	<u>\$ 2,276,850</u>	<u>\$ (368)</u>	<u>\$ 2,550,954</u>	<u>\$ 965,756</u>	<u>\$ (31,136)</u>	<u>\$ 37,332</u>	<u>\$ 41,171</u>	<u>\$ 1,013,123</u>	<u>\$ 880</u>	<u>\$ 3,564,957</u>

See accompanying Notes to Consolidated Financial Statements.

**The Hyakugo Bank, Ltd. and Consolidated Subsidiaries**  
**Consolidated Statements of Cash Flows**  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 18,265	¥ 15,666	\$ 164,988
Adjustments for:			
Depreciation and amortization	4,243	3,914	38,333
Impairment loss	172	9	1,561
Increase (decrease) in allowance for loan losses	3,539	413	31,971
Interest income	(50,593)	(54,816)	(456,989)
Interest expense	3,318	6,276	29,975
Gain related to securities	(6,499)	(1,259)	(58,707)
Net decrease (increase) in loans and bills discounted	(354,925)	(184,883)	(3,205,901)
Net increase (decrease) in deposits	436,858	67,650	3,945,972
Net increase (decrease) in negotiable certificates of deposit	(5,355)	(20,624)	(48,371)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	341,686	42,783	3,086,319
Net decrease (increase) in call loans	9,310	(7,432)	84,094
Net increase (decrease) in call money	(10,000)	(30,000)	(90,326)
Net increase (decrease) in payables under securities lending transactions	168,762	130,540	1,524,363
Net decrease (increase) in lease receivables and investment assets	(2,403)	(2,423)	(21,708)
Proceeds from fund management	51,497	57,075	465,158
Payments for financing	(3,603)	(6,513)	(32,548)
Others, net	(17,342)	10,201	(156,644)
Subtotal	<u>586,933</u>	<u>26,585</u>	<u>5,301,540</u>
Income taxes paid	<u>(3,195)</u>	<u>(3,769)</u>	<u>(28,866)</u>
Net cash provided by (used in) operating activities	<u>583,737</u>	<u>22,815</u>	<u>5,272,674</u>
<b>Cash flows from investment activities:</b>			
Purchase of securities	(531,344)	(520,499)	(4,799,425)
Proceeds from sales of securities	281,921	273,150	2,546,488
Proceeds from redemption of securities	366,474	198,689	3,310,217
Payments for increase in money held in trust	(2)	(22)	(19)
Proceeds for decrease in money held in trust	23	-	210
Purchase of tangible fixed assets	(2,224)	(3,004)	(20,097)
Proceeds from sales of tangible fixed assets	100	72	905
Purchase of intangible fixed assets	(923)	(740)	(8,340)
Net cash provided by (used in) investment activities	<u>114,024</u>	<u>(52,354)</u>	<u>1,029,939</u>
<b>Cash flows from financing activities:</b>			
Cash dividends paid	(2,411)	(2,282)	(21,784)
Others, net	0	(0)	0
Net cash provided by (used in) financing activities	<u>(2,411)</u>	<u>(2,282)</u>	<u>(21,784)</u>
Effect of exchange rate changes on cash and cash equivalents	8	(5)	73
Net increase (decrease) in cash and cash equivalents	<u>695,358</u>	<u>(31,827)</u>	<u>6,280,902</u>
Cash and cash equivalents at beginning of period	<u>870,751</u>	<u>902,578</u>	<u>7,865,153</u>
Cash and cash equivalents at end of period (Note 2(b))	<u>¥ 1,566,109</u>	<u>¥ 870,751</u>	<u>\$ 14,146,055</u>

See accompanying Notes to Consolidated Financial Statements.

## **The Hyakugo Bank, Ltd. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **1. Basis of Financial Statements**

##### **(a) Basis of presenting consolidated financial statements**

The accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (together with the Bank, the “Hyakugo Bank Group”) have been prepared on the basis of accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been compiled from the original Japanese consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan and submitted to the Director of the Kanto Finance Bureau of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements were made to the original Japanese consolidated financial statements in order to present them in a form that would be more familiar to readers outside Japan. In addition, certain reclassifications have been made in the financial statements for the year ended March 31, 2020 to conform to the classifications used in the financial statements for the year ended March 31, 2021.

The amounts in Japanese yen are presented in millions of yen, rounded down to the nearest million in accordance with applicable law. Accordingly, the total yen amounts may not be equal to the sum of the individual account balances.

##### **(b) U.S. dollar amounts**

The Hyakugo Bank Group maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and these accompanying notes represent the conversion of Japanese yen amounts to U.S. dollar amounts using the exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. The inclusion of the dollar amounts is solely for the convenience of the readers and is not intended to imply that the assets and liabilities originated in yen have been, could have been or could in the future be readily converted, realized or settled in dollars at this or any other rate of exchange.

#### **2. Summary of Significant Accounting Policies**

##### **(a) Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Bank and its 11 significant subsidiaries at March 31, 2021 and 2020. These consolidated subsidiaries are primarily engaged in businesses that provide a wide range of financial services to customers. Under the concept of control, companies over which the Bank directly or indirectly exercises control in regards to operations are fully consolidated. The consolidated financial statements do not include the accounts of four subsidiaries at March 31, 2021 and 2020, because the total assets, total income, net income and retained earnings of the subsidiaries did not have any material impact on the consolidated financial statements. For the years under review, there were no affiliates over which the Bank had significant influence, and all intercompany transactions and accounts have been eliminated.

HM holdings Co., Ltd., TREE CLIMBING WORLD Co., Ltd., and VISOR INC., each of which the Bank owns more than 50% of the voting rights, are not recognized as consolidated subsidiaries for the year ended March 31, 2021 because these companies were directly or indirectly held by the Bank’s unconsolidated subsidiary for the purpose of incubating the investees and not for the purpose of controlling the entities.

**(b) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from The Bank of Japan as follows.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Cash and due from banks	¥ 1,569,749	¥ 873,542	\$ 14,178,932
Less due from banks other than The Bank of Japan	(3,639)	(2,791)	(32,877)
Cash and cash equivalents	<u>¥ 1,566,109</u>	<u>¥ 870,751</u>	<u>\$ 14,146,055</u>

**(c) Trading account securities**

Trading account securities are stated at fair value at the fiscal year-end. Related gains and losses, both realized and unrealized, are included in current earnings. Accrued interest on trading account securities is included in “other assets.”

**(d) Securities**

Debt securities for which the Hyakugo Bank Group has both a positive intent and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. Marketable securities other than those classified as trading or held-to-maturity securities are carried at fair value as available-for-sale securities, and net unrealized gains and losses reported as valuation differences on available-for-sale securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Available-for-sale securities that are nonmarketable are stated at moving average cost. The carrying values of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairment in value. Gains and losses on the disposal of investment securities are computed principally using the moving average method.

Accrued interest on securities is included in “other assets.” Funds entrusted to trust banks as securities for the Bank (included in “money held in trust”) are stated using the method applicable to the marketable securities described above.

**(e) Derivatives and hedge accounting**

The Hyakugo Bank Group uses swaps, forwards, options and other types of derivative contracts. These derivative instruments are used to meet customers’ needs for risk management, to manage the Hyakugo Bank Group’s assets and liabilities and to generate income. Derivatives are recorded at fair value if hedge accounting is not appropriate or when there is no hedge designation. Gains and losses on derivatives are recognized in current earnings.

In connection with interest rate risks arising from financial assets and liabilities, the Bank applies the deferral method of hedge accounting as prescribed in the Industry Audit Committee Practical Guidance No. 24, “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”) on October 8, 2020. The effectiveness of a fair value hedge in offsetting movements in the fair value of hedged items due to changes in interest rates is assessed by classifying the hedged items, such as deposits, loans and similar instruments, and the corresponding hedging instruments, such as interest rate swaps, and grouping those with similar risk characteristics in a maturity bucket. In addition, the effectiveness of a cash flow hedge is assessed by verifying the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

In addition, the Bank applies the portfolio hedge method or the exceptional treatment permitted for interest rate swaps to certain assets and liabilities. The Bank's consolidated subsidiaries also apply methods similar to those of the Bank for hedge accounting.

The Bank also applies the deferral method to account for hedges of foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the standard treatment under JICPA's Industry Audit Committee Practical Guidance No. 25 of October 8, 2020, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and that of the corresponding hedging instruments.

**(f) Loans and bills discounted and allowance for loan losses**

Loans and bills discounted are stated at the amount of the unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

The accounting policy of an allowance for loan losses is stated in (u) Significant accounting estimates.

**(g) Tangible fixed assets and depreciation**

Except for lease assets, tangible fixed assets are stated at cost, less accumulated depreciation, computed using the straight-line method over the estimated useful life of the asset. For buildings, the useful life ranges from 15 to 50 years. For other assets, the useful life ranges from 4 to 15 years.

**(h) Intangible fixed assets**

Intangible fixed assets, except for lease assets, are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized on a straight-line basis over the estimated useful life of five years.

**(i) Leases**

Prior to April 1, 2008, the Hyakugo Bank Group had accounted for finance leases that do not transfer ownership of the leased property to the lessee ("non-transferrable finance leases") as operating lease transactions in accordance with the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Council of Japan ("BACJ") in June 1993, on the condition that certain "as if capitalized" information of lessees or "as if sold" information of lessors was disclosed in the notes to the financial statements. On March 30, 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. Under the revised accounting standard, lessees are required to capitalize all finance leases and recognize lease assets and lease obligations in the balance sheets. In addition, the revised accounting standard requires lessors to recognize all finance leases that transfer ownership of the leased property to the lessee ("transferable finance leases") as lease receivables and all non-transferrable finance leases as lease investment assets.

As lessor, revenue from finance lease transactions and the related costs are recognized when the lease payments are received. As lessee, lease assets under non-transferrable finance leases recorded in "tangible fixed assets" or "intangible fixed assets" are depreciated using the straight-line method over the term of the lease with a predetermined residual value of zero or as stated in the applicable lease contract.

**(j) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Revenues and expenses are translated at the exchange rates prevailing on the applicable transaction dates. Foreign exchange gains and losses resulting from such transactions are included in the determination of net income.

**(k) Provision for bonuses**

The consolidated subsidiaries provide provisions for bonuses based on the estimated amounts of future payments to employees attributable to the current year.

**(l) Provision for directors' retirement benefits**

Provisions for the retirement benefits of the directors of the consolidated subsidiaries are provided for the payment of retirement benefits to directors and corporate auditors in the amounts deemed accrued at the fiscal year-end based on internal regulations.

**(m) Provision for reimbursement of deposits**

A provision for the reimbursement of deposits which had been derecognized from liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

**(n) Provision for point card certificates**

A provision for point card certificates is recorded for the future use of point card certificates by card holders in an amount rationally estimated and deemed necessary.

**(o) Provision for contingent loss**

A provision for contingent loss is provided for contingent liabilities not covered by other provisions in an amount deemed necessary based on future estimated losses.

**(p) Reserves under special laws**

Reserves under special laws are reserves for contingent liabilities and are provided for compensation for losses from securities related transactions pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act of Japan and Article 175 of the Cabinet Ordinance on Financial Instruments Business.

**(q) Employee retirement benefits**

Employees who terminate their services with the Hyakugo Bank Group are entitled to retirement benefits generally determined based on the basic rate of pay at the time of termination, length of service and conditions under which the termination occurred.

In accordance with the accounting standard for employee retirement benefits, the Hyakugo Bank Group recognizes retirement benefits based on the actuarial present value of the retirement benefit obligations using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the respective fiscal year-end. In calculating retirement benefit obligations, the Hyakugo Bank Group attributes expected retirement benefits to periods of service on a benefit formula basis. Consolidated subsidiaries use the simplified method to calculate the amounts required to be paid as retirement benefits by determining the benefits that would have to be paid if all the employees retired voluntarily at the fiscal year..

Past service cost that is yet to be recognized is amortized on a straight-line basis over a fixed period of three years, which is within the average remaining service years of the employees, measured from the year in which such cost arises. Actuarial differences arising from changes in retirement benefit obligations or pension plan assets not anticipated under previous assumptions or from changes in the assumptions themselves that are yet to be recognized are amortized on a straight-line basis over a fixed period of 10 years, which is within the average remaining service years of the employees, measured from the year following the year in which such differences arise. Actuarial differences and past service cost that are yet to be recognized in profit or loss are recognized as retirement benefit adjustments under a component of accumulated other comprehensive income within the net assets section, after adjusting for tax effects, and



the difference between retirement benefit obligations and plan assets are recognized as an asset or liability for employee retirement benefits, without any adjustments, in the accompanying consolidated balance sheets.

In order to provide for the payment of retirement bonuses to executive officers of the Bank, the amount considered to be incurred up to the end of the year ended March 31, 2021 was recorded in “Liability for employee retirement benefits” on the consolidated balance sheet.

(Additional information)

On April 1, 2019, the Bank changed and transferred a portion of its defined benefit corporate pension plans to defined contribution pension plans. In addition, on April 1, 2019, certain consolidated subsidiaries transferred a portion of their lump-sum retirement benefit plans to defined contribution pension plans. Following these changes, the Bank adopted “Accounting for Transfer Between Retirement Benefit Plans” (ASBJ Guidance No. 1, issued on December 16, 2016) and “Practical Solution on Accounting for Transfer Between Retirement Benefit Plans” (Practical Issues Task Force No. 3 issued on February 7, 2007) and related effects of ¥2,356 million were recorded in “Other income.”

**(r) Income taxes**

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized as future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

**(s) Appropriation of retained earnings**

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the board of directors and/or shareholders.

**(t) Per share data**

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is calculated to reflect potential dilution assuming that all stock options are exercised at the times of issue, unless such options are anti-dilutive.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective years shown.

**(u) Significant accounting estimates**

Accounting estimates are determined at based on available information at the time of the preparation of the consolidated financial statements. Of the amounts recorded in the consolidated financial statements for the year ended March 31, 2021 based on accounting estimates, the items below may have a significant effect on the consolidated financial statements for the following fiscal year:

***Allowance for loan losses***

An Allowance for loan losses in the amount of ¥19,399 million (\$175,231 thousand) was recorded in the consolidated financial statements as of March 31, 2021.

An allowance for loan losses of the Bank is recorded in accordance with predetermined criteria on write-offs and provisions. The Bank classified borrowers into five categories: Normal Borrowers, Borrowers Requiring Attention, Potentially Bankrupt Borrowers, Virtually Bankrupt Borrowers and Bankrupt Borrowers. Thereafter, the Bank classifies the related assets examining the degree of risk of default and impairment of the asset value.

Normal Borrowers are borrowers whose business is favorable and whose financial positions have no particular problems. Borrowers Requiring Attention are borrowers whose loans are subject to renegotiation of the contractual terms, including the reduction or exemption of interest, whose loans are under-performing in that repayment of principal or interest payments are substantially in arrears or borrowers requiring attention because their business is slow or unstable or borrowers whose financial positions are otherwise doubtful. Potentially Bankrupt Borrowers are borrowers that are not presently in the situation of a business failure but are likely to go into bankruptcy in the future as they are in financial difficulties and business improvement plans are not working well. Virtually Bankrupt Borrowers are borrowers who are not legally or formally bankrupt but are in serious financial difficulties and are not likely to recover. Bankrupt Borrowers are borrowers who are legally and formally bankrupt.

For claims against Bankrupt Borrowers and Virtually Bankrupt Borrowers, an allowance is provided based on the amounts of the claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against Potentially Bankrupt Borrowers, an allowance is provided based on an overall solvency assessment performed for the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against other borrowers, an allowance is provided based on projected credit losses for the following year or for the coming three years, and projected credit losses are calculated using a loss ratio based on the average ratio for the past definite period of loan loss for one or three years. The amounts expected to be collected through the disposal of collateral or execution of guarantees are determined according to an assessment of the collateral and/or type of guarantees based on the internal rules for self-assessment of asset quality.

All claims are assessed by the Bank's operating divisions based on the Bank's internal rules for self-assessment of asset quality. The Bank's inspection division, which is independent from the Bank's operating divisions, conducts audits of such assessments, and an allowance is provided based on such audit results.

The allowance for loan losses of the consolidated subsidiaries is recorded in the same manner as that of the Bank in accordance with predetermined criteria on write-offs and provisions.

The Bank assumes that the spread of COVID-19 might cause legal bankruptcy or deteriorated credit status of counterparties and delayed payments of principal or interest, but the Bank makes accounting estimates, assuming that economic measures by the government, etc., and support by financial institutions will prevent the Bank from incurring significant losses on loans, etc. The Bank assumes that the effects of COVID-19 will continue into the fiscal year ending March 31, 2022.

The management of the Bank has determined that the accounting estimates used for recording the allowance for loan losses are reasonable and appropriately recorded. However, due to possible changes in the assumptions on which the estimates are based on, such as changes in the economic environment, changes in the financial conditions of the borrowers and/or a decrease in collateral value, the Bank might find it necessary to increase or decrease allowance for loan losses in future.

#### **(v) New accounting standard not yet adopted**

##### ***Accounting Standard for Revenue Recognition***

The ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," on March 31, 2020, and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," on March 26, 2021. The new standard and guidance provide comprehensive principles for revenue recognition for Japanese GAAP in order to align with IFRS 15, "Revenues from Contracts with Customers" and require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. An entity should recognize revenue in accordance with that principle by applying the following 5 steps:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

The Hyakugo Bank Group expects to apply the standard and guidance effective from the beginning of the fiscal year ending March 31, 2022 and expects the effects of applying the new standard and guidance on the consolidated financial statements to be immaterial.

#### ***Accounting Standard for Fair Value Measurement***

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

In order to enhance comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively “Fair Value Accounting Standards, Etc.”) have been developed and guidance on fair value measurement has been provided. Fair Value Accounting Standards, Etc. will be applied to financial instruments defined in “Accounting Standard for Financial Instruments.” In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised and item which had appeared in notes, such as the components of the levels of the fair value of financial instruments were provided.

The Hyakugo Bank Group expects to apply these standards and guidance effective from the beginning of the fiscal year ending March 31, 2022 and expects the effects of applying the new standards and guidance on the consolidated financial statements to be immaterial.

### **(w) Change in presentation method**

#### ***Adoption of Accounting Standard for Disclosure of Accounting Estimates***

On March 31, 2020, the ASBJ issued ASBJ Statement No. 31, “Accounting Standard for Disclosure of Accounting Estimates,” and the Bank adopted the standard for the consolidated financial statements from the year ended March 31, 2021, and accordingly, included the note concerning significant accounting estimates in the accompanying consolidated financial statements.

However, the note does not include application for the fiscal year ended March 31, 2020 pursuant to the transitional treatment prescribed in the provision of Paragraph 11 of the Accounting Standard.

### **(x) Additional information**

#### ***Accounting estimates on the effects of COVID-19***

The Bank has made accounting estimates on the allowance for loan loss, impairment losses on fixed assets, etc., in preparing consolidated financial statements with the assumption that economic measures by the government, etc., and support by financial institutions would prevent the Bank from incurring significant losses on loans, etc., despite the legal bankruptcy and/or the deteriorated credit status of counterparties and delayed payments of principal and/or interest are expected following the spread of COVID-19. The Bank also assumes that the effects of COVID-19 will continue into the fiscal year ending March 31, 2022.

## **3. Financial Instruments and Related Disclosures**

### **Outline of financial instruments**

#### **(1) Policy for financial instruments**

The Hyakugo Bank Group is engaged in financial services centered on banking operations. In addition

to investing funds in loans, securities and monetary claims bought for the purpose of earning interest income, the Bank also operates, within defined limits, in securities and money held in trust for the purpose of earning income from price fluctuations. In order to enhance the liquidity of its assets, the Bank also maintains cash deposits and invests funds in call loans and others in short-term markets. These investments are funded almost exclusively through deposits and negotiable certificates of deposit, while from an asset and liability management (ALM) perspective, other sources of funding are used as necessary, including call money and borrowings.

Moreover, the Bank uses derivative transactions in order to meet its customers' needs for hedging risks and to make use of the Bank's own ALM. Within defined limits, the Bank also engages in derivative transactions for the purpose of earning income from trading derivatives.

The consolidated subsidiaries of the Bank include companies that engage in securities operations, credit card operations, leasing operations and operations for forming and operating funds. Each of these companies holds various financial assets, such as lease receivables and investment assets, installment receivables, member accounts receivable, investments in capital and cash deposits. Certain consolidated subsidiaries use borrowed money to raise funds.

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

The financial assets held by the Hyakugo Bank Group comprise mainly loans to corporations and individuals located in the area in which the Bank conducts business. It also holds securities, including domestic and foreign bonds and stocks. With regard to bonds, the Bank holds Japanese government bonds, local government bonds and bonds issued by highly creditworthy issuers, such as financial institutions, business entities and foreign governments. The Bank also holds securitized products comprising receivable or real estate backed assets. In terms of monetary claims bought, the Bank maintains lease receivables and investment assets related to the business of holding trust beneficiary rights and monetary claims purchased from customers in relation to the integrated factoring system. Monetary claims bought are exposed to the credit risk of borrowers and issuers. Of such monetary claims bought, fixed interest rate items are exposed to the risk of fluctuation in actual value due to interest rate fluctuations, and marketable securities are exposed to the risk of fluctuation in market value.

The majority of financial liabilities comprise deposits and negotiable certificates of deposit, the majority of which are received from customers located in the area in which the Bank conducts business. A high proportion of financial liabilities consist of short-term deposits, such as liquid deposits with no defined maturity and fixed deposits maturing within one year. Call money and other short-term fund raising sources are used primarily for adjusting yen and foreign currency denominated capital positions.

With financial assets and liabilities, there is risk of loss due to changes in the actual value or capital margins from fluctuations in interest rates or foreign currency exchange rates as a result of differences in interest rate renewal dates, fund settlement dates or transaction currencies between assets and liabilities. Should circumstances significantly impair the short-term liquidity of assets, there is risk that the Bank would be forced to raise additional funds that are costly or dispose of assets at lower than expected prices or the like in order to cover the shortfall.

With regard to derivative transactions, interest related derivatives comprise primarily interest rate swaps, and currency related derivative transactions involve primarily currency swaps and foreign exchange forwards. The majority of these derivatives are used primarily to hedge the Bank's own market risk or that of its customers. Stock futures, bond futures, over-the-counter bond options and credit derivatives are used to earn income from trading activities or to hedge risks. In terms of risks arising from transactions, both market and credit risks are limited because the great majority of the transactions are for the purpose of hedging or are covered transactions and all counterparties are highly creditworthy financial institutions or corporations. The Bank does not enter into any high-risk transactions in which the rate of change in fair value corresponding to the price fluctuation of the object is very high.

Hedged items accounted for using hedge accounting consisted of debt securities, loans and bill discounted and call loans in the year ended March 31, 2021 and debt securities, loans and bills discounted, call loans and borrowed money in the year ended March 31, 2020, and hedging instruments consisted of interest

rate swaps, foreign currency swaps and foreign exchange swaps. The Bank determines whether to revise its hedging policy every month and determines the hedged items, hedging instruments and hedging ratios semi-annually. Consolidated subsidiaries sometimes set for themselves the above policies. Hedge effectiveness is assessed using the methods provided in JICPA's Accounting System Committee Report No. 14, "Practical Guidance Concerning Accounting for Financial Instruments."

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

#### **i. Credit risk management**

In order to avoid large-scale losses resulting from the materialization of credit risk, the Hyakugo Bank Group adheres to the basic policy of maintaining the soundness of overall assets by controlling credit risk to within an acceptable level with reference to shareholders' equity. To this end, the Hyakugo Bank Group has prepared various rules and organizational structures on which it bases its credit risk management.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group company comprehensively gauges, evaluates and monitors the status of various risks, including credit risk, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses Value at Risk (VaR) to measure credit risk in a manner that includes credit concentration risk, which is not included in the calculation of the capital adequacy ratio, based on the framework for integrated risk management. By managing risk within specified limits, the Bank aims to take on appropriate risks and secure stable earnings.

In managing credit risk, the loan screening divisions independent of the sales promotion divisions review and manage loans, and the market risk management department (middle office) manages the same on a day-to-day basis. The Bank has also established a credit risk management department within the risk management division, which is independent from other divisions, thus ensuring a system of mutual checks and balances.

In addition, the Bank has prepared a credit rating system to evaluate credit risk for each borrower and implement comprehensive measures. Credit ratings are used to formulate finance loan policies and to set loan interest rates. The Hyakugo Bank Credit Policy stipulates a basic policy regarding finance loans in managing credit portfolios. Under the policy, the Bank ensures that investments are not concentrated to only certain companies or corporate groups while striving to ascertain and monitor the status of credit by categories such as industry, region, credit rating and level of borrowing and to distribute credits appropriately across the categories.

With regard to loan recipients who are facing difficulties due to worsening business conditions or other reasons, the Bank gauges and monitors the management status and implements guidance on restructuring plans and collecting receivables as needed.

The Bank prepares various rules for and manages the market risk of each of its consolidated subsidiaries and manages the credit risk of the entire Hyakugo Bank Group through its credit risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various types of risk, including credit risk, through the Risk Management Committees established at each subsidiary.

#### **ii. Market risk management**

The Hyakugo Bank Group works to accurately measure and evaluate the impact of market fluctuations on its business and to conduct appropriate portfolio management by limiting risk and preparing various rules and organizational systems to manage market risk under the basic policy of securing stable revenues.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group company comprehensively gauges, evaluates and monitors the status of various risks, including market risk, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses VaR to measure market risk in a manner that includes interest rate risk, which is not included in the calculation of the capital adequacy ratio, based on a framework for integrated risk management. By managing risk within specified limits set for each risk type, the Bank aims to take on appropriate risks and secure stable earnings.

The Bank seeks to reduce the risk of loss due to insufficient funds by managing market risk, drawing clear distinctions between the trade execution department (front office) and the administrative processing

department (back office) and by establishing a market risk management department (middle office) within the risk management division, which is independent from other divisions. All of the above-mentioned departments are overseen by the risk control management department, thus ensuring a system of mutual checks and balances. The transaction status, fair value and risk exposure are calculated and managed on appropriate dates, and management systems are strengthened at appropriate times in response to situations that arise. In addition, for transactions entered into to secure a profit through purchase and sale, etc., the Bank limits its risk of loss by preparing a management framework tailored to the specific circumstances of each investment, including by establishing position limits, loss cutting rules and cumulative loss limits, and conducting rigorous management on such a framework.

The Bank manages market risk for its overall financial assets and listed liabilities, including deposits and other forms of funds, from an ALM perspective. The Bank seeks to reduce foreign exchange rate fluctuation risk associated with foreign currency denominated products used for procurement of funds through the operation of foreign currency denominated foreign bonds and foreign currency funds by using call money and other forms of procurement. It also uses currency exchange related derivatives to maintain roughly the equivalent operating and procurement amounts in each currency.

The Bank prepares various rules for and manages market risk of each of its consolidated subsidiaries and manages market risk of the entire Hyakugo Bank Group through its market risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various types of risk, including market risk, through the Risk Management Committees established at each subsidiary company.

#### **Quantitative information concerning market risk:**

##### ***Interest rate risk***

The main financial instruments used by the Hyakugo Bank Group that are exposed to interest rate risk are bonds included in securities, loans and bills discounted, deposits, negotiable certificates of deposit, borrowed money and interest rate swap contracts included in derivative transactions. Interest rate risks attached to these financial assets and liabilities are managed by monitoring VaR calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years). As of March 31, 2021, the amount of interest rate risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥15,223 million (\$137,494 thousand) (¥18,620 million in 2020).

With regard to liquid deposits without maturity dates, VaR is calculated by internal models using due dates estimated with consideration for long-term retention. The interest rate risk the consolidated subsidiaries are exposed to is not included in the calculation as the outstanding balances of their financial instruments that are potentially exposed to interest rate risk are fairly small and their importance minimal.

##### ***Stock price risk***

The main financial instruments used by the Hyakugo Bank Group exposed to stock price risk are stocks included in securities. Of these financial assets, stock price risks attached to those held for pure investment purposes are managed by monitoring its VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years), and stock price risk attached to those held for purposes other than pure investments purposes are managed by monitoring valuation losses, which may arise as assumed under the VaR model, the VaR of which is calculated using the historical simulation method (which applies a holding period of six months, confidence interval of 99% and observation period of five years). As of March 31, 2021, the total amount of stock price risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥636 million (\$5,744 thousand) (¥1,082 million in 2020).

The stock price risk the consolidated subsidiaries are exposed to is not included in the calculation as the outstanding balances of their financial instruments that are potentially exposed to stock price risk are fairly small and their importance minimal.

##### ***Other price fluctuation risk***

The main financial instruments used by the Hyakugo Bank Group exposed to price fluctuation risk are investment trusts included in securities. The price fluctuation risk attached to these financial assets is

managed by monitoring the VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years).

As of March 31, 2021, the total amount of other price fluctuation risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥18,859 million (\$170,346 thousand) (¥33,437 million in 2020).

***Reasonableness of VaR***

The Bank conducts back testing which compares the results calculated under the VaR model with changes in present value. As a result of the back testing, the accuracy of capturing other price fluctuation risk was a concern. Therefore, the value was computed after an adjustment of multipliers to VaR calculated by the measurement model to secure the capturing accuracy with a confidence level of 99%.



### iii. Liquidity risk management

The Hyakugo Bank Group manages liquidity risk through the establishment of relevant internal rules and organizational structures, adherence to the basic policy of maintaining structures that can appropriately respond to a liquidity crisis and by accurately assessing situations involving investment and funding and market trends regarding stable funding.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various risks, including liquidity risks, and considers risk management policies and response measures on a monthly basis.

In funding operations, the Bank controls and manages daily and future funding requirements in Japanese yen and foreign currencies. The Bank also monitors the availability of funding in the markets and establishes countermeasures, such as the establishment and timely review of maximum funding amounts, based on the availability of funding against unexpected adverse events beforehand to prepare against liquidity risks.

### (4) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments comprise values determined based on market prices and values determined by other methods when there are no available market prices. Since variable factors are incorporated in computing the relevant fair values, the fair values may vary depending on the application of different assumptions.

#### **Fair values of financial instruments**

The carrying amounts and fair values of and unrealized gains and losses on financial instruments as of March 31, 2021 and 2020 are set forth in the tables below. Unlisted stocks and other items for which the fair values were deemed extremely difficult to estimate were not included in the tables (*see Note 2 below*). In addition, lease receivables and lease investment assets, contracts for overdraft facilities, loan commitments, bonds and agreements on the guarantee of liabilities (customers' liabilities for acceptances and guarantees) were omitted from the table below due to immateriality.

March 31, 2021	Carrying value	Fair value	Differences
	Millions of yen		
(1) Cash and due from banks	¥ 1,569,749	¥ 1,569,749	¥ -
(2) Call loans and bills bought	9,268	9,268	-
(3) Monetary claims bought (*1)	18,464	18,464	-
(4) Trading account securities	15	15	-
(5) Money held in trust	2,017	2,017	-
(6) Securities:			
Available-for-sale securities	1,689,718	1,689,718	-
(7) Loans and bills discounted	3,971,146		
Allowance for loan losses (*1)	(17,970)		
	<u>3,953,176</u>	<u>3,963,683</u>	<u>10,507</u>
(8) Foreign exchange (*1)	7,521	7,521	-
Total assets	<u>¥ 7,249,931</u>	<u>¥ 7,260,439</u>	<u>¥ 10,507</u>
(1) Deposits	¥ 5,381,099	¥ 5,381,070	¥ (28)
(2) Negotiable certificates of deposit	150,205	150,205	-
(3) Call money and bills sold	200,000	200,000	-
(4) Payables under securities lending transactions	487,998	487,998	-
(5) Borrowed money	700,784	701,004	219
(6) Foreign exchange	363	363	-
Total liabilities	<u>¥ 6,920,451</u>	<u>¥ 6,920,643</u>	<u>¥ 191</u>
Derivative transactions (*2)			
Hedge accounting not applied	¥ (4,990)	¥ (4,990)	¥ -
Hedge accounting applied (*3)	(6,533)	(6,533)	-
Total derivative transactions	<u>¥ (11,524)</u>	<u>¥ (11,524)</u>	<u>¥ -</u>

March 31, 2020	Carrying value	Fair value	Differences
	Millions of yen		
(1) Cash and due from banks	¥ 873,542	¥ 873,542	¥ -
(2) Call loans and bills bought	15,510	15,510	-
(3) Monetary claims bought (*1)	23,829	23,829	-
(4) Trading account securities	18	18	-
(5) Money held in trust	1,977	1,977	-
(6) Securities:			
Available-for-sale securities	1,725,965	1,725,965	-
(7) Loans and bills discounted	3,616,221		
Allowance for loan losses (*1)	(14,656)		
	<u>3,601,564</u>	<u>3,614,365</u>	<u>12,800</u>
(8) Foreign exchange (*1)	5,840	5,840	-
Total assets	<u>¥ 6,248,248</u>	<u>¥ 6,261,049</u>	<u>¥ 12,800</u>
(1) Deposits	¥ 4,944,240	¥ 4,944,122	¥ (117)
(2) Negotiable certificates of deposit	155,560	155,560	(0)
(3) Call money and bills sold	210,000	210,000	-
(4) Payables under securities lending transactions	319,236	319,236	-
(5) Borrowed money	359,098	359,614	515
(6) Foreign exchange	72	72	-
Total liabilities	<u>¥ 5,988,208</u>	<u>¥ 5,988,606</u>	<u>¥ 397</u>
Derivative transactions (*2)			
Hedge accounting not applied	¥ 200	¥ 200	¥ -
Hedge accounting applied	(6,225)	(6,225)	-
Total derivative transactions	<u>¥ (6,025)</u>	<u>¥ (6,025)</u>	<u>¥ -</u>

March 31, 2021

	Carrying value	Fair value	Differences
	Thousands of U.S. dollars		
(1) Cash and due from banks	\$ 14,178,931	\$ 14,178,931	\$ -
(2) Call loans and bills bought	83,716	83,716	-
(3) Monetary claims bought (*1)	166,786	166,786	-
(4) Trading account securities	142	142	-
(5) Money held in trust	18,221	18,221	-
(6) Securities:			
Available-for-sale securities	15,262,565	15,262,565	-
(7) Loans and bills discounted	35,869,810		
Allowance for loan losses (*1)	(162,322)		
	<u>35,707,488</u>	<u>35,802,402</u>	<u>94,914</u>
(8) Foreign exchange (*1)	67,938	67,938	-
Total assets	<u>\$ 65,485,787</u>	<u>\$ 65,580,701</u>	<u>\$ 94,914</u>
(1) Deposits	\$ 48,605,357	\$ 48,605,100	\$ (257)
(2) Negotiable certificates of deposit	1,356,747	1,356,747	-
(3) Call money and bills sold	1,806,522	1,806,522	-
(4) Payables under securities lending transactions	4,407,900	4,407,900	-
(5) Borrowed money	6,329,914	6,331,900	1,986
(6) Foreign exchange	3,286	3,286	-
Total liabilities	<u>\$ 62,509,726</u>	<u>\$ 62,511,455</u>	<u>\$ 1,729</u>
Derivative transactions (*2)			
Hedge accounting not applied	\$ (45,081)	\$ (45,081)	\$ -
Hedge accounting applied (*3)	(59,014)	(59,014)	-
Total derivative transactions	<u>\$ (104,095)</u>	<u>\$ (104,095)</u>	<u>\$ -</u>

(\*1) A general allowance for loan losses and a specific allowance for loan losses corresponding to loans and bills discounted have been deducted. Allowances for doubtful receivables for monetary claims bought and foreign exchange were not significant in amount. Therefore, such allowances were written-down directly from the amounts listed in the consolidated balance sheets.

(\*2) Derivative transactions recorded under other assets and liabilities have been listed together. Receivables and payables arising from derivative transactions have been presented in net amounts. Net payables have been presented in parentheses. For derivative transactions to which exceptional treatment for interest rate swaps was applied, the fair values have been included in the fair values of the loans and bills discounted, which are the hedged items.

(\*3) These derivatives refer to interest rate swaps designated as hedging instruments to offset market fluctuations arising from loans, etc., as hedged items, and deferral hedge accounting is applied. Practical Issue Task Force (PITF) No. 40, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR," September 29, 2020, is applied to these hedging relationships.

**(Note 1) Fair values of financial instruments**

**Assets:**

**(1) Cash and due from banks**

With respect to due from banks without maturities, the fair value is presented at the carrying amount because the carrying amount approximates the fair value. With respect to due from banks with maturity or due from banks held by a consolidated subsidiary, the fair value is presented at the carrying amount because of the minimal amount and out of necessity.

## **(2) Call loans and bills bought**

The fair value of a call loan or bill bought is presented at the carrying amount since the residual maturity of the call loan or bill is within one year and the carrying amount approximates the fair value.

## **(3) Monetary claims bought**

Of the monetary claims bought, trust beneficiary rights are valued at the prices presented by partner financial institutions. Monetary claims purchased from customers in relation to the integrated factoring system are settled over a specified short-term period. The fair value of these claims are, therefore, presented at the carrying amount because the carrying amount approximates the fair value.

## **(4) Trading account securities**

The fair value of trading account securities held for the purpose of dealing operations is determined by the price at the exchange or presented by the partner financial institution.

## **(5) Money held in trust**

Of the nonconsolidated money held in trust as security, the fair value of a financial project operated as a trust asset is determined by the price at the exchange or presented by the partner financial institutions, etc. With respect to call loans and other similar loans, the carrying amount is presented as the fair value. For details regarding money held in trust for holding purposes, see Note 4, "Trading Account Securities, Money Held in Trust and Securities."

## **(6) Securities**

The fair values of securities are determined using quoted prices on the stock exchange. (The above does not apply to unlisted stocks as their fair values are deemed extremely difficult to determine.)

The fair value of debt securities is each determined by the price on the exchange or presented by the partner financial institution, etc. Of such debt securities, the fair value of privately-placed bonds guaranteed by the Bank is calculated by discounting the sum of future interest income, principal and guarantee receivables using the rate of a new similar loan. In addition, the fair value of debt securities of Bankrupt Issuers, Virtually Bankrupt Issuers or Potentially Bankrupt Issuers is stated at the actual value, which is calculated by assessing the amount of write-offs based on estimated loan losses for similar business loans.

The fair value of investment trusts, except unlisted investment trusts whose fair values are deemed extremely difficult to determine, is determined using the published standard quotation.

For details regarding securities categorized by the purpose for which they are held, see Note 4, "Trading Account Securities, Money Held in Trust and Securities."

## **(7) Loans and bills discounted**

The carrying amount of a loan or bill discounted (except for loans containing credit derivatives) with a variable interest rate and short maturity is presented as the fair value as the carrying amount approximates the fair value, unless the credit situation of the borrower changes significantly after the execution of the loan or bill discounted. In such a case, the market interest rate will quickly adjust to such a change.

In regards to fixed-rate loans and bills discounted, the fair value of a consumer loan or loan to a local government is computed with respect to each category of products and lending terms, by discounting the sum of the future principal and interest income using the rate applied to a new loan of rate applicable to the same type. The fair value of loans to businesses and similar instruments are computed with respect to each category of internal ratings and lending terms by discounting the sum of the future principal and interest income, using the rate applied to a new loan of the same type. The carrying amount of a loan or bill discounted with a short-term contract period or maturity (within one year) is presented as the fair

value because the carrying amount approximates the fair value.

The fair value of loans containing credit derivatives is determined using the price presented by the partner financial institution.

Losses on claims against Bankrupt Borrowers, Virtually Bankrupt Borrowers and Potentially Bankrupt Borrowers are estimated with consideration for the forecasted recoverable amount of any collateral and/or guarantees. The market value of such claims approximates the carrying amount as of the consolidated closing date after deduction of the present estimated loan losses. Therefore, the Bank uses the market value as the fair value of such claims.

With respect to the loans and bills discounted of the consolidated subsidiaries, the carrying amount is presented as the fair value as a minimum requirement.

## **(8) Foreign exchange**

Foreign exchange includes foreign currency deposits with other banks (due from foreign banks - own accounts), foreign exchange related short-term loans receivable (due from foreign banks – their accounts), export bills (foreign bills bought) and loans on import bills (foreign bills receivable). The carrying amount of these instruments is presented as the fair value as they are due from banks without maturities or instruments with a short-term contract period (within one year) and the carrying amount approximates the fair value.

### **Liabilities:**

#### **(1) Deposits and (2) negotiable certificates of deposit**

With respect to an on-demand deposit, the payment obligation demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of a time deposit is computed using the present value by discounting future cash flows for each category of a certain period. The interest rate to be applied when a new deposit is made is used as the discount rate. For a deposit whose residual maturity is within one year, the carrying amount is presented as the fair value since such carrying amount approximates the fair value.

#### **(3) Call money and bills sold and (4) payables under securities lending transactions**

The carrying amount of call money and bills sold and payables under securities lending transactions is presented as the fair value as the carrying amount approximates the fair values due to the short-term maturities (within one year).

#### **(5) Borrowed money**

The present value of borrowed money is computed by discounting the sum of principal and interest income to be received, classified by a fixed period, using the rate that would apply to new borrowings the same type. The carrying amount of such instruments is presented as the fair value as the carrying amount approximates the fair value due to the short-term maturity (within one year). With respect to the borrowed money of the consolidated subsidiaries, the carrying amount is presented as the fair value as a minimum requirement.

#### **(6) Foreign exchanges**

Foreign exchange includes foreign currency deposits from other banks and nonresident yen deposits (due to foreign branches – their accounts), foreign exchange related short-term loans payable (due to foreign banks – own accounts), foreign exchange related accrued liabilities sold to customers (foreign bills sold) and foreign exchange related accrued liabilities sent to customers (foreign bills payable). The carrying amount of these instruments is presented as the fair value as the carrying amount approximates the fair value due to such instruments being a type of due from banks without maturity or having a short maturity (within one year).

## Derivative transactions:

See Note 16, "Derivative Instruments."

*(Note 2) The following table summarizes financial instruments whose fair values were extremely difficult to estimate. These instruments were not included in the above table regarding the fair values of financial instruments.*

Category	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Unlisted stocks (*1)(*2)	¥ 1,975	¥ 1,961	\$ 17,843
Investments in capital of partnerships, etc. (*3)	7,949	5,750	71,808
Total	<u>¥ 9,925</u>	<u>¥ 7,712</u>	<u>\$ 89,651</u>

*(\*1) The fair values of unlisted stocks were not disclosed since there were no available market prices and the fair values were extremely difficult to estimate.*

*(\*2) The Bank recognized impairment loss in the amount of ¥0 million (\$2 thousand) and ¥296 million on unlisted stock for the years ended March 31, 2021 and 2020, respectively.*

*(\*3) The fair values of investments in the capital of partnerships comprise assets such as unlisted stocks whose fair values are deemed extremely difficult to estimate. Thus, the fair values of investments in the capital of partnerships were not disclosed.*

*(Note 3) Maturities of financial assets and securities with contractual maturities at March 31, 2021*

	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	¥ 1,506,060	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	9,268	-	-	-	-	-
Monetary claims bought	2,648	3,946	10,469	1,409	-	-
Available-for-sale securities with maturity:						
Japanese government bonds	102,500	51,500	6,000	-	20,000	106,000
Local government bonds	36,123	89,253	121,436	73,092	103,593	9,804
Corporate bonds	25,366	45,498	20,315	9,909	15,000	81,279
Others	27,455	87,253	87,439	77,687	75,829	139,982
Subtotal	191,445	273,505	235,191	160,689	214,422	337,066
Loans and bills discounted (*)	721,779	634,617	509,082	367,384	412,682	1,287,088
Total	<u>¥ 2,431,202</u>	<u>¥ 912,069</u>	<u>¥ 754,743</u>	<u>¥ 529,483</u>	<u>¥ 627,105</u>	<u>¥ 1,624,155</u>

*(\*) These loans and bills discounted do not include loans in the amount of ¥38,510 million that did not have specific maturity dates.*



	Thousands of U.S. dollars					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	\$ 13,603,651	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills bought	83,716	-	-	-	-	-
Monetary claims bought	23,925	35,645	94,565	12,733	-	-
Available-for-sale securities with maturity:						
Japanese government bonds	925,842	465,179	54,196	-	180,652	957,457
Local government bonds	326,292	806,194	1,096,885	660,219	935,719	88,556
Corporate bonds	229,127	410,966	183,503	89,504	135,489	734,169
Others	247,993	788,125	789,805	701,722	684,936	1,264,404
Subtotal	1,729,254	2,470,464	2,124,389	1,451,445	1,936,796	3,044,586
Loans and bills discounted (*)	6,519,553	5,732,254	4,598,346	3,318,441	3,727,600	11,625,770
Total	<u>\$ 21,960,099</u>	<u>\$ 8,238,363</u>	<u>\$ 6,817,300</u>	<u>\$ 4,782,619</u>	<u>\$ 5,664,396</u>	<u>\$ 14,670,356</u>

(\*) These loans and bills discounted do not include loans in the amount of \$347,846 thousand that did not have specific maturity dates.

**(Note 4) Maturities of interest bearing liabilities at March 31, 2021**

	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	¥ 5,039,780	¥ 305,821	¥ 35,497	¥ -	¥ -	¥ -
Negotiable certificates of deposit	150,205	-	-	-	-	-
Call money and bills sold	200,000	-	-	-	-	-
Payables under securities lending transactions	487,998	-	-	-	-	-
Borrowed money	374,712	53,511	272,559	-	-	-
Total	<u>¥ 6,252,697</u>	<u>¥ 359,333</u>	<u>¥ 308,057</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>

(\*) On-demand deposits are included in the "Within one year" column.

	Thousands of U.S. dollars					
	<u>Within one year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>Five to seven years</u>	<u>Seven to 10 years</u>	<u>Over 10 years</u>
Deposits (*)	\$ 45,522,357	\$ 2,762,368	\$ 320,632	\$ -	\$ -	\$ -
Negotiable certificates of deposit	1,356,747	-	-	-	-	-
Call money and bills sold	1,806,522	-	-	-	-	-
Payables under securities lending transactions	4,407,900	-	-	-	-	-
Borrowed money	<u>3,384,635</u>	<u>483,352</u>	<u>2,461,927</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 56,478,161</u>	<u>\$ 3,245,720</u>	<u>\$ 2,782,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(\*) On-demand deposits are included in the "Within one year" column.

#### 4. Trading Account Securities, Money Held in Trust and Securities

At March 31, 2021 and 2020, securities consisted of the following:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Japanese government bonds	¥ 292,439	¥ 468,619	\$ 2,641,490
Local government bonds	435,742	405,685	3,935,890
Corporate bonds	209,159	228,092	1,889,257
Stocks	190,514	152,248	1,720,844
Other securities	571,787	479,032	5,164,735
Total	¥ 1,699,643	¥ 1,733,678	\$ 15,352,216

In the accompanying consolidated balance sheets, trading account securities, money held in trust and securities included marketable securities traded on stock exchanges. Included in government bonds and other securities were investment securities lent to third parties under securities loan agreements in the amounts of ¥10,108 million (\$91,302 thousand) and ¥74,978 million at March 31, 2021 and 2020, respectively.

Guarantees provided for certain privately placed bonds were included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥25,613 million (\$231,356 thousand) and ¥16,589 million at March 31, 2021 and 2020, respectively.

Investments in securities are classified as trading, held-to-maturity or available-for-sale securities. Such classifications determine the respective accounting method to be applied as stipulated under the accounting standards for financial instruments. At March 31, 2021 and 2020, the carrying values of trading account securities, money held in trust for trading purposes and related net unrealized gains and losses included in current earnings were as follows:

	Unrealized		Unrealized		Unrealized	
	Carrying	gains	Carrying	gains	Carrying	gains
	value	(losses)	value	(losses)	value	(losses)
	Millions of yen				Thousands of	
	2021		2020		U.S. dollars	
					2021	
Trading account securities	¥ 15	¥ 0	¥ 18	¥ 0	\$ 142	\$ 4
Money held in trust	2,017	17	1,977	(22)	18,221	155

At March 31, 2021 and 2020, gross unrealized gains and losses on marketable available-for-sale securities were as follows.

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Millions of yen				
As of March 31, 2021				
Securities for which carrying value exceeds acquisition cost:				
Stocks	¥ 51,552	¥ 133,691	¥ -	¥ 185,244
Bonds:				
Japanese government bonds	197,911	5,646	-	203,558
Local government bonds	333,241	2,856	-	336,097
Corporate bonds	130,421	1,072	-	131,494
Others	320,008	19,189	-	339,198
Securities for which carrying value does not exceed acquisition cost:				
Stocks	3,721	-	(426)	3,295
Bonds:				
Japanese government bonds	89,911	-	(1,030)	88,881
Local government bonds	100,090	-	(446)	99,644
Corporate bonds	78,033	-	(368)	77,665
Others	247,932	-	(7,447)	240,485
Total	<u>¥ 1,552,826</u>	<u>¥ 162,455</u>	<u>¥ (9,718)</u>	<u>¥ 1,705,563</u>
As of March 31, 2020				
Securities for which carrying value exceeds acquisition cost:				
Stocks	¥ 40,742	¥ 93,891	¥ -	¥ 134,633
Bonds:				
Japanese government bonds	440,468	9,135	-	449,603
Local government bonds	299,529	3,311	-	302,841
Corporate bonds	170,278	1,467	-	171,746
Others	125,703	3,768	-	129,471
Securities for which carrying value does not exceed acquisition cost:				
Stocks	17,818	-	(2,165)	15,653
Bonds:				
Japanese government bonds	19,188	-	(172)	19,015
Local government bonds	103,303	-	(458)	102,844
Corporate bonds	56,567	-	(221)	56,346
Others	380,649	-	(18,459)	362,190
Total	<u>¥ 1,654,248</u>	<u>¥ 111,574</u>	<u>¥ (21,477)</u>	<u>¥ 1,744,345</u>

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
As of March 31, 2021				
Securities for which carrying value exceeds acquisition cost:				
Stocks	\$ 465,653	\$ 1,207,585	\$ -	\$ 1,673,238
Bonds:				
Japanese government bonds	1,787,661	50,999	-	1,838,660
Local government bonds	3,010,041	25,799	-	3,035,840
Corporate bonds	1,178,051	9,687	-	1,187,738
Others	2,890,515	173,330	-	3,063,845
Securities for which carrying value does not exceed acquisition cost:				
Stocks	33,616	-	(3,853)	29,763
Bonds:				
Japanese government bonds	812,134	-	(9,304)	802,830
Local government bonds	904,081	-	(4,031)	900,050
Corporate bonds	704,845	-	(3,326)	701,519
Others	2,239,480	-	(67,273)	2,172,207
Total	<u>\$ 14,026,077</u>	<u>\$ 1,467,400</u>	<u>\$ (87,787)</u>	<u>\$ 15,405,690</u>

Impairment loss on investment securities in the amount of ¥225 million (\$2,041 thousand), consisting of marketable and unlisted stocks in the amount of ¥130 million (\$1,183 thousand) and corporate bonds in the amount of ¥95 million (\$858 thousand), was recorded for the year ended March 31, 2021.

Impairment loss on investment securities in the amount of ¥1,574 million, consisting of marketable and unlisted stocks in the amount of ¥752 million and others in the amount of ¥822 million, was recorded for the year ended March 31, 2020.

If the fair value of a marketable investment security declines to between 30% and 50% of the acquisition cost, recoverability of the security will be determined based on the trend of changes in related fair values over a given period and the financial condition of the issuing company. If the determined amount of decline in the fair value is deemed unrecoverable, impairment loss will be recognized.

At March 31, 2021 and 2020, net unrealized gains on available-for-sale securities, net of applicable income taxes and noncontrolling interests, recorded in the valuation difference on available-for-sale securities in the accompanying consolidated balance sheets were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gains	¥ 152,927	¥ 90,123	\$ 1,381,334
Less applicable income taxes	(45,928)	(27,153)	(414,851)
Less noncontrolling interests portion	(80)	(80)	(727)
Net unrealized gains in net assets	<u>¥ 106,918</u>	<u>¥ 62,889</u>	<u>\$ 965,756</u>

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

	Proceeds from sales	Gain on sales	Loss on sales
	Millions of yen		
For the year 2021:			
Stocks	¥ 10,902	¥ 5,916	¥ 608
Bonds:			
Japanese government bonds	77,324	835	-
Local government bonds	-	-	-
Corporate bonds	1,055	0	-
Others	185,960	4,828	3,762
	<u>¥ 275,243</u>	<u>¥ 11,581</u>	<u>¥ 4,371</u>
For the year 2020:			
Stocks	¥ 4,447	¥ 654	¥ 553
Bonds:			
Japanese government bonds	90,316	842	-
Local government bonds	18,580	0	-
Corporate bonds	68	0	-
Others	128,764	3,734	1,105
	<u>¥ 242,177</u>	<u>¥ 5,231</u>	<u>¥ 1,658</u>
	Proceeds from sales	Gain on sales	Loss on sales
	Thousands of U.S. dollars		
For the year 2021:			
Stocks	\$ 98,481	\$ 53,442	\$ 5,499
Bonds:			
Japanese government bonds	698,444	7,548	-
Local government bonds	-	-	-
Corporate bonds	9,533	4	-
Others	1,679,712	43,615	33,985
	<u>\$ 2,486,170</u>	<u>\$ 104,609</u>	<u>\$ 39,484</u>

## 5. Loans and Bills Discounted

At March 31, 2021 and 2020, loans and bills discounted consisted of the following:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Bills discounted	¥ 3,702	¥ 7,039	\$ 33,441
Loans on notes	78,446	91,100	708,578
Loans on deeds	3,562,826	3,178,522	32,181,618
Overdrafts	326,170	339,558	2,946,173
	<u>¥ 3,971,146</u>	<u>¥ 3,616,221</u>	<u>\$ 35,869,810</u>

Bills discounted are accounted for as financial transactions in accordance with JICPA's Industry Audit Committee Practical Guidance No. 24 of October 8, 2020, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." The Hyakugo Bank Group has the right to sell or pledge bills discounted and foreign exchange bought without restrictions. The total face value of these bills amounted to ¥3,702 million (\$33,441 thousand) and ¥7,044 million at March 31, 2021 and 2020, respectively.

Claims against borrowers in bankruptcy and past due loans were included in loans and bills discounted and amounted to ¥51,580 million (\$465,905 thousand) and ¥45,981 million at March 31, 2021 and 2020, respectively. Loans are generally placed on non-accrual status when substantial doubt exists as to the ultimate collectability of either the principal or interest because they are past due for a certain period or for other reasons. Interest revenue accruals are suspended when loans are classified as claims against borrowers in bankruptcy or past due loans. Claims against borrowers in bankruptcy represent non-accrual loans, less partial charge-off of claims deemed uncollectible against borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation Tax Act of Japan. Past due loans, other than claims against borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties, are considered non-accrual loans.

At March 31, 2021 and 2020, accruing loans (which exclude non-accrual loans) for which the payment of the principal and/or interest was contractually past due by three months or more amounted to ¥160 million (\$1,453 thousand) and ¥64 million, respectively.

At March 31, 2021 and 2020, restructured loans (which excludes non-accrual loans and accruing loans contractually past due by three months or more) for which the Bank had relaxed its lending conditions for borrowers in financial difficulties through measures such as reduction of the original interest rate, forbearance of interest and/or principal payments and/or the extension of the maturity date in order to support such borrowers in their financial recovery or restructuring amounted to ¥8,928 million (\$80,645 thousand) and ¥9,187 million, respectively.

Total nonperforming assets, net of charge-offs, consisted of non-accrual loans, accruing loans contractually past due by three months or more and restructured loans in the amounts of ¥60,669 million (\$548,003 thousand) and ¥55,233 million at March 31, 2021 and 2020, respectively.

## 6. Tangible Fixed Assets

At March 31, 2021 and 2020, tangible fixed assets, net of accumulated depreciation, were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Buildings	¥ 20,262	¥ 21,214	\$ 183,019
Land	20,060	19,907	181,203
Construction in progress	131	-	1,186
Other tangible fixed assets	5,571	5,824	50,323
Tangible fixed assets	¥ 46,025	¥ 46,947	\$ 415,731

Accumulated depreciation of tangible fixed assets amounted to ¥37,653 million (\$340,113 thousand) and ¥36,224 million as of March 31, 2021 and 2020, respectively.

Pursuant to the Act Concerning Revaluation of Land (the “Revaluation Act”), the Bank elected a one-time revaluation to restate the cost of land used for the banking business at values reassessed to reflect adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency effective March 31, 1998. According to the Revaluation Act, the amount equivalent to the tax effect on the excess of the reassessed value over the original book value is recorded as deferred tax liability for land revaluation. The remainder of such excess, net of the tax effect, is recorded as revaluation reserve for land in accumulated other comprehensive income of net assets in the balance sheets. At March 31, 2021 and 2020, the difference in the total carrying value of land used for the banking business after revaluation over the then total current market value at the fiscal year-end amounted to ¥3,279 million (\$29,623 thousand) and ¥4,123 million, respectively.

As permitted by the accounting principles and practices generally accepted in Japan, the Bank deducts deferred capital gain on the sale of real property from the original acquisition cost of property newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2021 and 2020, deferred capital gain in the amount of ¥3,929 million (\$35,494 thousand) and ¥4,002 million, respectively, were directly deducted from the acquisition cost of land and buildings.

## 7. Pledged Assets

At March 31, 2021 and 2020, the following assets were pledged as collateral for liabilities.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Securities	¥ 1,019,615	¥ 821,893	\$ 9,209,790
Loans and bills discounted	380,286	-	3,434,982

The above pledged assets secure the following liabilities.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Deposits	¥ 41,877	¥ 42,663	\$ 378,261
Payables under securities lending transactions	487,998	319,236	4,407,900
Borrowed money	692,260	350,159	6,252,919



In addition, securities amounting to ¥1,013 million (\$9,156 thousand) and ¥1,023 million at March 31, 2021 and 2020, respectively, and cash and due from banks amounting to ¥200 million (\$1,807 thousand) at March 31, 2021 and 2020, respectively, were pledged as collateral for settlements of exchange, derivatives and other transactions.

Other assets include guarantee money of ¥1,225 million (\$11,070 thousand) and ¥1,173 million as of March 31, 2021 and 2020, respectively, margin money deposited with a central clearing organization of ¥25,000 million (\$225,815 thousand) as of both March 31, 2021 and 2020 and margin money deposited for financial instruments of ¥9,006 million (\$81,355 thousand) and ¥8,788 million as of March 31, 2021 and 2020, respectively.

## 8. Deposits and Negotiable Certificates of Deposit

At March 31, 2021 and 2020, deposits consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Demand deposits	¥ 3,315,049	¥ 2,870,304	\$ 29,943,544
Time deposits	2,009,425	2,013,590	18,150,356
Other deposits	56,623	60,345	511,457
Deposits	5,381,099	4,944,240	48,605,357
Negotiable certificates of deposit	150,205	155,560	1,356,747
	<u>¥ 5,531,304</u>	<u>¥ 5,099,801</u>	<u>\$ 49,962,104</u>

## 9. Borrowed Money and Lease Obligations

Borrowed money consisted of borrowings from financial institutions with an average interest rate of 0.00% per annum at March 31, 2021 due through March 2026.

Borrowed money due annually through 2026 at March 31, 2021 was as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 374,712	\$ 3,384,635
2023	2,037	18,407
2024	51,474	464,946
2025	272,136	2,458,101
2026	423	3,825
	<u>¥ 700,784</u>	<u>\$ 6,329,914</u>

Lease obligations included in “other liabilities” due annually through September 2026 at March 31, 2021 were as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 9	\$ 85
2023	8	80
2024	3	30
2025	0	4
2026	0	1
	<u>¥ 22</u>	<u>\$ 200</u>

## 10. Employee Retirement Benefits

### (1) Outline of the retirement benefit plans adopted

The Bank has corporate pension fund plans and lump-sum retirement benefit plans as its defined benefit pension plans and defined contribution pension plans which together substantially cover all employees.

Consolidated subsidiaries have lump-sum retirement benefit plans as their defined benefit plans and defined contribution pension plans as defined contribution plans. In addition, the Bank has retirement benefit trusts. Under the lump-sum retirement benefit plans of the consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are computed using the simplified method.

### (2) Defined benefit plans

- i. Changes in retirement benefit obligations for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Beginning balance of retirement benefit obligations	¥ 40,306	¥ 44,371	\$ 364,070
Service cost	1,353	1,379	12,222
Interest cost	122	123	1,105
Actuarial differences	265	737	2,397
Retirement benefits paid	(2,459)	(2,595)	(22,215)
Past service cost	-	-	-
Decrease due to transfer to defined contribution pension plans	(27)	(3,709)	(251)
Other	0	0	1
Ending balance of retirement benefit obligations	¥ 39,559	¥ 40,306	\$ 357,329

- ii. The changes in pension plan assets for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Beginning balance of pension plan assets	¥ 52,783	¥ 55,768	\$ 476,772
Expected return on pension plan assets	1,567	1,657	14,158
Actuarial differences	10,048	(2,176)	90,764
Contribution from the employer	5,192	335	46,900
Retirement benefits paid	(1,674)	(1,648)	(15,129)
Decrease due to transfer to defined contribution pension plans	-	(1,151)	-
Other	0	0	1
Ending balance of pension plan assets	¥ 67,916	¥ 52,783	\$ 613,466

- iii. Reconciliations between the ending balances of retirement benefit obligations and pension plan assets and the liability or asset for employee retirement benefits recorded in the consolidated balance sheet were as follows.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Funded retirement benefit obligations	¥ 39,170	¥ 39,916	\$ 353,812
Pension plan assets	(67,916)	(52,783)	(613,466)
	(28,746)	(12,866)	(259,654)
Unfunded retirement benefit obligations	389	389	3,517
Net liability (asset) recorded in the consolidated balance sheet	¥ (28,356)	¥ (12,477)	\$ (256,137)

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Liability for employee retirement benefits	¥ 422	¥ 2,492	\$ 3,818
Asset for employee retirement benefits	(28,779)	(14,969)	(259,955)
Net liability (asset) recorded in the consolidated balance sheet	¥ (28,356)	¥ (12,477)	\$ (256,137)

- iv. The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 were as follows.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Service cost	¥ 1,353	¥ 1,379	\$ 12,222
Interest cost	122	123	1,105
Expected return on pension plan assets	(1,567)	(1,657)	(14,158)
Amortization of actuarial differences	154	(388)	1,397
Amortization of past service cost	-	-	-
Other	-	-	-
Retirement benefit expenses on defined benefit plans	¥ 62	¥ (543)	\$ 566
Gain on transfer to defined contribution pension plans	¥ (0)	¥ 2,356	\$ (0)

(Notes) 1. Retirement benefit expenses of consolidated subsidiaries applying the simplified method were all included in "service cost."

2. Gain on transfer to defined contribution pension plans is recorded in "Other income" for the fiscal year ended March 31, 2020.

- v. The components of retirement benefit adjustments (before tax effect) on other comprehensive income were as follows.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Past service cost	¥ -	¥ -	\$ -
Actuarial differences	(9,937)	3,194	(89,764)
Other	-	-	-
Total	¥ (9,937)	¥ 3,194	\$ (89,764)

- vi. The components of retirement benefit adjustments (before tax effect) on accumulated other comprehensive income were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Unrecognized past service cost	¥ -	¥ -	\$ -
Unrecognized actuarial differences	(6,529)	3,408	(58,976)
Other	-	-	-
Total	¥ (6,529)	¥ 3,408	\$ (58,976)

- vii. Pension plan assets

- i. Components of pension plan assets

Pension plan assets consisted of the following:

	2021	2020
Bonds	8%	7%
Stocks	50%	46%
Cash and deposits	0%	0%
General account	17%	22%
Other	25%	25%
Total	100%	100%

*(Note) At March 31, 2021, the retirement benefit trust established for lump-sum retirement benefit plans and corporate pension fund plans accounted for 39% (37% in 2020) of total pension plan assets.*

- ii. Method for determining the long-term expected rate of return on pension plan assets

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

- viii. Assumptions used for the years ended March 31, 2021 and 2020 were as follows:

		2021	2020
Discount rate	Corporate pension fund plans	0.4%	0.4%
	Lump-sum retirement benefit plans	0.0%	0.0%
Long-term expected rate of return (mainly)		3.5%	3.5%

*(Note) In computing retirement benefit obligations, points granted for the future on the benefit formula basis are not incorporated, and the expected rate of salary is not applied.*

### (3) Defined contribution plans

The required contribution to the defined contribution plans of the Bank and its consolidated subsidiaries amounted to ¥465 million (\$4,200 thousand) and ¥443 million for the years ended March 31, 2021 and 2020, respectively.

#### (4) Other matters related to retirement benefits

The effects of the partial transfer from corporate pension fund plan to defined contribution pension plans in the fiscal year ended March 31, 2020 were as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Decrease in retirement benefit obligations	¥ (3,709)	\$ (33,506)
Amount of assets transferred to defined contribution pension plans	<u>1,243</u>	<u>11,236</u>
Subtotal	(2,465)	(22,270)
Amortization of actuarial differences	<u>108</u>	<u>983</u>
Total	<u>¥ (2,356)</u>	<u>\$ (21,287)</u>

The effects of the transfer were recorded as “gain on revision of retirement benefit plans” under “Other income” for the year ended March 31, 2020.

#### 11. Acceptances and Guarantees

The Bank provides guarantees with respect to certain liabilities of its customers for the payment of loans and other liabilities from other financial institutions. As a contra account, “customers’ liabilities for acceptances and guarantees” has been shown in assets on the accompanying consolidated balance sheets, indicating the Bank’s right of indemnity from its customers.

#### 12. Net Assets

The authorized number of shares of common stock without par value is 396,000,000 shares. At both March 31, 2021 and 2020, the number of shares of common stock issued was 254,119,000 shares. At March 31, 2021 and 2020, the number of shares of treasury stock held by the Hyakugo Bank Group was 107,642 shares and 276,930 shares, respectively.

At both March 31, 2021 and 2020, capital surplus consisted principally of additional paid-in capital. Retained earnings included legal reserve of the Bank amounting to ¥17,377 million (\$156,966 thousand) at both March 31, 2021 and 2020. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as an appropriation of retained earnings be appropriated as legal reserve until the total amount of additional paid-in capital and legal reserve equals 100% of common stock. The reduction of the legal reserve is restricted under the current circumstances to the proper action of the shareholders of the Bank.

### 13. Stock Options

On July 31, 2020 and July 30, 2019, stock options were granted to the directors of the Bank. The related costs in the amount of ¥15 million (\$143 thousand) and ¥18 million were recorded under general and administrative expenses for the years ended March 31, 2021 and 2020, respectively.

The stock options outstanding at March 31, 2021 were as follows:

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Persons granted	13 directors of the Bank	13 directors of the Bank	13 directors of the Bank (excluding independent directors)	13 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)
Number of options granted*	91,600 shares of common stock of the Bank	94,000 shares of common stock of the Bank	71,700 shares of common stock of the Bank	71,200 shares of common stock of the Bank	48,100 shares of common stock of the Bank
Date of grant	July 25, 2011	July 26, 2012	July 24, 2013	July 31, 2014	July 30, 2015
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	July 26, 2011 through July 25, 2041	July 27, 2012 through July 26, 2042	July 25, 2013 through July 24, 2043	August 1, 2014 through July 31, 2044	July 31, 2015 through July 30, 2045
	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options
Persons granted	12 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)
Number of options granted*	71,400 shares of common stock of the Bank	62,800 shares of common stock of the Bank	43,800 shares of common stock of the Bank	61,700 shares of common stock of the Bank	54,100 shares of common stock of the Bank
Date of grant	July 27, 2016	July 27, 2017	July 30, 2018	July 30, 2019	July 31, 2020
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	July 28, 2016 through July 27, 2046	July 28, 2017 through July 27, 2047	July 31, 2018 through July 30, 2048	July 31, 2019 through July 30, 2049	August 1, 2020 through July 31, 2050

\*The number of options is equal to and is shown as the number of shares.

The stock option activities were as follows.

Number of stock options (in shares)	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Nonvested:					
Outstanding at April 1, 2019	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2020	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2021	-	-	-	-	-
Vested:					
Outstanding at April 1, 2019	49,200	51,500	51,600	56,700	45,900
Vested	-	-	-	-	-
Exercised	(11,700)	(13,400)	(13,600)	(15,600)	(11,900)
Forfeited	-	-	-	-	-
Outstanding at March 31, 2020	37,500	38,100	38,000	41,100	34,000
Vested	-	-	-	-	-
Exercised	(17,300)	(17,600)	(20,000)	(23,200)	(15,500)
Forfeited	-	-	-	-	-
Outstanding at March 31, 2021	20,200	20,500	18,000	17,900	18,500
Number of stock options (in shares)					
	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options
Nonvested:					
Outstanding at April 1, 2019	-	-	-	-	-
Granted	-	-	-	61,700	-
Forfeited	-	-	-	-	-
Vested	-	-	-	(61,700)	-
Outstanding at March 31, 2020	-	-	-	-	-
Granted	-	-	-	-	54,100
Forfeited	-	-	-	-	-
Vested	-	-	-	-	(54,100)
Outstanding at March 31, 2021	-	-	-	-	-
Vested:					
Outstanding at April 1, 2019	68,100	62,800	43,800	-	-
Vested	-	-	-	61,700	-
Exercised	(17,700)	(15,300)	(12,000)	-	-
Forfeited	-	-	-	-	-
Outstanding at March 31, 2020	50,400	47,500	31,800	61,700	-
Vested	-	-	-	-	54,100
Exercised	(23,000)	(19,800)	(10,800)	(22,400)	-
Forfeited	-	-	-	-	-
Outstanding at March 31, 2021	27,400	27,700	21,000	39,300	54,100

Unit price information:

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	¥328	¥328	¥327	¥326	¥326
Fair value at grant date	¥302	¥300	¥404	¥396	¥578

	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options
Exercise price	¥1	¥1	¥1	¥1	¥1 (\$0.01)
Average stock price at exercise	¥326	¥326	¥328	¥327	-
Fair value at grant date	¥377	¥433	¥480	¥303	¥293 (\$2.65)

The method and assumptions used to measure the fair value of stock options granted for the years ended March 31, 2021 and 2020 were as follows.

1) 2020 stock options:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	30.01%
Estimated remaining outstanding period (Note 2):	1.92 years
Estimated dividend (Note 3):	¥9.0 (\$0.08) per share
Risk free interest rate (Note 4):	(0.15)%

Notes:

- Volatility was computed based on actual stock prices during the period corresponding to the estimated remaining outstanding period from August 2018 through July 2020.
- The estimated remaining outstanding period was determined by adding the period from the date of allotment of the stock options to the following election to the difference between the average retirement age of the retired directors with titles and directors who concurrently served as executive officers during the past 10 years and the average age of the present directors. If the difference is shorter than the period from the date of allotment of the stock options to the following election, the difference is considered to be zero in estimating the remaining outstanding period.
- The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2020.
- The risk free interest rate is the yield on Japanese government bonds corresponding to the estimated remaining outstanding period.

2) 2019 stock options:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	25.88%
Estimated remaining outstanding period (Note 2):	1.92 years
Estimated dividend (Note 3):	¥9.0 per share
Risk free interest rate (Note 4):	(0.20)%

Notes:

- Volatility was computed based on actual stock prices during the period corresponding to the estimated remaining outstanding period from August 2017 through July 2019.
- The estimated remaining outstanding period was determined using the difference between the average retirement age of the retired directors with titles and directors who concurrently served as executive officers during the past 10 years and the average age of the present directors. If the difference is shorter than the period from the date of allotment of the stock options to the following election, the period until the next election is considered to be the difference in estimating the remaining outstanding period.
- The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2019.
- The risk free interest rate is the yield on Japanese government bonds corresponding to the estimated remaining outstanding period.

## 14. Loan Commitments

Contracts for overdraft facilities and loan commitment limits represent the maximum amounts the Bank will lend to customers in response to the customers' applications for loans, provided that there are no violations of any conditions in the applicable contracts. At March 31, 2021 and 2020, the total unused amount within the limits of these contracts was ¥1,309,024 million (\$11,823,903 thousand) and ¥1,252,636 million, respectively. These unused amounts included amounts related to contracts which will expire within one year or are revocable by the Bank at any time without any conditions in the amount of ¥1,217,563 million (\$10,997,770 thousand) and ¥1,193,662 million at March 31, 2021 and



2020, respectively.

Since many of these commitments expire without being drawn down, an unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that permit the Bank to refuse the customers' applications for loans or decrease the contract limit for proper reasons (e.g., changes in the financial situation, deterioration in the customer's creditworthiness or the like). As a condition to entering a contract, the Bank may obtain collateral in the form of real estate, securities, etc., if considered necessary. During the term of the contract, the Bank performs periodic reviews of the customers' business based on internal rules and may take necessary measures that include reconsidering the conditions under the contract and/or requiring additional collateral and/or guarantees.

## 15. Leases

### (1) Finance leases

#### As a lessor:

Lease investment assets at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Gross lease receivables	¥ 21,804	¥ 19,353	\$ 196,949
Estimated residual values	806	645	7,285
Unearned interest income	(1,543)	(1,392)	(13,943)
Lease investment assets	<u>¥ 21,067</u>	<u>¥ 18,606</u>	<u>\$ 190,291</u>

Lease receivables which arose under transferable finance leases that mature subsequent to March 31, 2021 and 2020 were as follows.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Due within one year	¥ 1,279	¥ 1,633	\$ 11,554
More than one year, but within two years	1,095	957	9,895
More than two years, but within three years	808	767	7,306
More than three years, but within four years	577	471	5,218
More than four years, but within five years	338	240	3,057
More than five years	850	956	7,686
Lease receivables	<u>¥ 4,950</u>	<u>¥ 5,027</u>	<u>\$ 44,716</u>

Gross lease receivables under nontransferable finance leases that mature subsequent to March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Due within one year	¥ 5,834	¥ 5,263	\$ 52,698
More than one year, but within two years	5,091	4,389	45,990
More than two years, but within three years	4,309	3,670	38,923
More than three years, but within four years	3,007	2,905	27,168
More than four years, but within five years	2,039	1,628	18,419
More than five years	1,522	1,495	13,751
Gross lease receivables of lease investment assets	<u>¥ 21,804</u>	<u>¥ 19,353</u>	<u>\$ 196,949</u>

## (2) Operating leases

Future minimum lease payments under non-cancellable operating lease transactions were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
As lessee:			
Due within one year	¥ 562	¥ 285	\$ 5,081
Due after one year	844	913	7,624
	<u>¥ 1,406</u>	<u>¥ 1,199</u>	<u>\$ 12,705</u>
As lessor:			
Due within one year	¥ 715	¥ 660	\$ 6,462
Due after one year	1,182	1,028	10,685
	<u>¥ 1,898</u>	<u>¥ 1,689</u>	<u>\$ 17,147</u>

## (3) Subleases

Sublease related amounts before deducting interest equivalent amounts recorded in the consolidated balance sheets were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
			2021
Lease investment assets	¥ 22	¥ 31	\$ 200
Lease obligations	22	31	200

## 16. Derivative Instruments

Derivative instruments involve, in varying degrees, elements of credit and market risk. The Hyakugo Bank Group is exposed to credit loss in the event of nonperformance by the counterparties. However, the Hyakugo Bank Group has not faced and does not expect such nonperformance.

### Derivative contracts to which hedge accounting was not applied:

With respect to derivatives to which hedge accounting was not applied, the contract amounts or notional principal amounts as defined in the applicable contracts, the fair values and valuation gains (losses) as of March 31, 2021 and 2020 are set forth in the table below. Note that the contract amounts do not represent the market risk exposure of the derivative transactions themselves.

	<u>Contract amounts</u>	<u>Fair value</u>	<u>Valuation gains (losses)</u>
	Millions of yen		
<u>At March 31, 2021</u>			
Interest rate contracts:			
Swaps	¥ 29,450	¥ 259	¥ 259
Foreign exchange contracts:			
Currency swaps	200,774	579	579
Forwards	131,546	(5,819)	(5,819)
Currency options	-	-	-
Credit default swaps	1,298	(10)	(10)
Earthquake derivatives	4,760	(0)	-
<u>At March 31, 2020</u>			
Interest rate contracts:			
Swaps	¥ 27,252	¥ 148	¥ 148
Foreign exchange contracts:			
Currency swaps	214,515	2,794	2,794
Forwards	150,507	(2,743)	(2,743)
Currency options	13	0	0
Earthquake derivatives	4,810	2	-
	Thousands of U.S. dollars		
<u>At March 31, 2021</u>			
Interest rate contracts:			
Swaps	\$ 266,016	\$ 2,342	\$ 2,342
Foreign exchange contracts:			
Currency swaps	1,813,514	5,237	5,237
Forwards	1,188,207	(52,566)	(52,566)
Currency options	-	-	-
Credit default swaps	11,724	(94)	(94)
Earthquake derivatives	42,995	(3)	-

#### Notes:

1. The above transactions have been stated at fair value, and valuation gains (losses) have been recorded in the consolidated statements of income.
2. The fair value has been determined using the discounted present value.
3. Since the fair value of earthquake derivatives is difficult to calculate, the acquisition cost is presented as the fair value.

**Derivative contracts to which hedge accounting was applied:**

With respect to derivatives to which hedge accounting was applied, the contract amounts or notional principal amounts as defined in the applicable contracts and the fair values by transaction type and accounting method as of March 31, 2021 and 2020 are set forth the table below. Note that the contract amounts do not represent the market risk exposure of the derivative transactions themselves.

Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
			Millions of yen		
<u>At March 31, 2021</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	¥ 115,304	¥ 80,167	¥ (4,846)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	1,736	1,660	See Note 3
Deferral method	Foreign currency swaps: Foreign currency forward contracts:	Call loans, loans and bills discounted	45,127	28,521	(1,300)
			7,975	-	(386)
<u>At March 31, 2020</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	¥ 121,984	¥ 116,700	¥ (6,704)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	2,520	2,291	See Note 3
Deferral method	Foreign currency swaps: Foreign currency forward contracts:	Call loans, loans and bills discounted	27,868	27,868	417
			5,455	-	61

Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Thousands of U.S. dollars					
<u>At March 31, 2021</u>					
Deferral method	Interest rate swaps:				
	Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	\$ 1,041,497	\$ 724,122	\$ (43,781)
Interest rate swaps meeting certain conditions	Interest rate swaps:				
	Receivable floating rate/ payable fixed rate	Loans and bills discounted	15,686	15,002	See Note 3
Deferral method	Foreign currency swaps:				
	Forward contracts:	Call loans, loans and bills discounted	407,620	257,620	(11,744)
			72,041	-	(3,489)

*Notes:*

1. Gains and losses on the above contracts are deferred until the maturity of the hedged items pursuant to "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA's Industry Audit Committee Practical Guidance No. 24 of October 8, 2020).
2. The fair value has been determined using the discounted present value, etc.
3. With respect to interest rate swap contracts which meet certain conditions, the fair value of the interest rate swap contract is considered part of the fair value of the relevant loan or bill discounted described in Note 3, "Financial Instruments and Related Disclosures," since such interest rate swap contracts are used for recording loans and bills discounted as hedged items.
4. With respect to foreign currency related contracts, the deferral method of hedge accounting is principally applied in accordance with the "Accounting and Auditing Treatment of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA's Industry Audit Committee Practical Guidance No. 25 of October 8, 2020).

## 17. Income Taxes

At March 31, 2021 and 2020, income taxes (including local taxes) payable in the amount of ¥2,639 million (\$23,838 thousand) and ¥1,225 million, respectively, were included in “other liabilities” in the accompanying consolidated balance sheets.

At March 31, 2021 and 2020, the tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Deferred tax assets:			2021
Allowance for loan losses	¥ 5,504	¥ 4,516	\$ 49,724
Deferred losses on hedges	1,492	2,029	13,477
Valuation loss on securities	906	1,149	8,189
Others	3,267	3,121	29,515
Subtotal	11,171	10,816	100,905
Less valuation allowance	(1,321)	(1,309)	(11,934)
Total deferred tax assets	9,850	9,506	88,971
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(45,928)	(27,153)	(414,851)
Retirement benefits	(11,185)	(6,517)	(101,035)
Deferred gains on hedges	(1)	(26)	(12)
Others	(176)	(165)	(1,598)
Total deferred tax liabilities	(57,292)	(33,862)	(517,496)
Net deferred tax assets (liabilities)	¥ (47,442)	¥ (24,355)	\$ (428,525)

A reconciliation between the Japanese statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2020 was as follows:

Statutory tax rate	Percentage of pretax income
	30.19%
Increase (decrease) due to:	
Permanently nondeductible expenses	0.60%
Tax exempt income	(2.27)%
Local minimum taxes per capita levy	0.37%
Changes in valuation allowance	(1.67)%
Other	(0.17)%
Effective tax rate	27.05%

A reconciliation between the Japanese statutory tax rate and the effective tax rate on pretax income reflected in the accompanying consolidated statement of income for the year ended March 31, 2021 was not presented because the difference was less than 5% of the statutory tax rate.

## 18. Subsequent Events

### Appropriation of retained earnings

The shareholders of the Bank approved the following appropriation of retained earnings at the annual general shareholders' meeting on June 23, 2021.

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends (¥5.00 (\$0.05) per share)	¥ 1,270	\$ 11,472

## 19. Segment Information

### (a) Description of reportable segments

The reportable segments of the Hyakugo Bank Group are business units for which separate financial information is available and whose results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to such segments.

The Hyakugo Bank Group's business centers on banking operations, but the Hyakugo Bank Group also engages in financial service operations, such as leasing operations.

The Hyakugo Bank Group's segments are based on its business activities related to financial services, and its reportable segments comprise the "banking" and "leasing" segments.

The "banking" segment includes deposit taking and lending operations, and the "leasing" segment includes leasing operations.

### (b) Methods of measurement for the amounts of ordinary income, profit (loss), assets and other items for each reportable segment

The accounting treatment of the business segments reported in this section is the same as that stated in Note 2, "Summary of Significant Accounting Policies." Segment profit is based on ordinary profit, which represents ordinary income less ordinary expenses. Ordinary income represents total income less special gains included in other income. Ordinary expenses represent total expenses less special losses included in other expenses.

Intersegment ordinary income is valued at market prices.

(c) Ordinary income, profit (loss), assets and other items.

**For the year ended March 31, 2021**

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Millions of yen							
Ordinary income:							
External customers	¥ 77,684	¥ 10,974	¥ 88,659	¥ 4,914	¥ 93,573	¥ -	¥ 93,573
Intersegment	938	337	1,276	1,251	2,527	(2,527)	-
Total	78,623	11,312	89,935	6,165	96,101	(2,527)	93,573
Segment profit	¥ 17,346	¥ 196	¥ 17,543	¥ 1,495	¥ 19,038	¥ (497)	18,541
Special gains (losses), net							(276)
Income before income taxes							¥ 18,265
Segment assets	¥ 7,429,812	¥ 37,506	¥ 7,467,319	¥ 24,691	¥ 7,492,011	¥ (39,207)	¥ 7,452,803
Others:							
Depreciation	3,626	541	4,168	75	4,243	-	4,243
Interest income	50,933	54	50,988	145	51,133	(539)	50,593
Interest expense	3,297	63	3,361	0	3,361	(43)	3,318
Special gain:	0	-	0	-	0	-	0
Gain on disposal of fixed assets	0	-	0	-	0	-	0
Gain on revision of retirement benefit plans	0	-	0	-	0	-	0
Special loss:	275	-	275	0	276	(0)	276
Loss on disposal of fixed assets	102	-	102	-	102	(0)	102
Impairment loss	172	-	172	-	172	-	172
Provision of reserves under special laws	-	-	-	0	0	-	0
Income tax expense	4,808	52	4,861	439	5,300	-	5,300
Amount of increase in tangible and intangible fixed assets (capital expenditure)	2,704	762	3,466	35	3,502	-	3,502

Notes:

(1) The "other" business segment includes credit card operations and financial instruments business operations.

(2) Reconciliations consist of the following:

- a. Reconciliation of segment profit of ¥(497) million consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of ¥(39,207) million consists of elimination of intersegment assets.
- c. Reconciliation of interest income of ¥(539) million consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of ¥(43) million consists of elimination of intersegment interest expense.
- e. Reconciliation of special loss of ¥(0) million consists of elimination of intersegment special loss.



**For the year ended March 31, 2020**

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Millions of yen							
Ordinary income:							
External customers	¥ 74,747	¥ 12,226	¥ 86,973	¥ 4,391	¥ 91,365	¥ -	¥ 91,365
Intersegment	841	448	1,289	1,321	2,610	(2,610)	-
Total	75,588	12,675	88,263	5,712	93,976	(2,610)	91,365
Segment profit	¥ 13,208	¥ 467	¥ 13,676	¥ 504	¥ 14,180	¥ (678)	13,502
Special gains (losses), net							2,164
Income before income taxes							¥ 15,666
Segment assets	¥ 6,418,663	¥ 35,749	¥ 6,454,412	¥ 20,410	¥ 6,474,823	¥ (37,373)	¥ 6,437,449
Others:							
Depreciation	3,333	509	3,843	71	3,914	-	3,914
Interest income	55,299	98	55,398	138	55,536	(719)	54,816
Interest expense	6,254	64	6,319	0	6,319	(42)	6,276
Special gain:	2,358	0	2,358	-	2,358	-	2,358
Gain on disposal of fixed assets	2	-	2	-	2	-	2
Gain on revision of retirement benefit plans	2,356	0	2,356	-	2,356	-	2,356
Special loss:	190	-	190	4	194	(0)	194
Loss on disposal of fixed assets	181	-	181	4	185	(0)	185
Impairment loss	9	-	9	-	9	-	9
Income tax expense	3,981	130	4,111	127	4,238	-	4,238
Amount of increase in tangible and intangible fixed assets (capital expenditure)	2,805	858	3,664	89	3,753	-	3,753

*Notes:*

(1) The "other" business segment includes credit card operations and financial instruments business operations.

(2) Reconciliations consist of the following:

- a. Reconciliation of segment profit of ¥(678) million consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of ¥(37,373) million consists of elimination of intersegment assets.
- c. Reconciliation of interest income of ¥(719) million consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of ¥(42) million consists of elimination of intersegment interest expense.
- e. Reconciliation of special loss of ¥(0) million consists of elimination of intersegment special loss.

**For the year ended March 31, 2021**

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Thousands of U.S. dollars							
Ordinary income:							
External customers	\$ 701,694	\$ 99,130	\$ 800,824	\$ 44,392	\$ 845,216	\$ -	\$ 845,216
Intersegment	8,480	3,050	11,530	11,301	22,831	(22,831)	-
Total	710,174	102,180	812,354	55,693	868,047	(22,831)	845,216
Segment profit	\$ 156,685	\$ 1,774	\$ 158,459	\$ 13,507	\$ 171,966	\$ (4,489)	167,477
Special gains (losses), net							(2,489)
Income before income taxes							\$ 164,988
Segment assets	\$ 67,110,586	\$ 338,784	\$ 67,449,370	\$ 223,027	\$ 67,672,397	\$ (354,148)	\$ 67,318,249
Others:							
Depreciation	32,757	4,894	37,651	682	38,333	-	38,333
Interest income	460,063	492	460,555	1,310	461,865	(4,876)	456,989
Interest expense	29,789	575	30,364	2	30,366	(391)	29,975
Special gain:	7	-	7	-	7	-	7
Gain on disposal of fixed assets	6	-	6	-	6	-	6
Gain on revision of retirement benefit plans	1	-	1	-	1	-	1
Special loss:	2,491	-	2,491	7	2,498	(2)	2,496
Loss on disposal of fixed assets	930	-	930	-	930	(2)	928
Impairment loss	1,561	-	1,561	-	1,561	-	1,561
Provision of reserves under special laws	-	-	-	5	5	-	5
Income tax expense	43,437	472	43,909	3,967	47,876	-	47,876
Amount of increase in tangible and intangible fixed assets (capital expenditure)	24,425	6,889	31,314	318	31,632	-	31,632

*Notes:*

(1) The "others" business segment includes credit card operations and financial instruments business operations.

(2) Reconciliations consist of the following:

- a. Reconciliation of segment profit of \$(4,489) thousand consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of \$(354,148) thousand consists of elimination of intersegment assets.
- c. Reconciliation of interest income of \$(4,876) thousand consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of \$(391) thousand consists of elimination of intersegment interest expense.
- e. Reconciliation of special loss of \$(2) thousand consists of elimination of intersegment special loss.

(d) Related information

a. Information for individual services

	Loan business	Securities investment	Leasing	Others	Total
	Millions of yen				
Ordinary income from external customers:					
For the year ended March 31, 2021	¥ 37,248	¥ 29,177	¥ 10,974	¥ 16,173	¥ 93,573
For the year ended March 31, 2020	¥ 38,532	¥ 24,997	¥ 12,226	¥ 15,607	¥ 91,365
	Thousands of U.S. dollars				
For the year ended March 31, 2021	\$ 336,451	\$ 263,547	\$ 99,130	\$ 146,088	\$ 845,216

b. Geographical information

(1) Ordinary income

Geographical information for ordinary income for each of the years ended March 31, 2021 and 2020 was not disclosed because the income from external customers located in Japan was more than 90% of total ordinary income.

(2) Tangible fixed assets

Geographical information for tangible fixed assets for each of the years ended March 31, 2021 and 2020 was not disclosed because the assets located in Japan were more than 90% of total tangible fixed assets.

c. Main customers

Information for main customers for each of the years ended March 31, 2021 and 2020 was not disclosed because the Hyakugo Bank Group had no customers which accounted for 10% or more of total ordinary income.

(e) Impairment loss on fixed assets for reportable segments

	Reportable segments			Others	Total
	Banking	Leasing	Total		
	Millions of yen				
Impairment loss:					
For the year ended March 31, 2021	¥ 172	¥ -	¥ 172	¥ -	¥ 172
For the year ended March 31, 2020	¥ 9	¥ -	¥ 9	¥ -	¥ 9
	Thousands of U.S. dollars				
For the year ended March 31, 2021	\$ 1,561	\$ -	\$ 1,561	\$ -	\$ 1,561

## 20. Other Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Gain (loss) incurred during the year	¥ 69,973	¥ (41,737)	\$ 632,042
Reclassification adjustment to net income	(7,168)	(2,470)	(64,754)
Amount before tax effect	62,804	(44,208)	567,288
Tax effect	(18,774)	13,024	(169,585)
Valuation difference on available-for-sale- securities	44,029	(31,183)	397,703
Deferred gains/losses on hedges:			
Gain (loss) incurred during the year	895	(1,429)	8,087
Reclassification adjustment to net income	801	1,928	7,239
Amount before tax effect	1,696	498	15,326
Tax effect	(512)	(150)	(4,627)
Deferred gains/losses on hedges	1,184	347	10,699
Retirement benefit adjustments:			
Gain (loss) incurred during the year	9,783	(2,914)	88,367
Reclassification adjustment to net income	154	(279)	1,397
Amount before tax effect	9,937	(3,194)	89,764
Tax effect	(3,000)	964	(27,100)
Retirement benefits adjustment	6,937	(2,230)	62,664
Total other comprehensive income (loss)	¥ 52,151	¥ (33,065)	\$ 471,066

## 21. Per Share Information

Net assets per share at March 31, 2021 and 2020 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 1,553.39	¥ 1,307.14	\$ 14.03
Net income per share – basic	51.05	45.02	0.46
Net income per share – diluted	50.98	44.95	0.46

Computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>(Net assets per share)</b>			
Net assets per balance sheet	¥ 394,676	¥ 331,955	\$ 3,564,957
Amounts to be attributed to subscription rights to shares	(97)	(147)	(880)
Net assets attributed to common stock	394,578	331,808	3,564,077
Outstanding number of common stocks at end of year (unit: thousand shares)	254,011	253,842	
<b>(Net income per share - basic)</b>			
Net income attributable to owners of the parent per income statement	12,965	11,427	117,112
Net income attributable to owners of the parent regarding common stock	12,965	11,427	117,112
Average outstanding number of shares during the year (unit: thousand shares)	253,973	253,823	
<b>(Net income per share - diluted)</b>			
Increase in common stock (unit: thousand shares)	302	391	
Of which, subscription rights to shares (unit: thousand shares)	302	391	

## 22. Financial Information of the Hyakugo Bank, Ltd. (Parent)

Presented below are the nonconsolidated balance sheets, nonconsolidated statements of income and changes in net assets of the Bank, the parent company.

### Nonconsolidated Balance Sheets The Hyakugo Bank, Ltd. (Parent)

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Assets:</b>			
Cash and due from banks	¥ 1,566,381	¥ 871,122	\$ 14,148,506
Call loans	9,268	15,510	83,716
Monetary claims bought	18,465	23,829	166,792
Trading account securities	15	18	142
Money held in trust	2,017	1,977	18,221
Securities	1,709,693	1,743,857	15,442,987
Loans and bills discounted	3,988,368	3,631,051	36,025,371
Foreign exchange	7,521	5,840	67,939
Other assets	54,427	53,337	491,624
Tangible fixed assets	43,052	44,063	388,879
Intangible fixed assets	3,928	4,435	35,489
Prepaid pension cost	25,103	19,472	226,751
Customers' liabilities for acceptances and guarantees	15,458	22,904	139,632
Allowance for loan losses	(17,471)	(14,059)	(157,810)
Total assets	<u>¥ 7,426,231</u>	<u>¥ 6,423,361</u>	<u>\$ 67,078,239</u>
<b>Liabilities:</b>			
Deposits	¥ 5,387,976	¥ 4,950,887	\$ 48,667,475
Negotiable certificates of deposit	154,505	160,490	1,395,587
Call money	200,000	210,000	1,806,522
Payables under securities lending transactions	487,998	319,236	4,407,900
Borrowed money	693,045	350,948	6,260,007
Foreign exchange	363	72	3,286
Other liabilities	53,350	49,960	481,897
Provision for employee retirement benefits	2,946	3,257	26,611
Provision for reimbursement of deposits	1,602	1,573	14,476
Provision for point card certificates	377	344	3,406
Provision for contingent loss	264	345	2,388
Deferred tax liabilities	46,249	26,140	417,757
Deferred tax liabilities for land revaluation	2,495	2,534	22,538
Acceptances and guarantees	15,458	22,904	139,632
Total liabilities	<u>7,046,634</u>	<u>6,098,699</u>	<u>63,649,482</u>
<b>Net assets:</b>			
Capital stock	20,000	20,000	180,652
Capital surplus	7,562	7,560	68,312
Retained earnings	244,510	234,686	2,208,570
Treasury stock	(40)	(104)	(368)
Total shareholders' equity	<u>272,032</u>	<u>262,142</u>	<u>2,457,166</u>
Valuation difference on available-for-sale securities	106,781	62,835	964,515
Deferred gains/losses on hedges	(3,447)	(4,631)	(31,136)
Revaluation reserve for land	4,133	4,168	37,332
Total valuation and translation adjustments	<u>107,467</u>	<u>62,372</u>	<u>970,711</u>
Stock acquisition rights	97	147	880
Total net assets	<u>379,597</u>	<u>324,662</u>	<u>3,428,757</u>
Total liabilities and net assets	<u>¥ 7,426,231</u>	<u>¥ 6,423,361</u>	<u>\$ 67,078,239</u>

**Nonconsolidated Statements of Income**  
**The Hyakugo Bank, Ltd. (Parent)**  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
<b>Income:</b>			
Interest income:			
Interest on loans and bills discounted	¥ 32,955	¥ 35,020	\$ 297,677
Interest and dividends on securities	17,574	19,647	158,745
Interest on call loans	51	386	464
Others	409	295	3,706
Total interest income	50,992	55,350	460,592
Fees and commissions	15,527	14,555	140,253
Other operating income	3,338	3,271	30,155
Other income	8,857	4,848	80,010
Total income	78,715	78,025	711,010
<b>Expenses:</b>			
Interest expense:			
Interest on deposits	594	925	5,372
Interest on negotiable certificates of deposit	16	29	150
Interest on call money	(39)	(66)	(356)
Interest on payables under securities lending Transactions	728	3,186	6,582
Interest on borrowings and rediscounts	370	248	3,349
Others	1,626	1,931	14,692
Total interest expense	3,297	6,254	29,789
Fees and commissions	4,912	4,963	44,371
Other ordinary expenses	3,728	4,818	33,682
General and administrative expenses	41,284	41,028	372,910
Provision of allowance for loan losses	4,661	1,854	42,105
Other expenses	3,884	3,792	35,089
Total expenses	61,770	62,713	557,946
Income before income taxes	16,945	15,311	153,064
<b>Income taxes:</b>			
Current	3,920	3,206	35,408
Deferred	824	734	7,450
Total income taxes	4,744	3,940	42,858
Net income	¥ 12,200	¥ 11,371	\$ 110,206

**Nonconsolidated Statements of Changes in Net Assets**  
**The Hyakugo Bank, Ltd. (Parent)**

For the Years Ended March 31, 2021 and 2020

	Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments						Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Valuation difference on available-for- sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Stock acquisition rights		
												Millions of yen	
<b>Balance at April 1, 2019</b>	254,119,000	¥ 20,000	¥ 7,557	¥ 225,599	¥ (146)	¥ 253,010	¥ 93,976	¥ (4,979)	¥ 4,168	¥ 93,165	¥ 174	¥ 346,349	
Net income	-	-	-	11,371	-	11,371	-	-	-	-	-	11,371	
Dividends from surplus	-	-	-	(2,284)	-	(2,284)	-	-	-	-	-	(2,284)	
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	(0)	
Disposal of treasury stock	-	-	3	-	42	45	-	-	-	-	-	45	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(31,141)	347	-	(30,793)	(26)	(30,819)	
<b>Balance at March 31, 2020 (April 1, 2020)</b>	254,119,000	¥ 20,000	¥ 7,560	¥ 234,686	¥ (104)	¥ 262,142	¥ 62,835	¥ (4,631)	¥ 4,168	¥ 62,372	¥ 147	¥ 324,662	
Net income	-	-	-	12,200	-	12,200	-	-	-	-	-	12,200	
Dividends from surplus	-	-	-	(2,412)	-	(2,412)	-	-	-	-	-	(2,412)	
Reversal of revaluation reserve for land	-	-	-	35	-	35	-	-	-	-	-	35	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	(0)	
Disposal of treasury stock	-	-	1	-	64	66	-	-	-	-	-	66	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	43,946	1,184	(35)	45,095	(50)	45,045	
<b>Balance at March 31, 2021</b>	<u>254,119,000</u>	<u>¥ 20,000</u>	<u>¥ 7,562</u>	<u>¥ 244,510</u>	<u>¥ (40)</u>	<u>¥ 272,032</u>	<u>¥ 106,781</u>	<u>¥ (3,447)</u>	<u>¥ 4,133</u>	<u>¥ 107,467</u>	<u>¥ 97</u>	<u>¥ 379,597</u>	
Thousands of U.S. dollars													
<b>Balance at April 1, 2020</b>		\$ 180,652	\$ 68,294	\$ 2,119,833	\$ (946)	\$ 2,367,833	\$ 567,567	\$ (41,835)	\$ 37,653	\$ 563,385	\$ 1,332	\$ 2,932,550	
Net income		-	-	110,206	-	110,206	-	-	-	-	-	110,206	
Dividends from surplus		-	-	(21,790)	-	(21,790)	-	-	-	-	-	(21,790)	
Reversal of revaluation reserve for land		-	-	321	-	321	-	-	-	-	-	321	
Purchase of treasury stock		-	-	-	(2)	(2)	-	-	-	-	-	(2)	
Disposal of treasury stock		-	18	-	580	598	-	-	-	-	-	598	
Net changes in items other than shareholders' equity		-	-	-	-	-	396,948	10,699	(321)	407,326	(452)	406,874	
<b>Balance at March 31, 2021</b>		<u>\$ 180,652</u>	<u>\$ 68,312</u>	<u>\$ 2,208,570</u>	<u>\$ (368)</u>	<u>\$ 2,457,166</u>	<u>\$ 964,515</u>	<u>\$ (31,136)</u>	<u>\$ 37,332</u>	<u>\$ 970,711</u>	<u>\$ 880</u>	<u>\$ 3,428,757</u>	