



名古屋銀行

Bank of
NAGOYA

2021 ANNUAL REPORT

絆をつくる、明日へつなぐ。



Established 1949
Number of Employees 1,839
(As of March 31, 2021)

Subsidiaries

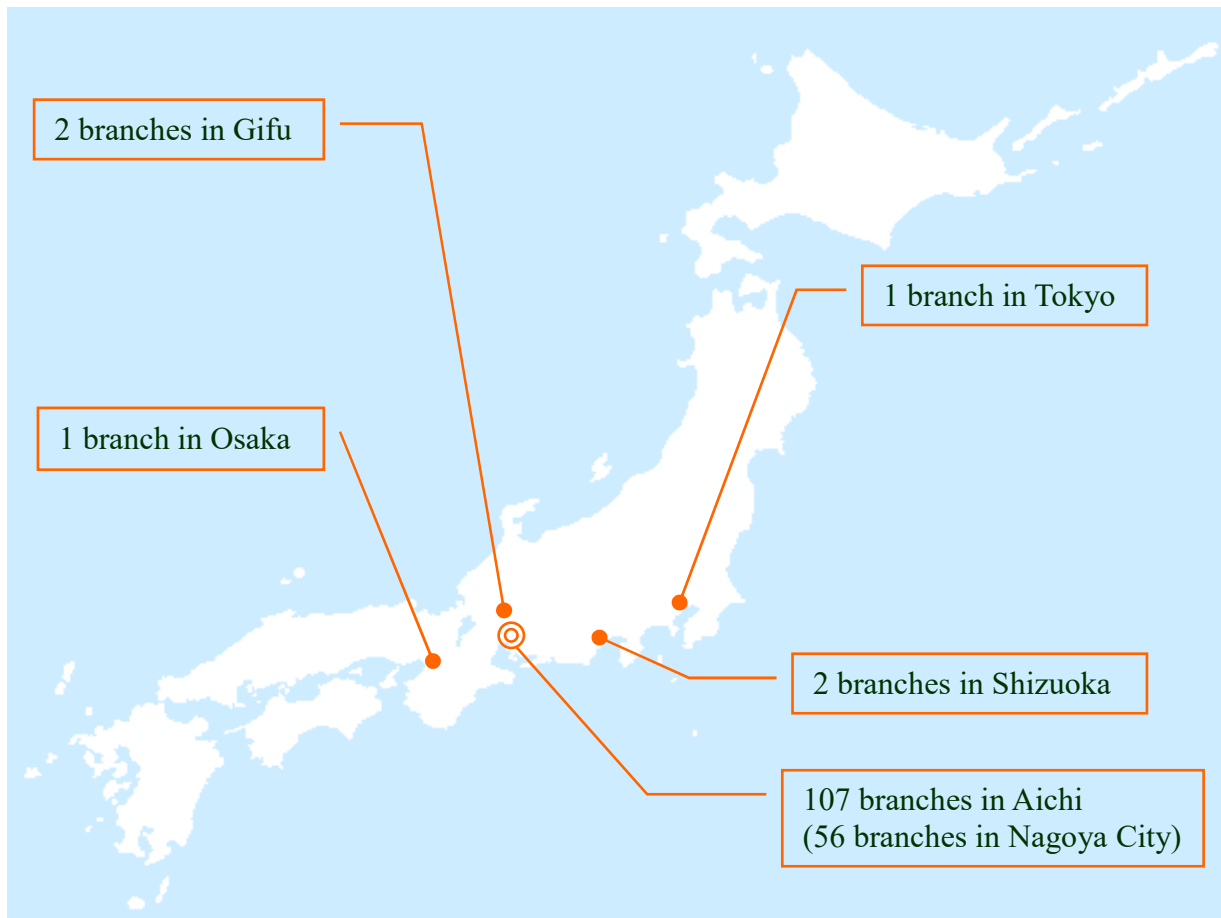
Nagoyalease Co., Ltd.
Nagoya Business Service Co., Ltd.
Nagoya Card, Ltd.
NAGOYA MC CARD Co., Ltd.
Nagoya Capital Partners Co., Ltd. (established April 1, 2020)

THE BANK OF NAGOYA, LTD.

19-17 Nishiki 3-chome, Naka-ku,
Nagoya City, Aichi 460-0003 Japan
Tel: +81 52 962 9520
Fax: +81 52 961 6605
<https://www.meigin.com/>

Domestic Branches

Number of Branches: 113 (As of March 31, 2021)



Overseas

Nantong Branch

2nd Floor, Business Service Outsourcing Center,
Building C, 188 Tongsheng Road, Economic and
Technological Development Area,
Nantong, Jiangsu, China
Tel +86 513 89192280
Fax +86 513 89192281

Shanghai Representative Office

Room 1809, Shanghai International Trade Center,
2201 Yan-an Road (West), Shanghai, China
Tel +86 21 62754207
Fax +86 21 62759461



Contents

Message from the Management	1
Operating Environment	2
Operating Results (Nonconsolidated basis)	4
Medium- and Long-term Management Strategies	13
Issues to Address	14
Breakdown of Loans (Nonconsolidated basis)	17
Balance of problem loans under the Banking Act (risk monitored loans)	17
Balance of problem loans under the Financial Revitalization Act	18
Unrealized Gains on Securities (Nonconsolidated basis)	19
Capital Adequacy Ratio	19
Rating	19
Organization of the Bank	20
Board of Directors and Audit & Supervisory Committee	21
Principal Shareholders	21
Independent Auditor's Report	23
Consolidated Balance Sheets	28
Consolidated Statements of Income	30
Consolidated Statements of Changes in Net Assets	32
Consolidated Statements of Cash Flows	34
Notes to Consolidated Financial Statements	35

Message from the Management

We would first like to extend our sincere gratitude to all our stakeholders for their patronage to the Bank of Nagoya.

In order to further deepen stakeholders' understanding of our activities, we have prepared an informational update covering the period from April 1, 2020, to March 31, 2021.

Since April 2020, we have been “Hastening Evolution Toward the Business of Creating Better Futures” under our 21st Medium-term Management Plan encompassing a three-year duration. In an environment where day-to-day life has been changed significantly by the novel coronavirus (COVID-19) pandemic, as a regional financial institution we have not only provided assistance to our customers in the form of financing support, but also worked to offer accompaniment assistance for recovery, improvement, and growth. Without confining ourselves to the framework of conventional business of banking, we will strive to create new value by achieving a sustainable cycle of co-creation with everyone.

We will continue to respect the precept of “fostering regional prosperity” that has guided the Bank since it was founded, ensuring that every one of our executives and employees acts with a sense of unity.

We look forward to your ongoing support and patronage going forward.



June 2021

Kazumaro Kato *Ichiro Fujiwara*

Kazumaro Kato
Chairman

Ichiro Fujiwara
President

Operating Environment

Looking Back on Fiscal 2020

In accordance with our 21st Medium-term Management Plan, which runs from April 2020 to March 2023, we have begun working all out on our mission of “Hastening Evolution Toward the Business of Creating Better Futures.”

Society, and our lifestyles, have both seen dramatic change as a result of the spread of COVID-19. In many cases our small and medium-sized enterprise customers have been driven into very difficult business circumstances. The entire bank has worked as one to provide emergency funds to support those in need of emergency financing. The question is how those customers who have been affected by COVID-19 can recover, improve their situation, and grow. Accompaniment assistance is becoming increasingly important. With online meetings becoming established, we have also started a new approach to sales.

In addition to providing services to corporate customers, the Bank of Nagoya is also focusing on services for retail customers. We became the first member of The Second Association of Regional Banks to also hold a concurrent license for the trust business. We have put in place a system that allows us to provide detailed support for inheritance matters, such as through our testamentary trusts.

Customers are delighted when we introduce them to relevant people at alliance partners that excel in ICT, resulting in improvements in the efficiency of the customer’s administrative operations. In June 2021, we made NAIS Co., Ltd., which is involved in outsourced system development, a consolidated subsidiary to fulfill the role of an advanced banking service company. The aim of this move is to further strengthen our ICT support operations.

In order to help a wide range of customers solve the problems that they face, the Bank of Nagoya has concluded alliances with a number of external partners.

21st Medium-term Management Plan

(Plan period: April 2020 - March 2023)

Hastening Evolution Toward the Business of Creating Better Futures

The Bank has formulated the “Hastening Evolution Toward the Business of Creating Better Futures” 21st Medium-term Management Plan for the three-year period running from April 2020 to March 2023, and is actively working on initiatives to contribute to the further development of regional economies.

With negative interest rate policies, intensification of competition, and the advance of digitalization, the environment in which financial institutions operate is changing at dizzying speed. Regional financial institutions must make further contributions to the development of the regions, and they are being required to build sustainable new business models.

Our group will continue to serve as a financial group that is absolutely essential to the region, by achieving a sustainable cycle of co-creation with everyone as we seek to hasten our evolution toward becoming a business of creating better futures, from the conventional business of banking.

■ Toward Achieving the Ten-year Vision

Ten-year Vision
(From April 2017)

We will continue to serve as a financial group that is absolutely essential by thoroughly facing the region and creating new value for our customers.

20th Medium-term Management Plan
Deepening Bonds with Local Community
(From April 2017 to March 2020)

21st Medium-term Management Plan
Hastening Evolution Toward the Business of Creating Better Futures
(From April 2020 to March 2023)

From the 22nd Onward
Delivering True Value with Respect to the Business of Creating Better Futures
(From April 2023)

■ Key Strategy

21st Medium-term Management Plan Strategy

Establishing a customer-oriented sales platform

- Building mechanisms to support the primary industries of the region, starting with their peripheral industries
- Expanding solutions related to matters such as founding companies, business succession, and expansion overseas
- Strengthening our ability to create proposals closely matched to individual customers' life plans
- Reviewing the operating format of branches, and making agile and strategic human resource allocations tailored to the nature of the branch

Developing human resources

- Using upskilling to develop personnel with a high level of ability in consulting services
- Putting in place a structure to support employees choosing their own career plans
- Fostering a corporate culture that enables further increases in job satisfaction and putting in place systems for it
- Accumulating solutions know-how by collaborating with external companies

Leveraging technology

- Reviewing operations to coincide with the core banking system upgrade
- Raising work efficiency and improving customer convenience through the utilization of ICT
- Using open innovation to strengthen our ability to solve customer problems
- Establishing a multichannel approach to responding to customer needs

Managing business to hasten evolution toward the business of creating better futures

- Enhancing governance
- Appropriate risk management
- Thoroughly instilling compliance
- Promotion of SDG initiatives

■ Quantitative Targets

Tarqets for the final fiscal year	FY 3/2021 Actual results (Achievement rate)	FY 3/2023	Tarqets for each fiscal year	FY 3/2021 Actual results (Achievement rate)	FY3/2021 - FY 3/2023
Core net business profits (nonconsolidated)	¥8.7 billion (124.4%)	¥7.0 billion	Number of instances in providing corporate client solutions *1	5,784 (192.8%)	3,000 or more
Profit (consolidated)	¥10.7 billion (215.4%)	¥5.0 billion	Number of instances in providing retail client solutions *2	13,062 (100.4%)	13,000 or more

*1 This figure represents the total number of service initiatives that lead to development of corporate customers, including such services as business matching, personnel recruitment, M&A, management consultation, business succession, support for arranging subsidies, business start-up support.

*2 This figure represents the total number of service initiatives that lead to happiness of retail clients. This includes numbers of new customers gained particularly with respect to investment trusts and life insurance, the number of consultations relating to inheritance, and the number of home loans.

Operating Results (Nonconsolidated basis)

Establishing a Customer-Oriented Sales Platform



Implementing accompaniment assistance

By engaging in meaningful discussions with customers, we provide consulting services tailored to the business issues that they face.

Number of all clients* and main clients (as of March 31, 2021)

Number of all clients: **28,342** including main clients of **12,054**

* Clients: Borrowers and recipients of all types of assistance

Initiative 01

How to create new value for regional society

■ Business start-up consultation desks

Business start-up support desks

We have set up dedicated business start-up support desks to provide a variety of information related to establishing or starting a new business, and to assist in formulating business plans.

Number of inquiries made to business start-up support desks

From July 15, 2020 to March 31, 2021: **111**

“Ask anything about finance” support desk in Nagono Campus

We have set up a support desk within the “Nagono Campus,” a start-up support site in the City of Nagoya, to assist people establishing regional businesses.

By partnering with Japan Finance Corporation, AICHI GUARANTEE, NAGOYA CREDIT GUARANTEE CORPORATION, Nagoya Chamber of Commerce & Industry, and Meinan M&A Co., Ltd., we are able to offer a variety of information.

Actual number of business start-up inquiries handled

Number funded

From April 1, 2020 to March 31, 2021: **629**

Number of business start-up plans for which assistance in formulation given

From April 1, 2020 to March 31, 2021: **128**

■ Comprehensive agreement with Nagoya University in relation to collaboration between industry and academia

This agreement was concluded to form an ecosystem for startups in the Tokai region by utilizing resources from both sides to resolve problems related to creating and supporting startups originating in universities.

Our goal is to support the further development of regional society by offering advice and support in relation to the problem-solving and technical development needs of regional companies, as well as by providing support and collaboration for the commercialization of the results of academic and joint research by the university.



■ Meigin Venture No. 1 Investment Limited Partnership

This is a fund that was established in conjunction with Nagoya Capital Partners Co., Ltd., which is a specialist investment subsidiary of the Bank of Nagoya.

The Aichi prefecture, City of Nagoya and Hamamatsu City zones have been designated “Global Startup Cities” by the Cabinet Office of Japan to make an energetic startup ecosystem in Japan. With opportunities for startups based on cooperation between industry, government and academia increasing, the aim is to provide funds and business support to start-up companies so as to contribute to their growth.

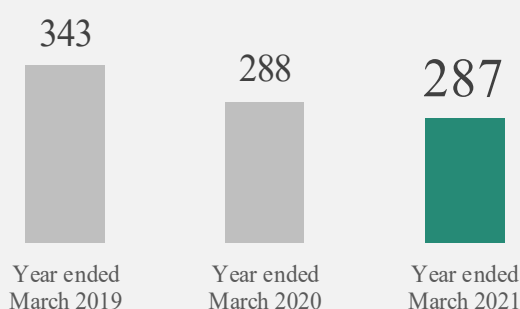
Initiative 02

Measures to promote the sustainable growth of regional society

■ Support for business succession and M&A

Precisely because management rights succession is such an important management issue, preparations must be made systematically and from a long-term perspective. In recognition of this, the Bank of Nagoya proposes solutions that are tailored to the customer's wishes.

Number of consultation sessions related to business succession



Business succession consulting menu

- Business succession planning
- Share price calculation
- Direction of capital policy
- Development of successors
- Current state of tax/legal system
- Direction of asset succession approach
- M&A/MBO
- Capital measures
- Introductions to experts in accounting/tax, etc.

Number of consultation sessions related to M&A



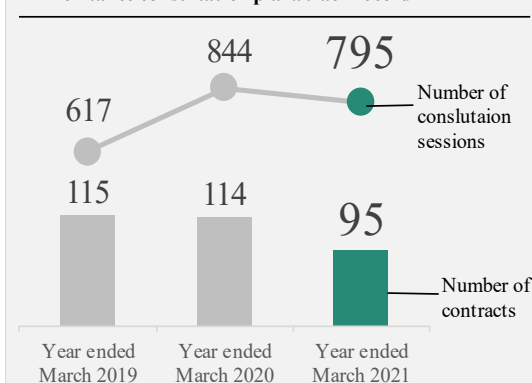
■ Meigin Business Succession Investment Limited Partnership

This is a fund that was established in conjunction with Nagoya Capital Partners Co., Ltd., which is a specialist investment subsidiary of the Bank of Nagoya. With the structure of society changing in response to the spread of COVID-19, we are actively providing funds for business survival and the transformation of business models at customers and supporting management with the aim of helping to maintain regional employment and supply chains.

■ Inheritance and trust business

We will further enhance our inheritance-related services, such as trust and estate succession planning, in order to support smooth succession of assets.

Inheritance consultation plaza track record



TOPICS A first for Second Association of Regional Banks members!

Bank of Nagoya begins trust business

On March 30, 2021, we became the first member of The Second Association of Regional Banks to obtain a concurrent license for the trust business.

Initiative 03

Measures to promote the growth of regional society

■ Measures to evaluate business viability

We recognize the utmost importance of initiatives to evaluate the viability of a business, and take an active approach to their implementation.

External evaluation

Awarded “Support for Utilization of Intellectual Property Encouragement Prize (Financial Support Category)”

Our efforts to actively support the utilization of intellectual property by our customers were recognized by the winning of an award at the 7th Utilization of Intellectual Property Prize Ceremony, hosted by the Japan Patent Attorneys Association in January 2021.

Number of borrowers for whom financing is conducted based on a business viability evaluation as well as the balance of amount financed

As of March 31, 2021: **5,869** companies, **¥742.0** billion

■ ICT support operations

The spread of COVID-19 has been followed by significant changes in the structure of society and in our lifestyles, which have led to a rise in the need to utilize ICT to rebuild business operations.

In these circumstances, the Bank has obtained permission from the relevant authorities to make NAIS Co., Ltd., a consolidated subsidiary in the role of advanced banking service company*.

The Bank will put group-wide efforts to help enhance customer productivity and provide ICT support operations aimed at work style reforms.

*A bank subsidiary as set forth in Article 16-2, Paragraph 1, Item 12-3 of the Banking Act

■ Holding trade fairs

By offering venues for trade fairs to our

■ Support for applications for subsidies

For small and medium-sized enterprise customers operating in the manufacturing, wholesaling, retailing, service, and other industries, ministries and agencies such as the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Health, Labour and Welfare, and the Ministry of Agriculture, Forestry and Fisheries communicate a variety of support policies.

With regard to the utilization of subsidies for customers' capital investments and research and development, etc., we provide assistance in relation to application procedures, while working in cooperation with external experts and support agencies at chambers of commerce and industry, societies of commerce and industry, and prefectural and municipal offices.

In particular, we provide active assistance as a certified support organization for “Manufacturing Subsidies.” We are proud of our leading track record in this area, having been ranked No. 1* for financial institutions nationwide in terms of the number of applications selected in the FY2019 Supplementary Budget for “Manufacturing Subsidies (General),” Stages 1-5 Cumulative Applications, as well as No. 1* for eight consecutive years among financial institutions with their headquarters in one of the three Tokai prefectures.

*Based on Bank of Nagoya survey

Number of Manufacturing Subsidy Applications Selected

FY2019 Supplementary Budget, Manufacturing Subsidies (General), Stages 1-5 Cumulative Applications **85**

■ Personnel recruitment

The Bank of Nagoya, having first taken time to understand the real human resource needs of its

customers, we support the discovery of new suppliers and new customers.

In terms of trade fairs for local producers involved in food and agriculture, we sponsor the Aichi-Jimoto Agriculture, Forestry and Fisheries Growth Support “Food” and “Agriculture” Trade Fair, and the “Meigin Joint” reverse-style trade fair, which is known for achieving high contract rates.

Number of Meigin Joint business talks

From April 1, 2020 to March 31, 2021: **70** → Cumulative from September 9, 2016 to March 31, 2021: **718**

■ Overseas business support

By utilizing our wide-ranging overseas expansion network, which includes overseas offices, domestic support organizations with which we are partnered, and overseas financial institution partners, we provide support for our customers as they enter overseas markets.

■ Business matching

Through business matching activities, the Bank of Nagoya provides support for resolving the issues faced by management.

Having discussed the vision that customer companies have of their future selves, and other management issues, the Bank of Nagoya introduces companies from among its business and alliance partners that can meet customer needs, and provides a venue for business talks.

■ Bank of Nagoya Business Club

customers, introduces personnel suitable for executive management, successor, and other positions through its placement agency partners, thus supporting the growth of its customers’ businesses.

Under the “Leading Personnel Matching Project” being promoted by the Cabinet Office of Japan, as an indirect subsidy operator we introduce high-level executive personnel to our customers, supporting enhancements to their productivity.

Number of personnel introduction business contracts achieved

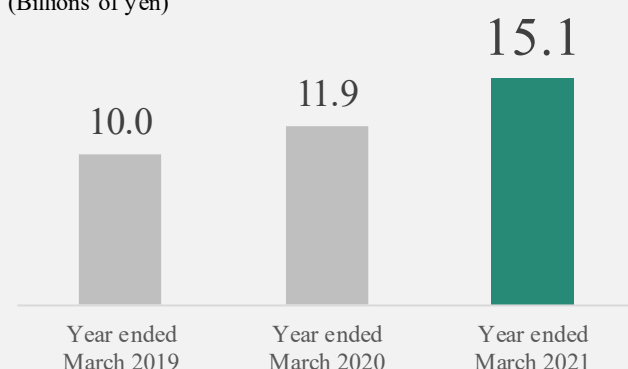
From April 1, 2020 to March 31, 2021: **69**

Number of contracts achieved under the Leading Personnel Matching Project

From April 1, 2020 to March 31, 2021: **25**

Balance of amount financed for local subsidiaries overseas

(Billions of yen)



Number of business matching contracts achieved

From April 1, 2020 to March 31, 2021: **2,208**

(an increase of **1,082** from the year ended March 2020)

Number of personnel introduction business contracts achieved

As of March 31, 2021: **141**

(an increase of **36** from March 31, 2020)

This provides support for customer business through the three pillars of “networking,” “awareness,” and “growth.”

As well as offering various lectures and seminars, through our “Meigin Big Advance” Internet-based core business support platform, we provide a place for customers to resolve their business issues.

■ Home loans

We have set up loan plazas at nine locations within Aichi Prefecture, where we offer advice on various types of loans.

Number of companies registered in the Bank of Nagoya Business Club

As of March 31, 2021: **4,718**

■ Deposit assets / HOKEN Plaza

The Bank of Nagoya has established four “HOKEN Plaza” locations in Aichi Prefecture where specialist staff are available to give unlimited free advice on insurance.

(Agency taking applications: the Bank of Nagoya, Ltd.)

Human Resources Development



Initiative 01

Strengthening human resources

■ Personnel system

The personnel system is being used to build a finely graduated compensation structure that varies in accordance with ability, commitment, and level of contribution. This system aims to establish a corporate culture that promotes diversity in order to motivate people with diverse characteristics and enable them to achieve job satisfaction and find a reason for living, such as by eliminating seniority elements, utilizing a system in which salaries are based on individual roles and level of contribution, and introducing a goal management approach in which individuals set and evaluate their own objectives.



■ Training system

We have enhanced our training and seminar system to support the acquisition of the skills and knowledge that are required of bank personnel. One area of special focus is the “intensive human resources development period.” For the first five years after they enter the bank, employees undergo an intensive course of incremental study in order to become the kind of bank employees who are trusted and chosen by customers.

- We develop bank employees who are able to appropriately evaluate business viability by applying a thorough knowledge of their customers
- We implement training and seminars to pass on the skills of the banking profession
- We aim to deepen communication between bank employees and to improve their sense of belonging, as well as enabling them to acquire specialized knowledge, by means of the “Meigin Graduate School” that we have set up
- We create material such as “Branch General Manager Trade Secrets” that aim to develop a shared awareness of forward-looking management, and to enhance the qualifications of branch general managers

■ Empowerment Reforms Promotion Office

On June 25, 2021, we reorganized certain functions to create the Empowerment Reforms Promotion Office, which will support and propose systems to achieve work-life balance within the Bank of Nagoya, and, through such measures as the promotion of women, undertake activities aimed at creating a company in which a variety of employees can participate fully.

Leveraging a uniquely female perspective, the Project Team for the Promotion of the Participation of Women will be at the core of our efforts to develop products and submit plans and proposals for achieving work-life balance, with the goal of enriching the lives both of Bank of Nagoya employees and our customers in the region.

In recognition of these initiatives, we have been accredited and certified for a range of programs related to child-rearing and female participation in the workplace.

Ratio of female managers

Ratio of female managers as percentage of total

As of March 31, 2021: **9.2%**

Ratio of females as percentage of total at level of assistant manager and higher

As of March 31, 2021: **16.4%**

■ Declaration on Work-style Reforms

[Are you happy?]

We will seek new work arrangements that contribute to an abundance of well-being and a brighter future for those employed by the Bank of Nagoya.

- We will implement efficient, motivational work-styles that avoid waste and the overburdening of employees.
- We will implement work-styles based on mutual respect that allow everybody to maintain both a healthy mind and a healthy body.
- We will implement work-styles that empower our employees, while reconciling careers with private lives.

■ The Bank of Nagoya's Declaration on Health

The Bank of Nagoya will actively engage in initiatives geared to maintaining and promoting health premised on the notion that the physical and mental well-being of its directors and employees, as well as their family members, is a crucial element with respect to heightening its corporate vitality and fostering regional prosperity. Moreover, we will strive to develop a workplace environment that lends our directors and employees to a sense that the work they perform is rewarding and worthwhile.

Initiative 03

Work-life support system

We have put in place a number of systems as part of our efforts to support a balance between work and home.

(As of March 31, 2021)

System
Maternity leave
Childcare leave
Shortened working hours to provide childcare
Sick/injured childcare leave
Shortened working hours to provide family care
Caregiver leave
Caregiver short-term leave
Reemployment
Consecutive leave
“Heartful” short-term leave
Half-day paid short-term leave
Short-duration childcare leave
Childcare allowance for early return to work

Managing Business to Hasten Evolution Toward the Business of Creating Better Futures



Contribution to local communities

Initiative 01

Initiatives addressing sustainable development goals (SDGs)

■ Meigin SDGs Declaration

We believe that striving to achieve the SDGs is congruent with our guiding precept of “fostering regional prosperity.” In August 2018 we endorsed the SDGs, and made a declaration to the effect that we would work to help achieve these goals.

Meigin SDGs Declaration

The Bank of Nagoya vows that it will contribute to achieving the SDGs through all of its activities carried out as a financial institution.

■ Policy on SDG initiatives

- As a regional financial institution, we will take an active approach to initiatives aimed at achieving the SDGs
- We will arouse the interest of regional customers in SDGs, and gain momentum to help achieve them



Initiative 02

Supporting our customers with their SDG initiatives

■ Supporting our customers in their social contribution activities

By leveraging “Ties to the future” SDGs and donation-type private placement bonds, we support activities by our customers that contribute to regional society.



We contribute a portion of the private placement bond underwriting fees furnished by companies issuing such bonds to local educational institutions, public medical institutions, and NPOs working to achieve the SDGs.

Track record in donation-type private placement bonds

From April 1, 2020 to March 31, 2021: **101**, ¥**7.6** billion

■ Consulting services to support formulation of SDG declarations

As the embodiment of our policy on SDG initiatives, we provide consulting services aimed at deepening understanding of the SDGs among our customers, and supporting them in such initiatives as SDG declarations and the setting of targets.

Number of companies with consulting contracts

As of March 31, 2021: **1,486**

Initiative 03

Initiatives for environment

Promotion of ESG investments and loans

As part of our initiatives to help achieve the SDGs, we are actively implementing ESG investments and loans in such areas of funding for renewable energy.

ESG investments and loans implemented (Billions of yen)

	Year ended March 2020	Year ended March 2021	Targets for each fiscal year
Loans and financing related to renewable energy	6.9	20.5	
Financing of ESG bonds	13.7	14.8	
Donation-type private placement bonds	10.5	7.6	
Loans for disaster countermeasures	1.2	0.4	
Total	32.5	43.3	30.0

Introduction of CO₂-free electricity

As part of its initiatives aimed at mitigating environmental impacts, the Bank of Nagoya introduced at its Head Office building the “CO₂-free menu”^{*1} provided by Chubu Electric Power Miraiz Company, Incorporated in April 2021.

Results of CO₂ reductions^{*2}

Approximately **908** t annually

- ^{*1} This is an optional plan for electricity charges that effectively enables 100% of electricity used to be derived from renewable energy, by utilizing the environmental value of renewable energy sources that do not emit CO₂ at the time of generation
- ^{*2} Calculated using the actual amount of electricity used by the Head Office building of the Bank of Nagoya in FY2019, and the CO₂ emission coefficient of 0.426kg-CO₂/kWh supplied by Chubu Electric Power Miraiz.

Issuance of green bonds

Issue date: December 13, 2019

Total issue amount: ¥10.0 billion

The funds raised in this way will be used for capital investments in solar power generation businesses (eligible for green investments), thus making a contribution to reducing environmental impacts.

Estimated reduction in CO₂ emissions*

As of September 30, 2020: **19,693** t-CO₂/year

- * Because solar power generation does not in principle emit CO₂, this figure is calculated by estimating the decline in annual CO₂ emissions resulting from the power generated by the solar power generation businesses for which the green bond funds were used.

Meigin Green Foundation

Under the slogan of “Bringing greenery and serenity to our streets,” we are working on planting trees and related initiatives, primarily in elementary and junior high schools and other public facilities within Aichi Prefecture.



The Meigin Green Foundation's track record in tree-planting activities

Donations of trees for planting to public schools including elementary and junior high schools within Aichi Prefecture

As of March 31, 2021: Total of **533** schools

Donations of trees for planting to public facilities within Aichi Prefecture, and preparations for planting

As of March 31, 2021: Total of **53** facilities

Medium- and Long-term Management Strategies

Management Strategies, Etc.

We have drawn up the “Hastening Evolution Toward the Business of Creating Better Futures,” the 21st Medium-term Management Plan encompassing the three years beginning in April 2020, under which we will implement the following key strategies looking toward our mission.

Mission

Shift from the banking services to the business of creating better futures

We are in the business of creating better futures.

We will create better futures in conjunction with our corporate customers in helping them develop their companies.

We will create better futures in conjunction with our retail customers in helping them achieve greater happiness within their families.

Key Strategies

Developing human resources

Establishing a customer-oriented sales platform

Leveraging technology

Managing business to hasten evolution toward the business of creating better futures

Issues to Address

Business Environment

With the social environment undergoing rapid change as a result of COVID-19, the business environment in which financial institutions operate is also expected to become more challenging due to trends such as the provision of services by participants in other industries that has been enabled by the development of fintech, and the anticipated continuation of negative interest rate policies. As for competition between banks, we are encountering intense competition involving the entry into the market in Aichi Prefecture of financial institutions including megabanks as well as banks from other prefectures.

The Bank is a regional financial institution with the largest network of branches in Aichi Prefecture as well as more than 26,000 business clients. While maintaining this network of branches, we intend to extend beyond providing traditional banking services such as deposits, loans and settlements leveraging our connections with our customers who are business clients. Accordingly, our policy calls for us to strengthen earning potential which will involve increasing our number of clients in the region and heightening the Bank's market share with respect to each customer segment and within Aichi Prefecture overall, by creating a better future with our customers by gaining an understanding of our customers' management challenges and proposing appropriate solutions in that regard.

In order to adapt to such business environment, we will particularly work to improve the consulting capabilities of our employees underpinned by our most important strategy of human resources development as set forth in our 21st Medium-term Management Plan. Moreover, we will actively engage in initiatives that are tailored to the needs of corporate customers, such as: expanding loans by carrying out business viability evaluations and proposing a variety of measures for procuring funds; enhancing our support for core businesses, particularly in terms of business matching and assistance with applications for subsidies; raising productivity through the utilization of ICT; providing consulting services in areas such as business succession and M&A; offering regional vitalization support and assistance with initiatives related to SDGs.

With regard to retail customers, on March 30, 2021, the Bank obtained a concurrent license for the trust business in order to be able to better respond to customer needs in relation to inheritance matters. We will actively work to provide products that are even more closely matched to customers' life plans. We will also focus our efforts on improving customer convenience and streamlining business operations drawing on technologies.

Under our philosophy of “fostering regional prosperity,” we will solve our customers' various issues and achieve co-existence with local communities with the goal of continuing to serve as a financial institution that is absolutely essential to the region.



With regard to measures against the COVID-19 pandemic, the Bank deems that the followings are our mission as a regional financial institution and is striving to achieve aims with respect to the three objectives of: (i) providing maximum support for financing needs of our clients who are

business proprietors particularly of small and medium-sized enterprises (SMEs), (ii) implementing accompaniment assistance to facilitate ongoing business operations of our clients who are business proprietors, and (iii) providing consultation regarding household budgets of retail clients (home loans, etc.) and providing follow-up regarding asset formation. To such ends, we are maintaining a policy of actively supporting our locally-based customers by ensuring operation of the Bank's business continuity framework while engaging in measures to prevent infection of our workforce.

These forecasts incorporate assumptions about the impact of COVID-19, but depending on the way the situation develops going forward, the impact may be larger than projected.

Management Policy

Based on the guiding precept of “fostering regional prosperity—which shall both develop the Bank and bring happiness to bank employees,” the Bank's management policy comprises the following five matters which cover the overall image of what the Bank aims to be: “Contribute to the regional community,” “Strengthen our earnings power and ensure thoroughness in risk management,” “Provide financial services that suit the needs of the customers,” “Put compliance into practice” and “Establish a free and open-minded corporate climate.” In accordance with this basic policy, we will strive to further increase our corporate value as a regional financial institution which fosters regional prosperity. At the same time, we will work to fulfill this duty and earn the unshakeable support and trust of our shareholders and all other stakeholders.

The Bank's Corporate Governance

At the Bank of Nagoya, we consider enhancing corporate governance to be one of the most important management challenges. While striving to further enhance our corporate value as a regional financial institution that fosters regional prosperity, we shall fulfill our responsibilities as a corporate citizen and work to establish unshakeable support and trust from all stakeholders, particularly the shareholders.

Based on this positioning, in addition to setting out the guiding precepts and tenets that form the foundations of management, we shall strive to share the basic sense of values and ethics of directors and employees of the Bank, and to ensure that these are reflected in the Bank's operations. We have formulated a “Code of Ethics for Bank of Nagoya Directors and Employees” and “Policy on Compliance with Laws and Regulations, Etc.” and through this we are striving to raise corporate value.

The Bank has a swift decision-making framework, led by the Board of Directors, that strictly operates internal regulations and delegates authority as appropriate.

To this end, in order to enhance the clarity of the system of responsibility, further improve the vitality and strengthen the supervisory functions of the Board of Directors, we have invited five highly independent outside directors, and adopted an executive officer system by the appointment of the Board of Directors.

Moreover, the Bank has transitioned to a company with audit and supervisory committee as of June 26, 2020, per amendment to the Articles of Incorporation resolved at the annual General Meeting of Shareholders held on the same date. The Audit & Supervisory Committee will coordinate with the

independent auditor and the Internal Audit Division to audit the execution of the duties of directors. We have determined that we are able to adequately strengthen our corporate governance through this system.

Risk Management System

The Bank has enhanced its risk management system by establishing the Asset Liability Management (ALM) Committee to oversee credit risk, liquidity risk, and market risk, and the Operational Risk Management Committee to oversee system risk, administrative risk, etc. The Bank also considers compliance as a top priority and aims to establish a system of checks and balances and tighten internal controls by establishing the Compliance Committee that includes attorneys at law from outside the Bank. Status of all risks the Bank should address is covered by monthly meetings of these three committees, which will be then reported to the Board of Directors. This consolidated reporting system is designed in the way to enhance the Board of Directors' ability to monitor the Bank's risk control functions.



Breakdown of Loans (Nonconsolidated basis)

Balance of problem loans under the Banking Act (risk monitored loans)

(As of March 31)

	2021 (Millions of yen)	2020 (Millions of yen)	Rate of change (%)
Total loans and bills discounted	3,170,614	2,821,918	12.35
Claims to borrowers in bankruptcy *1	2,455	2,365	3.80.
Past due loans *2	51,159	45,598	12.19
Accruing loans past due three months or more *3	20	574	-96.51
Restructured loans *4	6,914	6,843	1.03
Ratio of risk monitored loans to total loans and bills discounted	1.91%	1.96%	-0.05%

***1 Claims to borrowers in bankruptcy**

These are loans for which there is no prospect of payment or collection of principal and/or interest, due to a prolonged delay in payments of principal or interest, or for other reasons, and for which accrued interest is therefore not recorded (excluding portions already been written off as bad debts; hereinafter “Non-Accrual Loans”), and for which the conditions set forth in Article 96, Paragraph 1, Items 3-i to 3-v of Order for Enforcement of the Corporation Tax Act of Japan (Cabinet Order No. 97 of 1965), as well as Item 4 of the same Paragraph, have arisen.

- (a) Petition for commencement of reorganization proceedings pursuant to the provisions of the Corporate Reorganization Act or Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions.
- (b) Petition for commencement of rehabilitation proceedings pursuant to the provisions of the Civil Rehabilitation Act.
- (c) Petition for commencement of bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act.
- (d) Petition for commencement of special liquidation proceedings pursuant to the provisions of the Companies Act.
- (e) Suspension of transactions through a clearing house (including bank syndicates that undertake clearing in the relevant regions when there is no clearing house).
- (f) Should there be a significant decrease in the economic value of monetary claims against foreign governments, central banks, and local governments, due to long-term delays in the performance of obligations, and should the receipt of payment be recognized as being extremely difficult.

***2 Past due loans**

These are Non-Accrual Loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

***3 Accruing loans past due three months or more**

These are loans for which the payment of the principal and/or interest is past due three months or more from the day following contractual payment date, excluding claims to borrowers in bankruptcy and past due loans.

***4 Restructured loans**

These are loans for which the Bank has relaxed the lending conditions for borrowers in financial difficulties—such as by a reduction of the original rate, forbearance of interest payment, granting a maturity date extension, and renunciation of claims—in order to support their financial recovery or restructuring. These exclude claims to borrowers in bankruptcy, past due loans and accruing loans past due three months or more.

Balance of problem loans under the Financial Revitalization Act

(As of March 31)

	2021 (Millions of yen)	2020 (Millions of yen)	Rate of change (%)
Bankrupt and quasi-bankrupt *5	6,229	6,891	-9.60
Doubtful *6	47,566	41,251	15.30
Need of special attention *7	6,934	7,418	-6.52
Normal *8	3,159,545	2,819,032	12.07

***5 Bankrupt and quasi-bankrupt**

These are loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement, and borrowers who are not currently in legal bankruptcy, but in quasi-bankruptcy.

***6 Doubtful**

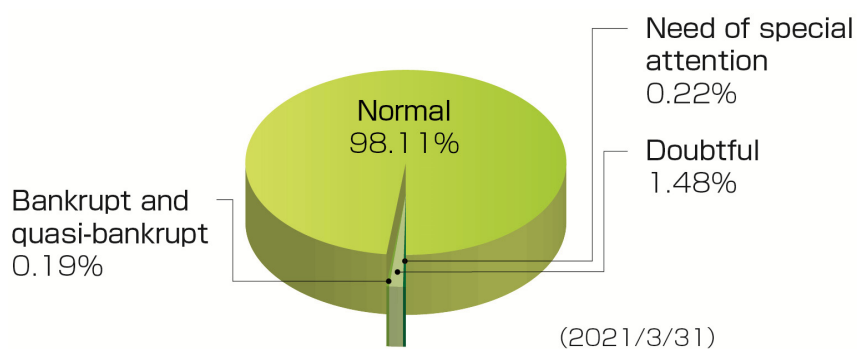
These are loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a possibility of higher default risk.

***7 Need of special attention**

These are accruing loans past due three months or more (excluding those under *5 and *6), and restructured loans.

***8 Normal**

These are loans to borrowers not having particular problems regarding their financial situations and operating conditions, and excluding loans classified as “Bankrupt and quasi-bankrupt,” “Doubtful” and “Need of special attention.”

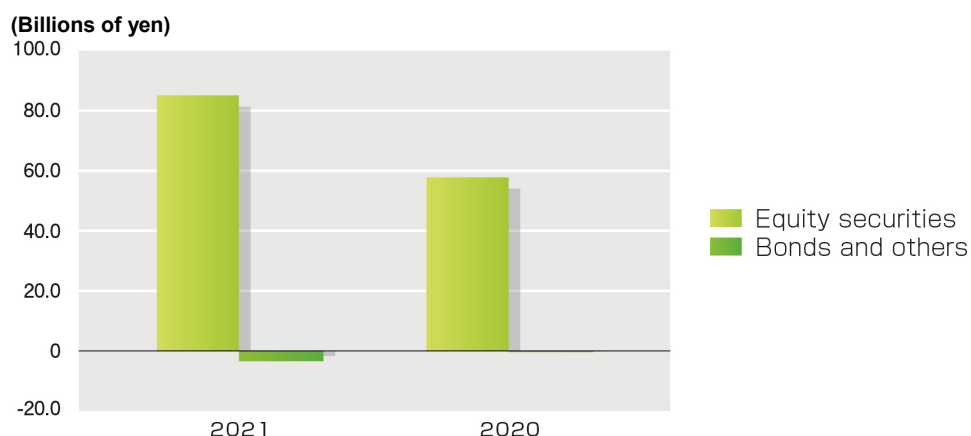


At March 31, 2021, the ratio of problem loans under the Financial Reconstruction Law was 1.89%.

Unrealized Gains on Securities (Nonconsolidated basis)

(As of March 31)

	2021 (Billions of yen)	2020 (Billions of yen)
Equity securities	82.1	57.8
Bonds and others	-3.5	-0.4
Total	78.5	57.3



Capital Adequacy Ratio

A credit rating is a symbol provided by a credit rating agency indicating the degree of certainty that the principal and interest on an individual bond issued by a company will be paid as contracted. It is strongly related to the evaluation of a company's creditworthiness, and in a broad sense expresses the level of confidence in a bank.

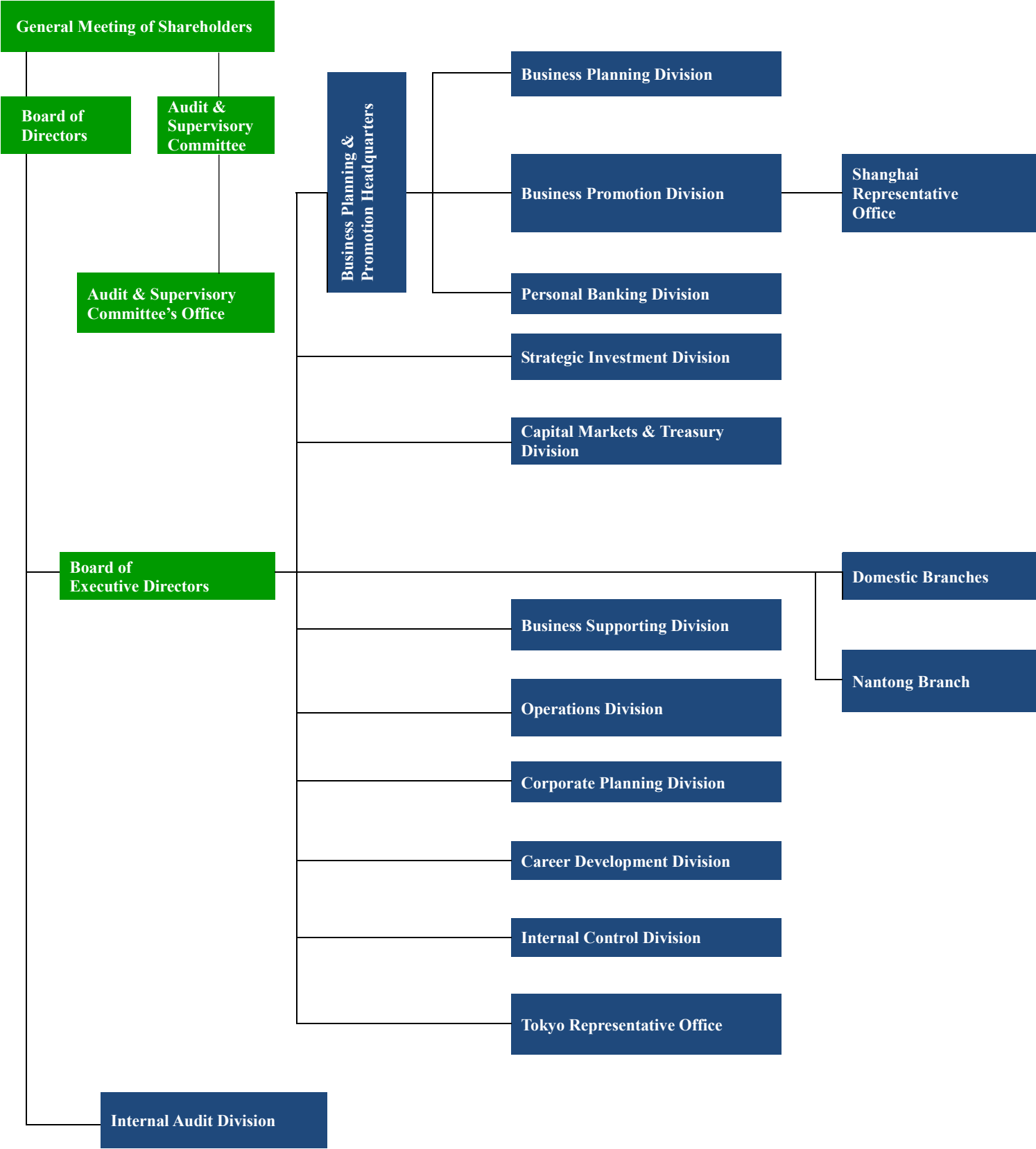
The Bank has obtained a credit rating of "A" from Japan Credit Rating Agency, Ltd. (JCR) with respect to the Bank's long-term issuer rating. This rating indicates that the debt is investment grade, and is a high rating among Japanese financial institutions.

Rating

Japan Credit Rating Agency, Ltd. (JCR)	A	A high level of capacity to honor the financial commitment on the obligation.
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Organization of the Bank

(As of July 1, 2021)



Board of Directors and Audit & Supervisory Committee (As of July 1, 2021)

Chairman

Kazumaro Kato

President

Ichiro Fujiwara

Managing Directors

Shinichi Yokota
Satoru Hattori
Masao Minamide

Directors

Kenji Suzuki
Seiji Inagaki
Katsutoshi Yamamoto
Mitsuru Yoshihashi
Takehisa Matsubara*1 *1 Outside director
Hisako Munekata*1

Audit & Supervisory Committee Members

Naoto Sugita*2 *2 Full-time
Nobuyoshi Hasegawa*1
Takao Kondo*1
Masatoshi Sakaguchi*1

Executive Officers

Naoya Ohno
Yasushi Matsuo
Sadaharu Shimizu
Yasunori Kanamori
Kazu Kondou
Masahiko Tachi
Hideki Mizuno
Fumihide Yoshitomi

Principal Shareholders

(As of March 31, 2021)

The Master Trust Bank of Japan, Ltd. (Trust Account)	5.95%
Nippon Life Insurance Company	4.01%
Meiji Yasuda Life Insurance Company	4.00%
The Bank of Nagoya Employees' Shareholding Association (Meigin Minori-kai)	3.87%
The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account)	3.22%
Sumitomo Mitsui Banking Corporation	2.85%
SUMITOMO LIFE INSURANCE COMPANY	2.85%
Custody Bank of Japan, Ltd. (Trust Account)	2.51%
Custody Bank of Japan, Ltd. (Trust Account 4)	2.35%
Mizuho Bank, Ltd.	2.32%

- Notes:
1. Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. on July 27, 2020 and changed its trade name to Custody Bank of Japan, Ltd.
 2. Shares held by The Master Trust Bank of Japan, Ltd. (Trust Account and Toyota Motor Corporation Account) and Custody Bank of Japan, Ltd. (Trust Account and Trust Account 4) are shares in association with their trust business.
 3. In addition to the above, the Bank holds 143,000 treasury shares.
 4. In a report to amend a report of possession of large volume dated March 23, 2020, it is stated that Mizuho Bank, Ltd., along with joint holders, Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd., Asset Management One Co., Ltd., Mizuho International plc and Mizuho Securities USA LLC are the owners of the following shares as of March 13, 2020. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2021, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above.
Details included in the report to amend the report of possession of large volume are as follows:

Mizuho Bank, Ltd.	2.26%
Mizuho Securities Co., Ltd.	0.11%
Mizuho Trust & Banking Co., Ltd.	0.57%
Asset Management One Co., Ltd.	2.36%

5. In a report of possession of large volume dated April 6, 2020, it is stated that Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Kokusai Asset Management Co., Ltd. are the owners of the following shares as of March 30, 2020. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2021, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above.

Details included in the report of possession of large volume are as follows:

Mitsubishi UFJ Trust and Banking Corporation	4.75%
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	0.38%

6. In a report of possession of large volume dated April 6, 2020, it is stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. are the owners of the following shares as of March 31, 2020. However, as the Bank is unable to confirm the number of shares substantially owned as of March 31, 2021, the details of the shares recorded in the shareholder register have been listed in the status of major shareholders above.

Details included in the report of possession of large volume are as follows:

Sumitomo Mitsui Trust Asset Management Co., Ltd.	4.08%
Nikko Asset Management Co., Ltd.	1.01%



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Bank of Nagoya, 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, the consolidated statements of income, statements of comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising 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 its consolidated 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.

Determination of borrower categories of business owner borrowers to calculate the amount of the reserve for possible loan losses

The key audit matter	How the matter was addressed in our audit
In the consolidated financial statements, The Bank of NAGOYA, Ltd. (the "Company") and its consolidated subsidiaries recorded a balance of loans of US\$28,588,056 thousand, which accounted for a high proportion of approximately 64% of total assets amounting to US\$44,374,952 thousand. They also recognized	<p>The primary procedures we performed to assess whether the Company's determination of the borrower categories of business owner borrowers was appropriate included the following:</p> <p>(1) Internal control testing</p>

a reserve for possible loan losses of US\$115,699 thousand.

The balances of loans and reserve for possible loan losses at the Company (consolidated parent company) were US\$28,638,915 thousand and US\$106,967 thousand, respectively, which represented high proportions of the balances in the consolidated financial statements. The loans were primarily to corporate entities and individual customers who conduct their own business (hereinafter, “business owner borrowers”).

In calculating the reserve for possible loan losses, the Company assesses its loans based on the internal self-assessment criteria and determines borrower categories based on the credit risk of borrowers. Based on the borrower categories, the Company calculates the amount of the reserve for possible loan losses in accordance with the predetermined criteria for write-offs and loan loss provisions, as described in 2 of Notes, “Summary of Significant Accounting Policies, (f) Loans and bills discounted and reserve for possible loan losses” to the consolidated financial statements.

The borrower categories of business owner borrowers are determined based on the Integrated Loan Support System, which is mainly based on quantitative information such as financial information of the borrowers. However, the Company also considers qualitative factors including projected financial performance and cash flow position, which involve management judgment.

Particularly for borrowers whose borrower categories were determined using quantitative information have been reviewed based on the qualitative factors such as business improvement plans revised to reflect their projected financial performance and borrowers whose financial performance has deteriorated due to the impact of the novel coronavirus (COVID-19) pandemic, the determination of the borrower categories may have a significant impact on the amount of reserve for possible loan losses.

We, therefore, determined that our assessment of the determination of the borrower categories of business owner borrowers to calculate the amount of reserve for possible loan losses was of most significance in our audit of the

We tested the design and operating effectiveness of internal controls relevant to the determination of the borrower categories. In this assessment, we performed our testing on the following:

- controls to ensure the reliability of the borrowers’ financial information entered in the Integrated Loan Support Systems;
- determination of the borrower categories including the determination using the qualitative factors; and
- effectiveness of a control in which the second-stage assessment division assesses the determination of the borrower categories

(2) Substantive procedures for determining the borrower categories

We performed the following procedures to assess whether the determination of the borrower categories using the qualitative factors was appropriate based on the self-assessment criteria:

- selected borrowers to be assessed mainly from the following perspectives:
 - borrowers whose borrower categories were determined using quantitative information were changed based on the qualitative factors such as business improvement plans and for which the change in the borrower categories significantly impacted the amount of reserve for possible loan losses; and
 - borrowers whose financial performance deteriorated due to the impact of the COVID-19 pandemic and for which the change in the borrower categories significantly impacted the amount of the reserve for possible loan losses.
- inspected the documents obtained or prepared by the Company and inquired of the second-stage assessment division to assess the substantive financial position and results of operations of the selected borrowers.
- for borrowers whose borrower categories were changed based on the qualitative factors such as business improvement plans, assessed the feasibility of the business improvement plans and the reasonableness of the determination of the

consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	<p>borrower categories, and inquired of the second-stage assessment division to assess the reasonableness and feasibility of the business improvement plans.</p> <ul style="list-style-type: none"> ● assessed the business situation, projected financial performance and financing of the borrowers whose financial performance deteriorated due to the impact of the COVID-19 pandemic and inquired of the secondary assessment division regarding these borrowers.
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Responsibilities of Management and The Audit and Supervisory Committee 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.

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

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 1 of Notes 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.

Tetsuya Nakamura 

Tetsuya Nakamura

Designated Engagement Partner

Certified Public Accountant

Satoshi Zengame 

Satoshi Zengame

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

August 27, 2021

The Bank of Nagoya, Ltd. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Cash and due from banks (Note 3)	¥ 832,788	¥ 191,659	\$ 7,522,250
Call loans and bills purchased (Note 3)	589	2,169	5,324
Securities (Notes 3, 4, 7 and 12)	741,487	750,558	6,697,562
Loans and bills discounted (Notes 3, 5, 7, 15 and 20)	3,164,983	2,816,720	28,588,056
Foreign exchange	7,335	9,519	66,259
Lease receivables and investments in leased assets (Note 15)	38,162	37,667	344,704
Other assets (Note 7)	76,638	78,576	692,243
Tangible fixed assets (Note 6)	37,136	36,120	335,444
Intangible fixed assets	3,148	1,910	28,439
Employee retirement benefit assets (Note 11)	13,823	11,389	124,866
Deferred tax assets (Note 17)	498	612	4,503
Customers' liabilities for acceptances and guarantees (Note 12)	8,967	10,451	81,001
Reserve for possible loan losses (Note 3)	(12,809)	(12,392)	(115,699)
Total assets	<u>¥ 4,912,750</u>	<u>¥ 3,934,962</u>	<u>\$ 44,374,952</u> (Continued)

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liabilities:			
Deposits (Notes 3, 7 and 8)	¥ 4,000,852	¥ 3,560,799	\$ 36,138,135
Call money and bills sold (Notes 3 and 7)	6,377	8,469	57,609
Payables under securities lending transactions (Notes 3 and 7)	5,745	2,745	51,901
Borrowed money (Notes 3, 7 and 9)	526,807	42,487	4,758,444
Foreign exchange	75	33	682
Bonds payable (Notes 3 and 10)	40,000	40,000	361,304
Other liabilities (Notes 9 and 17)	41,110	21,175	371,334
Reserve for employee bonuses	1,028	948	9,289
Reserve for executive bonuses	39	38	357
Employee retirement benefit liability (Note 11)	3,218	4,052	29,070
Reserve for executive retirement benefits	32	35	293
Reserve for losses on repayments of dormant bank accounts	304	425	2,746
Reserve for contingent losses	1,069	1,334	9,656
Reserve for loss on interest repayments	36	40	329
Deferred tax liabilities (Note 17)	21,051	12,483	190,148
Deferred tax liabilities for revaluation (Notes 6 and 17)	2,774	2,774	25,063
Acceptances and guarantees (Note 12)	8,967	10,451	81,001
Total liabilities	4,659,491	3,708,295	42,087,361
Net assets (Notes 13, 14 and 19):			
Common stock	25,090	25,090	226,636
Capital surplus	21,231	21,231	191,778
Retained earnings	145,517	136,520	1,314,406
Less treasury stock, at cost	(560)	(573)	(5,059)
Total shareholders' equity	191,280	182,269	1,727,761
Accumulated other comprehensive income	61,218	43,653	552,963
Stock acquisition rights	139	127	1,264
Noncontrolling interests	620	616	5,603
Total net assets	253,259	226,666	2,287,591
Total liabilities and net assets	¥ 4,912,750	¥ 3,934,962	\$ 44,374,952

The Bank of Nagoya, 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
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 24,802	¥ 22,495	\$ 224,031
Interest and dividends on securities	5,373	6,814	48,533
Other interest income	492	308	4,448
Total interest income	30,667	29,618	277,012
Fees and commissions	10,875	10,704	98,235
Other operating income	23,289	22,806	210,368
Gain on sales of stocks and other securities	3,797	2,967	34,300
Other income	6,922	950	62,532
Total income	75,553	67,047	682,447
Expenses:			
Interest expense:			
Interest on deposits	497	904	4,497
Interest on borrowings and rediscounts	229	512	2,070
Other interest expense	470	1,189	4,252
Total interest expense	1,197	2,606	10,819
Fees and commissions	2,725	2,873	24,619
Other operating expenses	18,324	17,393	165,518
General and administrative expenses (Notes 14 and 18)	32,851	31,188	296,733
Provision of reserve for possible loan losses	1,396	1,164	12,612
Loss on devaluation of stocks and other securities	—	1,282	—
Impairment loss on fixed assets	618	71	5,584
Other expenses	2,903	4,286	26,224
Total expenses	60,016	60,868	542,109
Profit before income taxes	15,536	6,178	140,338
Income taxes (Note 17)	4,766	1,510	43,050
Profit	10,770	4,668	97,288
Profit attributable to noncontrolling interests	44	42	401
Profit attributable to owners of the parent	¥ 10,726	¥ 4,625	\$ 96,887

	Yen		U.S. dollars
Earnings per share (Note 2(u)):			
Basic	¥	592.25	¥ 246.69 \$ 5.35
Diluted		590.83	246.22 5.34
Cash dividends		70.00	70.00 0.63

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, 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
	2021	2020	2021
Profit	¥ 10,770	¥ 4,668	\$ 97,288
Other comprehensive income (Note 19):			
Net change in unrealized gains (losses) on available-for-sale securities	14,728	(9,665)	133,037
Retirement benefit adjustments	2,378	(433)	21,486
Total other comprehensive income	17,107	(10,098)	154,523
Comprehensive income	<u>¥ 27,877</u>	<u>¥ (5,430)</u>	<u>\$ 251,811</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 27,831	¥ (5,471)	\$ 251,394
Noncontrolling interests	46	41	417
Total comprehensive income	<u>¥ 27,877</u>	<u>¥ (5,430)</u>	<u>\$ 251,811</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation excess	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets	
Balance at March 31, 2019	¥ 25,090	¥ 21,231	¥ 139,076	¥ (4,127)	¥ 181,271	¥ 50,181	¥ 3,407	¥ 142	¥ 53,730	¥ 114	¥ 618	¥ 235,734	
Profit attributable to owners of the parent	—	—	4,625	—	4,625	—	—	—	—	—	—	4,625	
Cash dividends	—	—	(1,316)	—	(1,316)	—	—	—	—	—	—	(1,316)	
Purchases of treasury stock	—	—	—	(2,302)	(2,302)	—	—	—	—	—	—	(2,302)	
Disposition of treasury stock	—	(2)	—	14	12	—	—	—	—	—	—	12	
Retirement of treasury stock	—	(5,842)	—	5,842	—	—	—	—	—	—	—	—	
Reversal of land revaluation excess	—	—	(20)	—	(20)	—	—	—	—	—	—	(20)	
Transfer from retained earnings to capital surplus	—	5,845	(5,845)	—	—	—	—	—	—	—	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	—	(9,664)	20	(433)	(10,077)	12	(1)	(10,066)	
Balance at March 31, 2020	25,090	21,231	136,520	(573)	182,269	40,516	3,427	(291)	43,653	127	616	226,666	
Profit attributable to owners of the parent	—	—	10,726	—	10,726	—	—	—	—	—	—	10,726	
Cash dividends	—	—	(1,267)	—	(1,267)	—	—	—	—	—	—	(1,267)	
Purchases of treasury stock	—	—	—	(1)	(1)	—	—	—	—	—	—	(1)	
Disposition of treasury stock	—	(1)	—	15	13	—	—	—	—	—	—	13	
Reversal of land revaluation excess	—	—	(459)	—	(459)	—	—	—	—	—	—	(459)	
Transfer from retained earnings to capital surplus	—	1	(1)	—	—	—	—	—	—	—	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	—	14,726	459	2,378	17,565	12	3	17,581	
Balance at March 31, 2021	¥ 25,090	¥ 21,231	¥ 145,517	¥ (560)	¥ 191,280	¥ 55,243	¥ 3,887	¥ 2,087	¥ 61,218	¥ 139	¥ 620	¥ 253,259	

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

Thousands of U.S. dollars												
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation excess	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2020	\$ 226,636	\$ 191,778	\$ 1,233,138	\$ (5,181)	\$ 1,646,371	\$ 365,974	\$ 30,958	\$ (2,629)	\$ 394,303	\$ 1,148	\$ 5,569	\$ 2,047,391
Profit attributable to owners of the parent	—	—	96,887	—	96,887	—	—	—	—	—	—	96,887
Cash dividends	—	—	(11,451)	—	(11,451)	—	—	—	—	—	—	(11,451)
Purchases of treasury stock	—	—	—	(17)	(17)	—	—	—	—	—	—	(17)
Disposition of treasury stock	—	(15)	—	139	124	—	—	—	—	—	—	124
Reversal of land revaluation excess	—	—	(4,153)	—	(4,153)	—	—	—	—	—	—	(4,153)
Transfer from retained earnings to capital surplus	—	15	(15)	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	133,021	4,153	21,486	158,660	116	34	158,810
Balance at March 31, 2021	<u>\$ 226,636</u>	<u>\$ 191,778</u>	<u>\$ 1,314,406</u>	<u>\$ (5,059)</u>	<u>\$ 1,727,761</u>	<u>\$ 498,995</u>	<u>\$ 35,111</u>	<u>\$ 18,857</u>	<u>\$ 552,963</u>	<u>\$ 1,264</u>	<u>\$ 5,603</u>	<u>\$ 2,287,591</u>

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, 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
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 15,536	¥ 6,178	\$ 140,338
Adjustments for:			
Depreciation and amortization	2,489	2,051	22,487
Impairment loss on fixed assets	618	71	5,584
Stock option expenses	26	24	240
Increase in reserve for possible loan losses	416	213	3,761
(Increase) decrease in employee retirement benefit assets	(2,434)	747	(21,991)
Decrease in employee retirement benefit liability	(834)	(293)	(7,535)
(Decrease) increase in reserve for executive retirement benefits	(3)	8	(30)
Decrease in reserve for contingent losses	(265)	(673)	(2,395)
Interest income recognized on statement of income	(30,667)	(29,618)	(277,012)
Interest expense recognized on statement of income	1,197	2,606	10,819
Net gains on securities	(4,783)	(2,067)	(43,204)
Foreign exchange (gains) losses, net	(2,334)	3,388	(21,090)
Amortization of bond issuance cost	—	51	—
Net decrease in call loans and bills purchased and others	1,580	2,475	14,276
Net increase in loans and bills discounted	(348,263)	(220,757)	(3,145,728)
Net increase in lease receivables and investments in leased assets	(494)	(2,655)	(4,468)
Net increase in deposits	440,053	77,877	3,974,830
Net (decrease) increase in call money and bills sold	(2,091)	1,255	(18,893)
Net increase (decrease) in payables under securities lending transactions	3,000	(20,646)	27,104
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	484,319	(1,992)	4,374,672
Interest income received	31,453	30,618	284,109
Interest expense paid	(1,607)	(3,205)	(14,522)
Others, net	18,982	(5,335)	171,461
Subtotal	605,894	(159,677)	5,472,813
Income taxes paid	(1,413)	(1,849)	(12,767)
Net cash provided by (used in) operating activities	604,481	(161,526)	5,460,046
Cash flows from investing activities:			
Purchases of securities	(410,994)	(358,663)	(3,712,351)
Proceeds from sales and maturities of securities	448,047	399,001	4,047,038
Purchases of tangible fixed assets	(4,638)	(1,920)	(41,899)
Proceeds from sales of tangible fixed assets	7,733	53	69,853
Purchases of intangible fixed assets	(2,269)	(634)	(20,497)
Net cash provided by investing activities	37,878	37,835	342,144
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	—	9,948	—
Redemption of bonds with stock acquisition rights	—	(11,116)	—
Dividends paid to shareholders	(1,267)	(1,317)	(11,448)
Dividends paid to noncontrolling shareholders	(42)	(43)	(383)
(Purchase) disposition of treasury stock, net	(1)	(2,302)	(17)
Net cash used in financing activities	(1,311)	(4,830)	(11,848)
Effect of exchange rate changes on cash and cash equivalents	(0)	1	(5)
Net increase (decrease) in cash and cash equivalents	641,048	(128,519)	5,790,337
Cash and cash equivalents at beginning of year	184,684	313,204	1,668,187
Cash and cash equivalents at end of year (Note 2(b))	¥ 825,733	¥ 184,684	\$ 7,458,524

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of The Bank of Nagoya, Ltd. (the “Bank”) and its consolidated subsidiaries (together with the Bank, the “Group”) have been prepared in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, has not been presented in the accompanying consolidated financial statements.

The amounts in Japanese yen are presented in millions of yen and are rounded down to the nearest million. Accordingly, the totals shown in the accompanying consolidated financial statements and these notes may not equal the sum of the individual amounts.

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

Certain comparative figures have been reclassified to conform to the current year’s presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. At March 31, 2021, the Bank had five consolidated subsidiaries (four in 2020), engaged primarily in the business of providing a wide range of financial services to customers.

Subsidiaries, Aichi-Jimoto Fund for Agriculture, Forestry and Fisheries Investment Limited Partnership, and Meigin Business Succession Investment Limited Partnership are excluded from the scope of consolidation and the scope of application of the equity method because their profit, retained earnings, accumulated other comprehensive income (each in proportion to the Bank’s interests) and assets are immaterial to the Group’s consolidated financial statements. The carrying amount of the investment in these subsidiaries, which is included in “Securities” on the consolidated balance sheets, was ¥8 million (\$73 thousand) and ¥2 million at March 31, 2021 and 2020, respectively. As of both March 31, 2021 and 2020, the Bank had no affiliates.

The difference between the cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, is deferred as goodwill and amortized over five years using the straight-line method. Negative goodwill resulting from an acquisition, measured as the excess of the underlying equity in the net assets over the acquisition cost, is charged to income. In consolidation, all intercompany transactions and accounts have been eliminated. In addition, all significant unrealized profits, included in assets, resulting from transactions within the Group have been eliminated.

(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 banks with an original maturity of three months or less. At March 31, 2021 and 2020 cash and cash equivalents were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥ 832,788	¥ 191,659	\$ 7,522,250
Less due from banks whose period exceeds three months	(7,055)	(6,974)	(63,726)
Cash and cash equivalents	¥ 825,733	¥ 184,684	\$ 7,458,524

(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 Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost. Investments in nonconsolidated subsidiaries and affiliates are stated at moving average cost. In principle, available-for-sale securities other than those classified as trading or held-to-maturity debt securities are carried at fair value based on their market prices at the applicable fiscal year end, with net unrealized gains and losses reported as a component of accumulated other comprehensive income in net assets, net of applicable income taxes. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. The carrying values of individual securities are reduced, if necessary, through write-downs to reflect other than temporary declines in value. Gains and losses on disposal of securities are computed based principally on the moving average method. Accrued interest on securities is included in “other assets.”

(e) Derivatives and hedge accounting

The Bank uses various derivative instruments. Derivatives are recorded at fair value, with changes in fair values included in the consolidated statements of income for the period in which they arise, except for derivatives that are designated as hedging instruments and qualify for hedge accounting.

The Bank applies the deferral method of hedge accounting for hedging foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the Industry Audit Committee Report No. 25 (October 8, 2020), titled the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). The effectiveness of the currency swap transactions, foreign exchange swap transactions and similar transactions that hedge foreign exchange risks of monetary receivables and payables denominated in foreign currencies as described above is assessed based on a comparison of the hedged monetary receivables and payables denominated in foreign currencies and the foreign currency positions of the corresponding hedging instruments.

(f) Loans and bills discounted and reserve for possible loan losses

A reserve for possible loan losses is maintained based on the judgment and future loss assessment of the Bank’s management. The Bank implements a self-assessment system for asset quality. Each of the

Bank's branches and business units performs the primary and secondary assessments of the quality of all loans which will be subsequently examined by the Bank's Credit Supervision Division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which customers are classified into five categories. All loans are classified through self-assessment into the following categories: "legal bankruptcy," "de facto bankruptcy," "bankruptcy risk," "under observation" and "normal." The Bank provides a reserve for possible loan losses at an amount deemed necessary to cover possible future losses. For claims against borrowers in legal bankruptcy and de facto bankruptcy, a reserve is provided based on the amounts of such claims, net of the amounts expected to be collected through the disposal of collateral or from guarantees. For claims against borrowers who have bankruptcy risk, a reserve is provided in the amount considered necessary based on a solvency assessment performed for the amounts of such claims, net of the amounts expected to be collected through the disposal of collateral or from guarantees. For claims against borrowers in the "under observation" and "normal" category, a reserve is provided as estimated loss amounts mainly for future one year or three years, which is calculated using an estimated loss ratio determined as an average of loan loss ratio over a certain period of time based on the historical loss experience of the Bank for the past one year, with required adjustments for future prospects and others.

Reserve amounts recorded by consolidated subsidiaries are provided at the aggregate amount of estimated credit loss based on an individual financial review approach for doubtful or troubled claims. For other claims, an amount deemed necessary is provided as reserve taking into consideration the historical loss experience.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated principally at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the asset, except for buildings (excluding facilities attached thereto) acquired on or after April 1, 1998 and facilities attached thereto and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method. For the years ended March 31, 2021 and 2020, the useful life of buildings ranged from 15 to 50 years, and the useful life of equipment and other tangible fixed assets ranged from 4 to 20 years. Tangible fixed assets of the consolidated subsidiaries are depreciated mainly using the straight-line method over the estimated useful life of the asset.

(h) Intangible fixed assets and amortization

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are capitalized and amortized principally using the straight-line method over the estimated useful life of mainly five years.

(i) Leases

Income and expenses related to finance lease transactions are recognized when lease payments are received.

(j) Impairment of fixed assets

A fixed asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, measured at the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and other forms of property, including intangible assets, and are grouped at the lowest level at which there are identifiable cash flows that are separate from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Bank other than idle or unused property are grouped into cash generating units such as operating branches. Fixed assets of the consolidated subsidiaries are grouped into their respective units, which manage and determine income and expenses related to such assets. The Group recognized impairment loss on fixed assets in the amount of ¥618 million (\$5,584 thousand) and ¥71 million for unprofitable operating branches and idle assets for the years ended March 31, 2021 and 2020, respectively. Recoverable amounts of the assets were measured based on net selling prices, which were based on appraisal values or expected selling amounts less estimated costs of disposal. Accumulated impairment loss is deducted from the net book value of each asset.

(k) Foreign currency translation

The Group's assets and liabilities denominated in foreign currencies, including the accounts of its foreign branches, are translated into Japanese yen at the exchange rate prevailing at the fiscal year end. Revenues and expenses are translated at the exchange rate prevailing on the applicable transaction dates. Gains and losses resulting from transactions are included in the determination of profit (loss).

(l) Reserve for employee bonuses

A reserve for employee bonuses is provided based on the estimated amount of future payments attributable to the respective year.

(m) Reserve for executive bonuses

A reserve for executive bonuses is provided for the payment of bonuses to directors and audit and supervisory board members based on the estimated amount of payments attributable to the respective year.

(n) Reserve for employee retirement benefits

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

The Group recognizes retirement benefits based principally on the actuarial present value of the retirement benefit obligation using the actuarial appraisal approach and the fair value of the pension plan assets available for benefits at the respective fiscal year end.

In the calculation of retirement benefit obligation, the expected retirement benefits are attributed to periods up to the end of the respective fiscal year using the benefit formula method. Past service cost is amortized by the straight-line method over a certain period within the average remaining years of service of the current employees. Actuarial differences arising from changes in the retirement benefit obligation or value of plan assets not anticipated by previous assumptions or from changes in the assumptions themselves are amortized on a straight-line basis over a certain period within the average remaining years of service of the current employees, measured from the year following the year in which the differences arise. For the amortization of past service cost and actuarial differences, the Bank recognizes an amortization period of 13 years, which is within the average remaining years of services of employees. The consolidated subsidiaries use the simplified method in calculating employee retirement benefit liability and retirement benefit expenses. Under this method, the amount for severance payments required at the fiscal year end for voluntary termination is deemed the retirement

benefit obligation.

(o) Reserve for executive retirement benefits

For consolidated subsidiaries, a reserve for executive retirement benefits is provided based on the Group's internal rules in the amount that would be payable assuming the directors and audit and supervisory board members of the consolidated subsidiaries terminated their services at the balance sheet date.

(p) Reserve for losses on repayments of dormant bank accounts

In order to cover possible losses on claims from customers for repayment of dormant bank accounts, the balances of which were previously recognized as income, the Bank provides a reserve to the extent of estimated losses based on historical loss experience and taking into consideration the repayment conditions for a certain past period. A reserve for losses on repayments of dormant bank accounts was included in "other expenses" and amounted to nil and ¥273 million for the years ended March 31, 2021 and 2020, respectively.

(q) Reserve for contingent losses

A reserve for contingent losses is provided at an amount deemed necessary to cover possible future losses from the defaulting of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee Corporation based on the historical loss experience from prior defaults. For the years ended March 31, 2021 and 2020, a reversal of reserve for contingent losses of ¥265 million (\$2,395 thousand) and ¥673 million, respectively, was included in "other income."

(r) Reserve for loss on interest repayments

In order to cover possible losses on the repayment of interest to be received from customers that exceeds the upper limit of interest rates prescribed under the Interest Rate Restriction Act, two consolidated subsidiaries provide a reserve for loss on interest repayments to the extent of the estimated losses that may be incurred from repayment claims against customers for whom court settlements have not been reached. Such estimated losses are based on historical loss experience taking into consideration the repayment conditions for a certain past period.

(s) 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 differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. 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 of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

(t) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Bank's Board of Directors and/or shareholders.

(u) Per share data

Basic earnings per share is computed by dividing profit attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the respective year. Diluted earnings per share is computed by reflecting the potential dilution that would occur if all dilutive securities were exercised or converted into common stock.

Diluted earnings per share for the year ended March 31, 2021 was computed by taking into account 43 thousand potential shares of common stock related to stock acquisition rights. In addition, diluted

earnings per share for the year ended March 31, 2021 was computed by adjusting profit attributable to the owners of the parent by none.

Diluted earnings per share for the year ended March 31, 2020 was computed by taking into account 35 thousand potential shares of common stock related to stock acquisition rights. In addition, diluted earnings per share for the year ended March 31, 2020 was computed by adjusting profit attributable to the owners of the parent by none.

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

(v) Significant Accounting Estimates

Record of reserve for possible loan losses

(1) The amount of reserve for possible loan losses in the consolidated financial statements for the year ended March 31, 2021: ¥12,809 million (\$115,699 thousand)

(2) Information about the content of significant accounting estimates for the identified item

(i) Calculation method

The calculation method of reserve for possible loan losses is described in (f) Loans and bills discounted and reserve for possible loan losses.

(ii) Major assumptions

- Losses that are expected to occur in relation to individual borrowers, such as deterioration of borrower's business performance and cash flow due to the expansion of the effect of the coronavirus (COVID-19) pandemic are reflected in the borrower categories, based on the latest available information.
- In addition to quantitative information based on borrowers' financial information, qualitative factors that do not appear in the borrowers' financial information, such as management improvement plans created based on the borrower's future financial outlook, growth potential at present and in the future of the industry to which the borrower belongs, the position of the borrower in the industry, etc. are reflected in the borrower categories.

(iii) The effect on the consolidated financial statements for the year ending March 31, 2022.

The major assumptions used to calculate the estimate include the following uncertainties.

- If the initially assumed borrower's business performance and cash flow deteriorate due to the further expansion of the effects of COVID-19, the borrower categories may shift downward.
- If the assumptions of the qualitative factors initially assumed depart from the reality, such as growth potential of the industry to which the borrower belongs is stagnant than expected, the borrower categories may shift downward.

These uncertainties can result in large amounts of record of reserve for possible loan losses.

(w) New accounting standards not yet applied by the Group

Accounting Standard for Revenue Recognition

- Accounting Standard for Revenue Recognition (Corporate Accounting Standard No. 29, March 31, 2020 Accounting Standards Board of Japan (ASBJ))
- Implementation Guidance on Accounting Standard for Revenue Recognition (Corporate Accounting Standard Application Guideline No. 30, March 26, 2021 ASBJ)

(1) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" in May 2014. The IASB issued IFRS 15, which is effective from the fiscal year beginning on or after January 1, 2018, and the FASB issued Topic 606, which is

effective from the fiscal year beginning after December 15, 2017. In accordance with the IASB and FASB standards, the ASBJ developed its own comprehensive accounting standard for revenue recognition and issued it with the implementation guidance.

The ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards with the incorporation of the basic principles of IFRS 15 as a starting point from a viewpoint of comparability between financial statements, which is one of the benefits of maintaining consistency with IFRS 15, and to add alternative treatments to the extent necessary to address practices conducted in Japan, but not to the extent that would impair comparability.

(2) Effective date

The Bank will adopt the new standard and related guidance from the beginning of the year ending March 31, 2022.

(3) Effects of application

The effect of applying the new standard and related guidance on the consolidated financial statements is immaterial.

Accounting Standard for Fair Value Measurement

- Accounting Standard for Fair Value Measurement (Corporate Accounting Standard No. 30, July 4, 2019 ASBJ)
- Accounting Standard for Financial Instruments (Corporate Accounting Standard No. 10, July 4, 2019 ASBJ)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (Corporate Accounting Standard Application Guideline No. 31, June 17, 2021 ASBJ)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Corporate Accounting Standard Application Guideline No. 19, March 31, 2020 ASBJ)

(1) Outline

The ASBJ promoted an initiative to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards, primarily in the areas of guidance on the fair values of financial instruments and their disclosures, and issued "Accounting Standard for Fair Value Measurement," etc., considering the circumstance where the IASB and the FASB have prescribed almost the similar detailed guidance (IFRS 13 "Fair Value Measurement" issued by IASB and Accounting Standard Codification Topic 820 "Fair Value Measurement" issued by FASB).

The ASBJ's basic policy in developing the accounting standard for fair value measurement and other standards and guidance are, in principle, to implement all the requirements of IFRS 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, and also to prescribe other treatments for individual matters so that comparability would not be impaired while the accounting practices that have conventionally been adopted in Japan are taken into account.

(2) Effective date

The Bank will adopt the new standards and related guidance from the beginning of the year ending March 31, 2022.

(3) Effect of application

The effect of applying the new standards and related guidance on the consolidated financial statements is immaterial.

(x) Changes in presentation method

Application of Accounting Standard for Disclosure of Accounting Estimates

The Group has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the year ended March 31, 2021, and therefore significant accounting estimates are disclosed in the notes to the consolidated financial statements.

The notes do not include information for the fiscal year ended March 31, 2020 in accordance with the transitional provision set out in the proviso of paragraph 11 of the accounting standard.

3. Financial Instruments and Related Disclosures

(a) Qualitative information on financial instruments

(1) Group policy for financial instruments

The Group conducts deposit, loan and investment operations. Since the Group has financial assets and liabilities which involve interest rate risk, the Bank has established an Asset Liability Management (“ALM”) system to avoid unfavorable effects of interest rate fluctuations. Derivative transactions are used as part of ALM.

(2) Nature of financial instruments and related risks

Financial assets held by the Group comprise mainly loans to domestic corporate entities and individuals and securities. Loans are subject to customer credit risk arising from defaults by borrowers. There is a possibility that borrowers will not perform their obligations in accordance with the applicable contract terms due to economic circumstances or other reasons. Securities, which primarily comprise equity securities, bonds and investment trusts, are held for investment and business promotion purposes. These securities are exposed to the credit risk of issuers, interest rate fluctuation risk and/or market price fluctuation risk. For securities denominated in foreign currencies, bonds denominated in foreign currencies are generally purchased at an amount up to the corresponding amount of deposits, and funds are procured from the market in foreign currencies to avoid foreign exchange fluctuation risk.

Financial liabilities include mainly deposits from customers and are subject to liquidity risk. There is an interest or maturity mismatch between assets such as loans and bills discounted and liabilities such as deposits that exposes these assets and liabilities to interest rate fluctuation risk.

Derivative transactions include interest rate swaps and forward foreign exchange contracts. The Group uses derivative transactions in line with ALM in order to avoid interest rate fluctuation risk in relation to deposits and loans and to fulfill the customers’ hedging requirements for foreign exchange fluctuation risk. Hedge accounting is applied to certain transactions which offset market fluctuations or fix cash flows and fulfill preliminary and subsequent requirements. Derivative transactions which do not meet the hedge accounting criteria are exposed to foreign exchange and interest rate fluctuation risks.

(3) Risk management for financial instruments

(i) Credit risk management

The Group manages its credit risk by maintaining a credit exposure management system in relation to loans in accordance with its “Credit Policy,” which stipulates the basic concepts in relation to its credit exposure management and administrative rules regarding credit risk. The system includes the credit administration of loans, credit lines, credit records and internal ratings and the establishment of guarantees and/or collateral and handling of doubtful loans. These credit exposure management procedures are performed by each of the Group’s sales branches and operations support departments and are reported to the Board of Executive Directors and/or Board of Directors on a regular basis.

The credit risk of issuers of securities and the counterparty risk of derivative transactions are managed by the Bank's Capital Markets and Treasury Division which monitors credit information and fair values on a regular basis.

(ii) Market risk management

(a) Interest rate risk management

The Group has established the ALM committee to recognize and manage interest rate fluctuation risk comprehensively and implement appropriate ALM. Risk control methods and procedures are stipulated in the ALM committee codes, and the implementation is monitored, while future actions are discussed at the Board of Directors' meetings. On a daily basis, the Bank's Risk Control Division checks interest rates and periods of financial assets and liabilities, monitors risks using gap analysis and interest rate sensitivity analysis and reports to the ALM committee and Board of Directors on a monthly basis.

(b) Foreign exchange risk management

The Group manages foreign exchange fluctuation risk by transaction and enters into forward foreign exchange contracts to manage foreign exchange fluctuation risk on transactions with customers.

(c) Market price fluctuation risk management

The Group holds investment products, including securities based on marketable securities investment planning, determined by the Board of Executive Directors in accordance with the basic market fluctuation risk management rules of the Board. Since the Bank's Capital Markets and Treasury Division purchases investment products from outside, market price fluctuation risk is reduced through effective monitoring after preliminary reviews and the establishment of investment limits. Most of the equity securities managed by the Bank's Planning Division are for business promotion purposes, and market conditions and the financial status of customers are monitored and reported to the Board of Executive Directors on a regular basis.

(d) Derivative transactions

An internal system of checks has been established through the segregation of functions related to derivative transactions, including trading functions such as entering into derivative contracts, operations functions such as the processing of transactions and the evaluation of hedge effectiveness.

(e) Quantitative information on market risk

i) Financial instruments for trading purposes

The Group uses the historical simulation method based on the assumptions of a holding period of 120 business days, a 99% confidence level and an observation period of 1,200 business days for the calculation of interest related Value at Risk (VaR) for trading account securities. As of both March 31, 2021 and 2020, the market risk exposure (the expected maximum loss) of the Group's trading operation amounted to zero.

ii) Financial instruments other than for trading purposes

Market risk is the primary risk to the Group. The major financial instruments subject to market risk are "loans and bills discounted," debt and equity securities and investment trusts included in "securities" and "deposits." The historical simulation method with the assumption of a holding period of 120 business days, a 99% confidence level and observation period of 1,200 business days is used for the calculation of VaR of these financial assets and liabilities. As of March 31, 2021 and 2020, the market risk exposures (the expected maximum loss) of the Bank's banking operations were as follows.

	Value at Risk		
	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities for investment purposes (*1)	¥ 11,237	¥ 8,915	\$ 101,500
Strategically held equity securities	22,086	17,879	199,496
Loans and deposits (*2)	19,102	12,293	172,544

Notes:

(*1) Securities for investment purposes: yen bonds, foreign bonds, equity securities for investment purposes and investment trusts

(*2) Loans and deposits: deposits, negotiable certificates of deposit, loans and bills discounted, call loans, due from banks, bonds payable, payables under securities lending transactions, borrowed money and call money

iii) Supplementary explanation about quantitative information on market risk

The Group evaluates the effectiveness of its measurement model by performing back-testing procedures to compare VaR calculated by the measurement system with actual gain or loss. VaR provides information regarding market risk exposure statistically calculated with certain probability based on historical market fluctuations. Therefore, VaR may not be able to measure risks under extreme situations in which the market environment changes extraordinarily.

(iii) Management of liquidity risk associated with financing

The Group regards the stable financing of its operations as a top priority and manages its financing needs effectively. In addition, the Group manages liquidity risk by diversifying the sources of its funds and adjusting the balance of long-term and short-term accounts with consideration for market conditions.

(4) Supplementary explanation on fair values

The fair value of financial instruments is based on market price. If the market price is not available, alternative valuation techniques are used. Since assumptions must be made when using alternative methods to calculate fair values, different assumptions may lead to different fair values.

(b) Fair values of financial instruments

The carrying values and fair values of financial instruments at March 31, 2021 and 2020 were as follows.

Millions of yen			
2021			
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 832,788	¥ 832,788	¥ –
Call loans and bills purchased	589	589	–
Securities - available-for-sale securities (*1)	728,066	728,066	–
Loans and bills discounted:	3,164,983		
Reserve for possible loan losses (*2)	(12,196)		
Loans and bills discounted – subtotal	3,152,787	3,186,571	33,784
Total	¥ 4,714,231	¥ 4,748,015	¥ 33,784
Deposits	¥ 4,000,852	¥ 4,000,910	¥ 57
Call money and bills sold	6,377	6,377	–
Payables under securities lending transactions	5,745	5,745	–
Borrowed money	526,807	526,808	1
Bonds payable	40,000	39,829	(170)
Total	¥ 4,579,783	¥ 4,579,672	¥ (111)
Derivative transactions (*3):			
Hedge accounting not applied	¥ (1,358)	¥ (1,358)	¥ –
Hedge accounting applied	–	–	–
Total	¥ (1,358)	¥ (1,358)	¥ –

Millions of yen			
2020			
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 191,659	¥ 191,673	¥ 13
Call loans and bills purchased	2,169	2,169	–
Securities - available-for-sale securities (*1)	740,893	740,893	–
Loans and bills discounted:	2,816,720		
Reserve for possible loan losses (*2)	(11,728)		
Loans and bills discounted – subtotal	2,804,991	2,824,418	19,427
Total	¥ 3,739,713	¥ 3,759,155	¥ 19,441
Deposits	¥ 3,560,799	¥ 3,560,862	¥ 63
Call money and bills sold	8,469	8,469	–
Payables under securities lending transactions	2,745	2,745	–
Borrowed money	42,487	42,481	(6)
Bonds payable	40,000	39,245	(754)
Total	¥ 3,654,501	¥ 3,653,803	¥ (697)
Derivative transactions (*3):			
Hedge accounting not applied	¥ 98	¥ 98	¥ –
Hedge accounting applied	–	–	–
Total	¥ 98	¥ 98	¥ –

Thousands of U.S. dollars			
2021			
	Carrying value	Fair value	Difference
Cash and due from banks	\$ 7,522,250	\$ 7,522,250	\$ —
Call loans and bills purchased	5,324	5,324	—
Securities - available-for-sale securities (*1)	6,576,335	6,576,335	—
Loans and bills discounted:	28,588,056		
Reserve for possible loan losses (*2)	(110,162)		
Loans and bills discounted – subtotal	28,477,894	28,783,054	305,160
Total	\$ 42,581,803	\$ 42,886,963	\$ 305,160
Deposits	\$ 36,138,135	\$ 36,138,652	\$ 517
Call money and bills sold	57,609	57,609	—
Payables under securities lending transactions	51,901	51,901	—
Borrowed money	4,758,444	4,758,454	10
Bonds payable	361,304	359,766	(1,538)
Total	\$ 41,367,393	\$ 41,366,382	\$ (1,011)
Derivative transactions (*3):			
Hedge accounting not applied	\$ (12,270)	\$ (12,270)	\$ —
Hedge accounting applied	—	—	—
Total	\$ (12,270)	\$ (12,270)	\$ —

Notes:

(*1) The following securities were excluded from the above tables because the Bank's management concluded that the fair value was virtually impossible to estimate.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted stocks *1	¥ 2,159	¥ 2,159	\$ 19,507
Investments in partnerships *2 and *3	11,	7,504	101,720
Total	¥ 13,420	¥ 9,664	\$ 121,227

*1 The Group wrote off unlisted stocks amounting to nil for the years ended March 31, 2021 and 2020.

*2 The fair value of investments in partnerships that comprised assets whose fair value could not be reliably determined was not disclosed.

*3 The Group wrote off investments in partnerships amounting to ¥10 million (\$92 thousand) and ¥10 million for the years ended March 31, 2021 and 2020, respectively.

(*2) General and individual reserves for possible loan losses corresponding to loans and bills discounted were deducted.

(*3) Derivative transactions show net amounts after offsetting related receivables and payables. Amounts in parentheses denote net payables.

The methods and assumptions used to calculate fair values of financial instruments are summarized below.

Financial assets:

Cash and due from banks

Since the carrying value of due from banks on demand or with an original maturity of up to one year approximates the fair value, the carrying value is deemed the fair value. For due from banks with an original maturity exceeding one year, the present value is calculated by discounting the amount by the remaining term to maturity at the rate applicable to a similar new transaction.

Call loans and bills purchased

The carrying value of call loans and bills purchased approximates the fair value because of the short maturity (original maturities of up to one year).

Securities

The fair value of equity securities, bonds and investment trusts is based on the quoted market price at the applicable exchange, the price published by JSDA or provided by the contracted financial institution and publicly available net asset value, respectively. The fair value of privately placed bonds is determined by discounting the estimated future cash flows at the risk-free rate plus the credit spread or the like. The fair value of securities issued by issuers in legal bankruptcy or de facto bankruptcy or who are at risk of bankruptcy is calculated based on the present value of estimated future cash flows or the amount expected to be collected through the disposal of collateral or from guarantees.

Loans and bills discounted

The fair value of commercial bills, loans on bills and overdrafts, all of which have short maturities (original maturities of up to one year), approximates the carrying value unless the credit status of the borrower has changed dramatically after execution because of the quick reaction of market interest rates to such changes. Therefore, the carrying value of these instruments is deemed the fair value. The fair value of loans on deeds is determined by discounting the estimated future cash flows at the risk-free rate plus the credit spread or the like at the rate for a similar new loan, depending on the nature of such loans. The fair value of structured loans is determined by considering the value calculated by using the option pricing model in addition to using the method applicable to measuring the fair value of loans on deeds as described above.

For loans to borrowers in legal bankruptcy or de facto bankruptcy or who are at risk of bankruptcy, a reserve for possible loan losses is estimated based on the present value of estimated future cash flows or the amount expected to be collected through the disposal of collateral or from guarantees. Thus, the fair value of such loans approximates the carrying amount of the receivables minus the corresponding reserve for possible loan losses on the consolidated balance sheets at the closing date. Therefore, such carrying amounts are deemed to be the fair value of such loans. The carrying value of loans and bills discounted without repayment terms due to characteristics such as limitations on loans to the value of the collateral assets is deemed the fair value as the carrying value approximates the fair value when considering the expected repayment period and market interest rates for such loans and bills discounted without repayment terms.

Financial liabilities:

Deposits

The fair value of demand deposits in Japanese yen is deemed the amount to be paid (carrying amount) assuming that the Group is demanded to pay on the consolidated balance sheet date. The fair value of time deposits in Japanese yen and negotiable certificates of deposit is determined by discounting future cash flows by the term to maturity at the rate used for a new deposit. For all deposits in foreign currencies, original maturities are short (within one year), and the carrying value approximates the fair value. Thus, the carrying value is deemed the fair value.

Call money and bills sold

The original maturities of call money and bills sold are short (within one year), and the carrying value approximates the fair value. Thus, the carrying value is deemed the fair value.

Payables under securities lending transactions

The original maturities of payables under securities lending transactions are short (within one year), and their carrying values approximate their fair values. Thus, the carrying value is deemed the fair value.

Borrowed money

The carrying value of borrowed money with variable interest rates is deemed the fair value since the carrying value approximates the fair value. This is due to the quick reaction of market interest rates and immaterial changes in the credit status of the Bank and its subsidiaries after execution of such borrowing. The fair value of borrowed money with a fixed interest rate is the present value determined by discounting the sum of principal and interest by the term to maturity at the rate for similar new borrowing. For borrowed money with a short maturity (original maturity of up to one year), the carrying value is deemed the fair value since the carrying value approximates the fair value.

Bonds payable

The fair value of bonds payable issued by the Bank is based on market price.

(c) Maturity analysis for monetary claims and securities with contractual maturities as of March 31, 2021

Millions of yen						
2021						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 800,997	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	589	–	–	–	–	–
Securities:						
Available-for-sale securities with maturities (*1)						
National government bonds	12,000	4,000	12,000	1,000	31,000	30,500
Local government bonds	6,748	33,012	30,374	11,884	48,578	341
Bonds and debentures	55,330	99,325	53,599	33,295	35,990	3,297
Others (*2)	6,199	12,594	4,706	19,927	16,938	–
Securities - total	80,278	148,933	100,679	66,107	132,507	34,139
Loans and bills discounted (*3)	587,673	570,971	403,762	295,127	345,009	908,696
Total	¥ 1,469,540	¥ 719,904	¥ 504,442	¥ 361,235	¥ 477,516	¥ 942,835

Thousands of U.S. dollars						
Due from banks	\$ 7,235,100	\$ –	\$ –	\$ –	\$ –	\$ –
Call loans and bills purchased	5,324	–	–	–	–	–
Securities:						
Available-for-sale securities with maturities (*1)						
National government bonds	108,391	36,130	108,391	9,033	280,011	275,494
Local government bonds	60,958	298,191	274,359	107,347	438,787	3,086
Bonds and debentures	499,779	897,172	484,139	300,743	325,087	29,788
Others (*2)	56,000	113,762	42,510	180,000	153,000	–
Securities - total	725,128	1,345,255	909,399	597,123	1,196,885	308,368
Loans and bills discounted (*3)	5,308,227	5,157,360	3,647,031	2,665,773	3,116,336	8,207,895
Total	\$ 13,273,779	\$ 6,502,615	\$ 4,556,430	\$ 3,262,896	\$ 4,313,221	\$ 8,516,263

Notes:

(*1) Amounts of securities were stated on the basis of scheduled redemption amounts regarding the principal and do not match the amounts shown in the consolidated balance sheets.

(*2) "Others" include Samurai bonds, Euro-Yen bonds and other foreign bonds.

(*3) The portion of loans and bills discounted whose timing of collection is unforeseeable, including loans to "legal bankruptcy" borrowers, loans to "de facto bankruptcy" borrowers and loans to "bankruptcy risk" borrowers, amounting to ¥53,742 million (\$485,433 thousand) was not included in the above table.

(d) Repayment schedule for bonds, borrowed money and other debts with contractual maturities as of March 31, 2021

	Millions of yen					
	2021					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 3,830,057	¥ 107,471	¥ 52,848	¥ 435	¥ 10,039	¥ –
Call money and bills sold	6,377	–	–	–	–	–
Payables under securities lending transactions	5,745	–	–	–	–	–
Borrowed money	501,759	10,145	14,465	437	–	–
Bonds payable	–	–	–	20,000	20,000	–
Total	<u>¥ 4,343,941</u>	<u>¥ 117,616</u>	<u>¥ 67,313</u>	<u>¥ 20,873</u>	<u>¥ 30,039</u>	<u>¥ –</u>

	Thousands of U.S. dollars					
Deposits (*1)	\$ 34,595,411	\$ 970,745	\$ 477,362	\$ 3,936	\$ 90,681	\$ –
Call money and bills sold	57,609	–	–	–	–	–
Payables under securities lending transactions	51,901	–	–	–	–	–
Borrowed money	4,532,199	91,636	130,657	3,952	–	–
Bonds payable	–	–	–	180,652	180,652	–
Total	<u>\$ 39,237,120</u>	<u>\$ 1,062,381</u>	<u>\$ 608,019</u>	<u>\$ 188,540</u>	<u>\$ 271,333</u>	<u>\$ –</u>

Note:

(*1) Demand deposits were included in “due in one year or less.”

4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
National government bonds	¥ 92,779	¥ 38,124	\$ 838,039
Local government bonds	131,272	108,060	1,185,737
Bonds and debentures	282,058	402,968	2,547,723
Equity securities	129,838	106,023	1,172,778
Other securities	105,538	95,380	953,285
	<u>¥ 741,487</u>	<u>¥ 750,558</u>	<u>\$ 6,697,562</u>

Securities are classified as trading, held-to-maturity or available-for-sale securities. Such classification determines the respective accounting method to be applied as stipulated under the accounting standard for financial instruments. Securities in the accompanying consolidated balance sheets include marketable securities traded on stock exchanges.

Gross unrealized gains and losses on available-for-sale securities with fair values at March 31, 2021 and 2020 are summarized as follows.

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair values at March 31, 2021:				
Equity securities	¥ 45,490	¥ 82,490	¥ (301)	¥ 127,678
Bonds:				
National government bonds	93,319	20	(561)	92,779
Local government bonds	131,181	203	(112)	131,272
Bonds and debentures	281,928	498	(368)	282,058
Others	97,521	1,089	(4,334)	94,276
	<u>¥ 649,441</u>	<u>¥ 84,302</u>	<u>¥ (5,678)</u>	<u>¥ 728,066</u>
Available-for-sale securities with fair values at March 31, 2020:				
Equity securities	¥ 46,039	¥ 57,988	¥ (163)	¥ 103,864
Bonds:				
National government bonds	38,164	39	(79)	38,124
Local government bonds	107,901	234	(75)	108,060
Bonds and debentures	403,116	621	(769)	402,968
Others	88,270	2,083	(2,477)	87,875
	<u>¥ 683,492</u>	<u>¥ 60,966</u>	<u>¥ (3,565)</u>	<u>¥ 740,893</u>

Thousands of U.S. dollars

Available-for-sale securities with fair values at March 31, 2021:

Equity securities	\$ 410,899	\$ 745,100	\$ (2,727)	\$ 1,153,272
Bonds:				
National government bonds	842,918	188	(5,068)	838,038
Local government bonds	1,184,912	1,842	(1,016)	1,185,738
Bonds and debentures	2,546,546	4,504	(3,327)	2,547,723
Others	880,878	9,839	(39,153)	851,564
	<u>\$ 5,866,153</u>	<u>\$ 761,473</u>	<u>\$ (51,291)</u>	<u>\$ 6,576,335</u>

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gains	¥ 78,624	¥ 57,401	\$ 710,182
Deferred tax liabilities	(23,377)	(16,883)	(211,164)
Noncontrolling interest portion	(2)	(0)	(23)
Net unrealized gains in net assets	<u>¥ 55,243</u>	<u>¥ 40,516</u>	<u>\$ 498,995</u>

During the years ended March 31, 2021 and 2020, the Group sold available-for-sale securities and recorded gains of ¥5,677 million (\$51,282 thousand) and ¥5,132 million, respectively, and losses of ¥818 million (\$7,389 thousand) and ¥1,778 million, respectively, in the accompanying consolidated statements of income.

At March 31, 2021 and 2020, the Group recorded losses on write-downs of available-for-sale securities with fair values due to other-than-temporary declines in value amounting to ¥70 million (\$638 thousand) and ¥1,282 million, respectively.

5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bills discounted	¥ 18,656	¥ 28,452	\$ 168,520
Loans on bills	74,456	94,634	672,537
Loans on deeds	2,812,084	2,400,050	25,400,455
Overdrafts	247,116	280,117	2,232,108
Others	12,669	13,464	114,436
	<u>¥ 3,164,983</u>	<u>¥ 2,816,720</u>	<u>\$ 28,588,056</u>

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit

Committee Report No. 24. The Group has rights to sell or pledge (repledge) bankers' acceptances, commercial bills, documentary bills and foreign bills bought without restrictions. The total face value of these bills amounted to ¥18,997 million (\$171,593 thousand) and ¥28,746 million at March 31, 2021 and 2020, respectively.

Claims against borrowers in bankruptcy and past due loans are included in "loans and bills discounted" and amounted to ¥53,742 million (\$485,433 thousand) and ¥48,080 million at March 31, 2021 and 2020, respectively. Loans are generally placed on nonaccrual status when there is substantial doubt about the ultimate collectability of either the principal or interest because the principal or interest is past due for a considerable period or for other reasons. Accrued interest is not recorded when loans are classified as claims against borrowers in bankruptcy or past due loans. Claims against borrowers in bankruptcy represent nonaccrual loans after charge-off against legally bankrupt borrowers as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Order for Enforcement of the Corporation Tax Law of Japan. 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, past due loans are recognized as nonaccrual loans.

At March 31, 2021 and 2020, accruing loans for which the payment of principal or interest was contractually past due by three months or more, excluding nonaccrual loans, amounted to ¥20 million (\$187 thousand) and ¥574 million, respectively.

At March 31, 2021 and 2020, restructured loans (excluding nonaccrual and accruing loans contractually past due by three months or more as mentioned above) for which the Bank had restructured the terms and conditions in favor of borrowers in financial difficulties through measures such as the reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments and debt forgiveness in order to support the financial recovery of such borrowers amounted to ¥7,888 million (\$71,249 thousand) and ¥7,963 million, respectively.

Before charge-offs, total nonperforming loans, consisting of nonaccrual loans, accruing loans contractually past due by three months or more and restructured loans, amounted to ¥61,650 million (\$556,869 thousand) and ¥56,618 million at March 31, 2021 and 2020, respectively.

In accordance with JICPA Accounting Committee Report No. 3 (November 28, 2014), "Accounting Treatment and Presentation of Loan Participation," the participation principal is accounted for as loans to the original obligor and recorded in the consolidated balance sheets. At March 31, 2021 and 2020, this amounted to nil and ¥1,850 million, respectively.

6. Tangible Fixed Assets

At March 31, 2021 and 2020, major classifications of assets were as follows.

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Land	¥ 24,104	¥ 22,420	\$ 217,729	
Buildings and structures	9,046	8,526	81,715	
Equipment	3,495	2,837	31,569	
Construction in progress	490	2,334	4,431	
Tangible fixed assets	¥ 37,136	¥ 36,120	\$ 335,444	

At March 31, 2021 and 2020, accumulated depreciation for tangible fixed assets amounted to ¥32,218 million (\$291,016 thousand) and ¥33,428 million, respectively.

Pursuant to the Act on Revaluation of Land, effective March 31, 1998, the Bank elected a one-time

revaluation to restate the cost of land used for the banking business at values reassessed, reflecting adjustments for geographical shape and other factors in accordance with municipal property tax bases. According to the Act, the amount equivalent to the tax effect on the excess of reassessed values over the original book values is to be recorded as “deferred tax liabilities for revaluation,” and the remainder of the excess, net of the tax effect, is to be recorded as “land revaluation excess” under accumulated other comprehensive income of net assets in the consolidated balance sheets. At March 31, 2021 and 2020, the differences in the carrying values of land used for the banking business after revaluation over market values amounted to ¥6,648 million (\$60,054 thousand) and ¥6,795 million, respectively.

As permitted by Japanese GAAP, deferred capital gains on the sale of real property are deducted from the original acquisition costs of property which is newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2021 and 2020, ¥2,991 million (\$27,020 thousand) and ¥5,884 million, respectively, were directly deducted from the acquisition costs of such land.

7. Pledged Assets

The carrying amounts of assets pledged as collateral and the related collateralized debt at March 31, 2021 and 2020 were as follows.

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Assets pledged:				
Securities	¥ 169,990	¥ 41,657	\$ 1,535,456	
Loans and bills discounted	591,345	–	5,341,396	
Other assets	20	20	185	
Related collateralized debts:				
Deposits	¥ 19,521	¥ 20,820	\$ 176,330	
Call money	–	3,264	–	
Payables under securities lending transactions	5,745	2,745	51,901	
Borrowed money	500,424	15,012	4,520,141	

8. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Demand deposits	¥ 2,821,583	¥ 2,371,392	\$ 25,486,257
Time deposits	1,076,139	1,078,291	9,720,345
Other deposits	42,931	57,864	387,788
Subtotal	3,940,654	3,507,548	35,594,390
Negotiable certificates of deposit	60,198	53,251	543,745
	¥ 4,000,852	¥ 3,560,799	\$ 36,138,135

9. Borrowed Money and Finance Lease Obligations

Borrowed money consisted principally of borrowings from financial institutions due through December 2027 with average interest rates of 0.01% and 0.60% per annum at March 31, 2021 and 2020, respectively. There were no financial lease obligations outstanding at March 31, 2021.

At March 31, 2021, the annual maturities of borrowed money were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 501,759	\$ 4,532,199
2023	5,935	53,609
2024	4,210	38,027
2025	13,042	117,808
2026	1,422	12,849
2027 and thereafter	437	3,952
	¥ 526,807	\$ 4,758,444

10. Bonds

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

	Millions of yen		Thousands of U.S. dollars		Interest rate	Collateral	Due
	2021	2020	2021				
1 st Unsecured							
bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	\$ 90,326		0.59% March 24, 2017 to March 23, 2022 0.48% +6-month JPY LIBOR After March 24, 2022	—	March 24, 2027
2 nd Unsecured							
bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	\$ 90,326		0.48% October 18, 2017 to October 17, 2022 0.37% +6-month JPY LIBOR After October 18, 2022	—	October 18, 2027
3 rd Unsecured							
bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	\$ 90,326		0.40% October 12, 2018 to October 11, 2023 0.24% +6-month JPY LIBOR After October 12, 2023	—	October 12, 2028
4 th Unsecured							
bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements) (Green bond)	¥ 10,000	¥ 10,000	\$ 90,326		0.44% December 13, 2019 to December 12, 2024 0.45% +6-month JPY LIBOR After December 13, 2024	—	December 13, 2029

11. Employee Retirement Benefits

The Bank maintains “funded and unfunded defined benefit plans” and “a selection of either a defined contribution plan or prepayment of retirement allowance” for employee retirement benefits. Eligible employees are entitled to receive lump-sum payments or pension payments based on the level of salary and the length of service under the defined benefit (“DB”) corporate pension plans, all of which are funded plans. The Bank has set up retirement benefit trusts for certain plans among the defined benefit corporate pension plans. Eligible employees are entitled to receive lump-sum payments based on the level of salary and the length of service under the lump-sum payment plans, most of which are funded by establishing retirement benefit trusts; however, some are unfunded plans. Two of the Bank’s consolidated subsidiaries participate in a multi-employer pension program under a certain public pension plan as part of the lump-sum retirement benefit plan. The Bank’s other two consolidated subsidiaries have each adopted only the lump-sum retirement benefit plan. The consolidated subsidiaries use the simplified method in calculating employee retirement defined benefit liability and retirement benefit expenses. Under this method, the amount for severance payments required at the fiscal year end for voluntary termination is deemed the retirement benefit obligation.

(a) Defined benefit plans

- (1) Movement in retirement benefit obligation, excluding plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 30,571	¥ 30,985	\$ 276,143
Service cost	799	817	7,221
Interest cost	91	92	828
Actuarial differences	148	555	1,343
Retirement benefits paid	(1,898)	(1,879)	(17,144)
Balance at end of year	¥ 29,713	¥ 30,571	\$ 268,391

- (2) Movement in plan assets, excluding plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 38,038	¥ 38,906	\$ 343,584
Expected return on pension plan assets	637	663	5,761
Actuarial differences	2,744	(543)	24,791
Contribution paid by employer	174	181	1,580
Retirement benefits paid	(1,143)	(1,169)	(10,327)
Balance at end of year	¥ 40,452	¥ 38,038	\$ 365,389

(3) Movement in employee retirement benefit liability for plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Employee retirement benefit liability at beginning of year	¥ 129	¥ 130	\$ 1,171
Retirement benefit expenses	40	40	363
Retirement benefits paid	(36)	(41)	(332)
Employee retirement benefit liability at end of year	¥ 132	¥ 129	\$ 1,202

(4) Reconciliation from retirement benefit obligation and plan assets to retirement benefit (asset) liability recognized in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 29,769	¥ 30,628	\$ 268,894
Plan assets	(40,452)	(38,038)	(365,389)
	(10,682)	(7,410)	(96,495)
Unfunded retirement benefit obligation	77	73	699
Net retirement benefit (asset) liability	¥ (10,605)	¥ (7,336)	\$ (95,796)
Employee retirement benefit liability	¥ 3,218	¥ 4,052	\$ 29,070
Employee retirement benefit assets	(13,823)	(11,389)	(124,866)
Net retirement benefit (asset) liability	¥ (10,605)	¥ (7,336)	\$ (95,796)

(5) Net periodic retirement benefit expense and its breakdown:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 799	¥ 817	\$ 7,221
Interest cost	91	92	828
Expected return on plan assets	(637)	(663)	(5,761)
Amortization of actuarial differences	976	618	8,822
Amortization of past service cost	(144)	(144)	(1,309)
Retirement benefit expenses for plans applying the simplified method	40	40	363
Others	5	6	48
Net periodic retirement benefit expense of defined benefit plans	¥ 1,130	¥ 768	\$ 10,212

(6) Retirement benefit adjustments in other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service cost	¥ (144)	¥ (144)	\$ (1,309)
Actuarial differences	3,572	(479)	32,269
Total	¥ 3,427	¥ (624)	\$ 30,960

(7) Retirement benefit adjustments in accumulated other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized past service cost	¥ 579	¥ 724	\$ 5,238
Unrecognized actuarial differences	2,428	(1,144)	21,934
Total	¥ 3,008	¥ (419)	\$ 27,172

(8) Plan assets

(i) Plan assets comprise:

	2021	2020
Debt securities	37%	39%
Equity securities	30%	26%
Cash and deposits	10%	10%
General accounts	23%	25%
Total *	100%	100%

Note: As of March 31, 2021 and 2020, assets in retirement benefit trusts set up for the defined benefit pension plans and lump-sum retirement benefit plans represented 44% and 41% of total plan assets, respectively.

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

In determining the long-term expected rate of return on plan assets, the Group considers the current and target asset allocation as well as the current and expected long-term rates of return on various asset categories comprising plan assets.

(9) Actuarial assumptions at end of year:

	2021	2020
Discount rate	0.3%	0.3%
Long-term expected rate of return on plan assets	2.5%	2.5%

Note: The Bank maintains a point system for defined benefit corporate pension plans and lump-sum payment plans. Points are calculated based on past salaries.

(b) Defined contribution plans

The required contribution of the Bank and its consolidated subsidiaries to defined contribution plans amounted to ¥198 million (\$1,791 thousand) and ¥190 million for the years ended March 31, 2021 and 2020, respectively.

12. Acceptances and Guarantees

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

Guarantees are provided on certain privately placed bonds included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥39,236 million (\$354,412 thousand) and ¥40,789 million at March 31, 2021 and 2020, respectively.

13. Net Assets

At both March 31, 2021 and 2020, there were 50 million shares of common stock without par value authorized and 18,255,487 shares of common stock issued. At March 31, 2021 and 2020, the Group held 143 thousand and 147 thousand shares of treasury stock, respectively.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Capital surplus consists principally of additional paid-in capital. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as appropriation of retained earnings shall be appropriated as legal earnings reserve until the total amount of additional paid-in capital and legal earnings reserve equals 100% of common stock. The legal earnings reserve has been included in the retained earnings in the accompanying consolidated balance sheets. Under the Act, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders’ meeting. The additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends.

At both March 31, 2021 and 2020, the legal earnings reserve amounted to ¥8,029 million (\$72,532 thousand).

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

14. Stock Options

(a) Stock option expenses

The Bank recorded stock option expenses of ¥26 million (\$240 thousand) and ¥24 million in “General and administrative expenses” for the years ended March 31, 2021 and 2020, respectively.

(b) Outline of stock options

i) Outline of stock options:

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Resolution date	July 29, 2014	July 29, 2015	July 27, 2016	July 26, 2017
Position and number of grantees	13 directors of the Bank excluding outside directors	13 directors of the Bank excluding outside directors	12 directors of the Bank excluding outside directors	12 directors of the Bank excluding outside directors
Number of options granted (*1)	10,980 common shares of the Bank	8,870 common shares of the Bank	12,280 common shares of the Bank	9,620 common shares of the Bank
Grant date	August 13, 2014	August 13, 2015	August 12, 2016	August 10, 2017
Conditions for vesting	Not defined	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined	Not defined
Exercise period (*2)	August 14, 2014 to August 13, 2064	August 14, 2015 to August 13, 2065	August 13, 2016 to August 12, 2066	August 11, 2017 to August 10, 2067
Number of stock acquisition rights (*2)	423 (*3)	347 (*3)	585 (*3)	564 (*3)
Type, content and number of shares to be issued upon exercise of stock acquisition rights (*2)	4,230 common shares of the Bank (*4)	3,470 common shares of the Bank (*4)	5,850 common shares of the Bank (*4)	5,640 common shares of the Bank (*4)
Amount to be paid upon the exercise of stock acquisition rights (*2)	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share
Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock (*2)	Issue price: ¥3,471 (\$31.35) per share (*5)	Issue price: ¥4,591 (\$41.47) per share (*5)	Issue price: ¥2,951 (\$26.66) per share (*5)	Issue price: ¥3,783 (\$34.17) per share (*5)
Conditions for exercise of stock acquisition rights (*2)	(*6)	(*6)	(*6)	(*6)
Criteria for transfer of stock acquisition rights (*2)	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.
Matters related to issuance of stock acquisition rights in connection with organizational restructuring (*2)	(*7)	(*7)	(*7)	(*7)

	2018 stock options	2019 stock options	2020 stock options
Resolution date	June 22, 2018	June 21, 2019	June 26, 2020
Position and number of grantees	9 directors of the Bank excluding outside directors	8 directors of the Bank excluding outside directors	9 directors of the Bank excluding directors serving as Audit & Supervisory Committee members and outside directors
Number of options granted (*1)	7,660 common shares of the Bank	8,090 common shares of the Bank	13,430 common shares of the Bank
Grant date	July 9, 2018	July 8, 2019	July 13, 2020
Conditions for vesting	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined
Exercise period (*2)	July 10, 2018 to July 9, 2068	July 9, 2019 to July 8, 2069	July 14, 2020 to July 13, 2070
Number of stock acquisition rights (*2)	622 (*3)	734 (*3)	1,343 (*3)
Type, content and number of shares to be issued upon exercise of stock acquisition rights (*2)	6,220 common shares of the Bank (*4)	7,340 common shares of the Bank (*4)	13,430 common shares of the Bank (*4)
Amount to be paid upon the exercise of stock acquisition rights (*2)	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share
Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock (*2)	Issue price: ¥3,514 (\$31.74) per share (*5)	Issue price: ¥3,040 (\$27.46) per share (*5)	Issue price: ¥1,981 (\$17.89) per share (*5)
Conditions for exercise of stock acquisition rights (*2)	(*6)	(*6)	(*6)
Criteria for transfer of stock acquisition rights (*2)	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.
Matters related to issuance of stock acquisition rights in connection with organizational restructuring (*2)	(*7)	(*7)	(*7)

Notes:

(*1) The number of stock options is calculated in terms of the number of shares.

(*2) This information is provided as of March 31, 2021.

(*3) The number of shares to be issued upon exercise of each stock acquisition right (the "Number of Shares Granted") is 10 shares.

(*4) Number of shares subject to stock acquisition rights

The Number of Shares Granted is adjusted using a certain formula if the Bank conducts a stock split of its common stock (including the allotment of its common stock without consideration, the same shall apply hereinafter for the provisions of the stock split) or a stock consolidation after the date when the stock acquisition rights were allotted (the "Allotment Date"). Any fractional shares less than one share arising from the adjustment shall be rounded down.

The applicable formula is as follows: Number of Shares Granted after adjustment = Number of Shares Granted before adjustment x Ratio of stock split or stock consolidation. In addition, the Bank may make reasonable adjustments to the Number of Shares Granted as appropriate due to a merger, corporate split, etc., after the Allotment Date.

- (*5) The amount to be incorporated into capital stock shall be half of the maximum amount of increase in capital stock calculated pursuant to Article 17(1) of the “Rules of Corporate Accounting,” with fractions of less than ¥1 resulting from the calculation rounded up.
- (*6) Conditions for exercise of stock acquisition rights
 - (1) Holders of stock acquisition rights (“Rights Holder(s)”) may exercise their stock acquisition rights from the day following the day when their position as Bank director terminates.
 - (2) The above (1) is not applicable to a successor who acquires the rights by inheritance.
 - (3) Rights Holders cannot exercise stock acquisition rights when they abandon the rights.
- (*7) Matters pertaining to issuance of stock acquisition rights resulting from organizational restructuring

If the Bank merges (limited to cases in which the Bank becomes a dissolving company), conducts an absorption-type company split or an incorporation-type company split (limited to cases in which the Bank becomes a splitting company) or conducts a share exchange or a share transfer (limited to cases in which the Bank becomes a wholly owned subsidiary) (collectively, the “Organizational Restructuring”), stock acquisition rights of a stock company described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (the “Restructured Company”) shall be delivered to the Rights Holders of stock acquisition rights remaining unexercised (the “Remaining Stock Acquisition Rights”) immediately prior to the effective date of the Organizational Restructuring (the effective date of an absorption-type merger), the date of establishment of the stock company incorporated in a consolidation-type merger, the effective date of an absorption-type company split, the date of establishment of a stock company incorporated in an incorporation-type company split, the effective date of the share exchange in the case of a share exchange or the date of establishment of the wholly-owning parent company upon a share transfer. However, the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Restructured Company according to the following conditions was stipulated in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

 - (1) Number of stock acquisition rights of the Restructured Company to be delivered
The same number as the Remaining Stock Acquisition Rights held by the Rights Holders.
 - (2) Class of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights
Common stock of the Restructured Company
 - (3) Number of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights
Shall be determined according to (*4) above after taking into consideration the conditions for the Organizational Restructuring and any other related matters.
 - (4) Value of the assets to be contributed upon the exercise of stock acquisition rights
The value of the assets to be contributed upon the exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization as stipulated below by the number of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights determined in accordance with (3) above. The exercise price after reorganization is ¥1 per share of the Restructured Company to be delivered upon the exercise of the issued stock acquisition rights.
 - (5) Exercise period of stock acquisition rights
Starting from the later of either the first date of the exercise period for the stock acquisition rights as stipulated in the “Exercise period” above or the effective date of the Organizational Restructuring and ending on the expiration date for the exercise of stock acquisition rights as stipulated in the “Exercise period” above.
 - (6) Matters concerning capital stock and capital surplus to be increased when shares are issued upon the exercise of stock acquisition rights
Shall be determined in accordance with the above “Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock.”
 - (7) Restriction on acquisition of stock acquisition rights by transfer
Acquisition of stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Restructured Company.
 - (8) Conditions for acquisition of stock acquisition rights
Shall be determined in accordance with the items below.
If any of the below proposals (a, b, c, d or e) is approved by the shareholders’ meeting of the Bank (or by the Board of Directors of the Bank if the approval of the shareholders’ meeting is not required), the Bank may acquire stock acquisition rights at the date specifically determined by the Board of Directors of the Bank without any compensation therefor.
 - a. A proposal for the approval of any merger agreement under which the Bank is dissolved
 - b. A proposal for the approval of any company split agreement or plan in which the Bank will be a splitting company
 - c. A proposal for the approval of any share exchange agreement or share transfer plan in which the Bank will be a wholly owned subsidiary
 - d. A proposal for the approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares to be issued by the Bank will be subject to the Bank’s approval

e. A proposal for the approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares in the relevant class to be issued upon exercise of stock acquisition rights will be subject to the Bank's approval or the Bank may acquire all of the shares in the relevant class to be issued upon the exercise of stock acquisition rights following the resolution by the shareholders' meeting of the Bank

(9) Other conditions for the exercise of stock acquisition rights
Shall be determined in accordance with (*6) above.

ii) Size and changes in stock options:

The following describes the size of and changes in stock options that existed during the year ended March 31, 2021. The number of stock options is calculated in terms of the number of shares.

a) Number of stock options

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Nonvested				
April 1, 2020 –	–	–	–	–
Outstanding				
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
March 31, 2021 –	–	–	–	–
Outstanding				
Vested				
April 1, 2020 –	4,850 shares	3,990 shares	6,620 shares	6,260 shares
Outstanding				
Vested	–	–	–	–
Exercised	620 shares	520 shares	770 shares	620 shares
Forfeited	–	–	–	–
March 31, 2021 –	4,230 shares	3,470 shares	5,850 shares	5,640 shares
Outstanding				
	2018 stock options	2019 stock options	2020 stock options	
Nonvested				
April 1, 2020 –	–	–	–	
Outstanding				
Granted	–	–	13,430 shares	
Forfeited	–	–	–	
Vested	–	–	13,430 shares	
March 31, 2021 –	–	–	–	
Outstanding				
Vested				
April 1, 2020 –	6,870 shares	8,090 shares	–	
Outstanding				
Vested	–	–	13,430 shares	
Exercised	650 shares	750 shares	–	
Forfeited	–	–	–	
March 31, 2021 –	6,220 shares	7,340 shares	13,430 shares	
Outstanding				

b) Price information:

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Exercise price	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share

Average exercise price	¥2,380 (\$21.50) per share	¥2,380 (\$21.50) per share	¥2,380 (\$21.50) per share	¥2,380 (\$21.50) per share
Fair value at grant date	¥3,470 (\$31.34) per share	¥4,590 (\$41.46) per share	¥2,950 (\$26.65) per share	¥3,782 (\$34.16) per share
	2018 stock options	2019 stock options	2020 stock options	
Exercise price	¥1 (\$0.01) per share	¥1 (\$0.01) per share	¥1 (\$0.01) per share	
Average exercise price	¥2,380 (\$21.50) per share	¥2,380 (\$21.50) per share	—	
Fair value at grant date	¥3,513 (\$31.73) per share	¥3,039 (\$27.45) per share	¥1,980 (\$17.88) per share	

Valuation technique to estimate fair value of stock options

a) Valuation technique used: Black-Scholes model

b) Major assumptions and estimation method

	2020 stock options
Expected volatility (*1)	29.005%
Expected life (*2)	6.2 years
Expected dividends (*3)	¥70 (\$0.63) per share
Risk-free interest rate (*4)	(0.100)%

Notes: (*1) Expected volatility is calculated based on the daily closing prices on each trading day during the period from May 13, 2014 to July 13, 2020.

(*2) Expected life is estimated based on the average term of office of directors, etc., who retired during the past 10 years.

(*3) Expected dividends are the actual dividends for the year ended March 31, 2020.

(*4) Risk-free interest rate is a Japanese government bond yield which corresponds to the expected life.

iii) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options to be forfeited in the future.

15. Commitments

(a) Loan commitments

Overdraft facilities and loan commitment lines are contracts under which the Bank is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the applicable contract. At March 31, 2021 and 2020, the unused amounts of these contracts amounted to ¥792,427 million (\$7,157,686 thousand) and ¥744,858 million, respectively. The unused contract amounts included amounts which originally expire within one year or are revocable by the Bank at any time without any conditions in the amount of ¥770,245 million (\$6,957,329 thousand) and ¥727,320 million at March 31, 2021 and 2020, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank to refuse customers' applications for loans or decrease the contract limits for appropriate reasons (e.g., changes in the financial situation and deterioration in the customer's creditworthiness). At the execution of such contracts, the Bank obtains real estate, securities, etc., as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of its customers' business results based on internal rules and may take necessary measures that include reconsidering the terms and conditions of such contracts and/or requiring additional collateral and/or guarantees.

(b) Lease commitments

(Lessee contracts)

The Group leases certain office space and equipment as lessee under long-term noncancellable lease contracts. The aggregate future minimum lease commitments for noncancellable operating leases at March 31, 2021 and 2020 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Operating leases as lessee:			
Due within one year	¥ 493	¥ 654	\$ 4,457
Due after one year	230	368	2,083
	¥ 724	¥ 1,022	\$ 6,540

(Lessor contracts)

A consolidated subsidiary engaged in leasing operations as lessor entered into long-term, noncancellable lease contracts with third parties which were categorized as finance leases. At March 31, 2021 and 2020, investments in the leased assets as lessor consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Future minimum lease payments to be received	¥ 35,015	¥ 35,468	\$ 316,285
Estimated residual value	5,288	4,773	47,769
Imputed interest	(3,140)	(3,194)	(28,370)
Investments in leased assets	¥ 37,163	¥ 37,047	\$ 335,684

The aggregate annual maturities of future minimum lease payments to be received related to lease receivables and investments in leased assets at March 31, 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31,	Lease receivables	Investments in leased assets	Lease receivables	Investments in leased assets
2022	¥ 237	¥ 10,962	\$ 2,146	\$ 99,022
2023	224	8,937	2,032	80,730
2024	214	6,781	1,936	61,255
2025	187	4,478	1,696	40,452
2026	145	2,294	1,314	20,729
2027 and thereafter	53	1,560	479	14,097
	¥ 1,063	¥ 35,015	\$ 9,603	\$ 316,285

At March 31, 2021 and 2020, future lease payments to be received for noncancellable operating leases were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Operating leases as lessor:			
Due within one year	¥ 178	¥ 153	\$ 1,609
Due after one year	306	259	2,765
	¥ 484	¥ 412	\$ 4,374

16. Derivative Instruments

At March 31, 2021 and 2020, derivative instruments, other than those to which hedge accounting was applied, were stated at fair value with valuation gains and losses recognized as current earnings in the accompanying consolidated statements of income as follows.

	Millions of yen			
	Notional principal or contract amounts		Fair value *	Valuation gain (loss)
	Total	Over one year		
March 31, 2021:				
Currency swaps	¥ 33,691	¥ —	¥ (1,345)	¥ (1,345)
Forward foreign exchange contracts	8,470	—	(12)	(12)
March 31, 2020:				
Currency swaps	¥ 39,485	¥ —	¥ 90	¥ 90
Forward foreign exchange contracts	6,402	—	8	8
	Thousands of U.S. dollars			
	Total	Over one year	Fair value *	Valuation gain (loss)
March 31, 2021:				
Currency swaps	\$ 304,324	\$ —	\$ (12,155)	\$ (12,155)
Forward foreign exchange contracts	76,507	—	(115)	(115)

Note: *Fair values were calculated based on the discounted cash flow method, etc.

Other derivative instruments at March 31, 2021 and 2020 were as follows.

	Millions of yen			
	Notional principal or contract amounts		Fair value *	Valuation gain (loss)
	Total	Over one year		
March 31, 2021:				
Earthquake derivatives:				
Selling	¥ 2,775	¥ 110	¥ (67)	¥ —
Buying	2,775	110	67	—
March 31, 2020:				

Earthquake derivatives:

Selling	¥	2,480	¥	—	¥	(60)	¥	—
Buying		2,480		—		60		—

Thousands of U.S. dollars

March 31, 2021:

Earthquake derivatives:

Selling	\$	25,065	\$	994	\$	(607)	\$	—
Buying		25,065		994		607		—

*Note: * Fair values were stated at acquisition costs for those extremely difficult to determine or stated at quoted price obtained from financial institutions signing the contract.*

There were no derivative instruments to which hedge accounting was applied at either March 31, 2021 or 2020.

17. Income Taxes

Income taxes for the years ended March 31, 2021 and 2020 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income taxes:			
Current	¥ 3,628	¥ 1,562	\$ 32,774
Deferred	1,137	(52)	10,276
	<u>¥ 4,766</u>	<u>¥ 1,510</u>	<u>\$ 43,050</u>

At March 31, 2021 and 2020, income taxes payable, including enterprise taxes, amounting to ¥2,566 million (\$23,180 thousand) and ¥476 million, respectively, were included in “other liabilities” in the accompanying consolidated balance sheets.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Reserve for possible loan losses	¥ 3,576	¥ 3,561	\$ 32,303
Employee retirement benefit (asset) liability	170	1,171	1,543
Loss on devaluation of stocks and other securities	1,939	2,073	17,522
Reserve for contingent losses	327	408	2,955
Depreciation	1,408	1,253	12,720
Others	2,775	2,437	25,073
Less valuation allowance	<u>(3,661)</u>	<u>(3,596)</u>	<u>(33,074)</u>
Subtotal	6,536	7,308	59,042
Deferred tax liabilities:			
Unrealized gains on available-for-sale	(23,377)	(16,883)	(211,164)

securities			
Gain on transfer of securities to trusts for retirement benefit plan	(2,224)	(2,224)	(20,092)
Others	(1,486)	(72)	(13,431)
Subtotal	(27,089)	(19,180)	(244,687)
Net deferred tax assets (liabilities)	¥ (20,552)	¥ (11,871)	\$ (185,645)

At March 31, 2021 and 2020, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets	¥ 498	¥ 612	\$ 4,503
Deferred tax liabilities	(21,051)	(12,483)	(190,148)

In assessing the realizability of deferred tax assets, the Group's management considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At both March 31, 2021 and 2020, a valuation allowance was provided to reduce deferred tax assets to amounts that management believed would be realizable.

The Group is subject to Japanese national and local income taxes, which in the aggregate resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2021 and 2020. Information about reconciliation between the Japanese statutory effective tax rate and the actual effective income tax rate on pretax profit reflected in the accompanying consolidated statements of income for the year ended March 31, 2021 was not disclosed as their difference was less than 5% of the statutory tax rate for the year ended March 31, 2021. Reconciliation between the Japanese statutory tax rate and the effective tax rate on pretax profit reflected in the accompanying consolidated statements of income for the year ended March 31, 2020 was as follows.

	Percentage of pretax profit
	2020
Japanese statutory tax rate	30.6 %
Increase (decrease) due to:	
Permanently nondeductible expenses	0.9
Tax exempt income	(3.6)
Local minimum taxes - per capita basis	1.0
Changes in valuation allowance	(4.4)
Others	0.0
Effective tax rate	24.5 %

18. General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Salaries and allowances (including bonuses)	¥ 14,857	¥ 14,529	\$ 134,206
Retirement benefit expenses	1,328	958	12,002

19. Comprehensive Income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component 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
Net change in unrealized gains (losses) on available-for-sale securities:			
Increase (decrease) during the year	¥ 25,940	¥ (11,256)	\$ 234,306
Reclassification adjustments	(4,717)	(2,323)	(42,608)
Pretax amount	21,222	(13,579)	191,698
Tax effect amount	(6,494)	3,914	(58,661)
Net change in unrealized gains (losses) on available-for-sale securities, net of tax	14,728	(9,665)	133,037
Net change in deferred gains on hedging instruments:			
Decrease during the year	(11)	(16)	(104)
Reclassification adjustments	11	16	104
Pretax amount	—	—	—
Tax effect amount	—	—	—
Net change in deferred gains on hedging instruments, net of tax	—	—	—
Retirement benefit adjustments:			
Increase (decrease) during the year	2,595	(1,098)	23,448
Reclassification adjustments	831	473	7,512
Pretax amount	3,427	(624)	30,960
Tax effect amount	(1,048)	191	(9,474)
Retirement benefit adjustments, net of tax	2,378	(433)	21,486
Total other comprehensive income	¥ 17,107	¥ (10,098)	\$ 154,523

20. Related Party Transactions

During the years ended March 31, 2021 and 2020, the Bank had significant transactions with directors and audit and supervisory board members and their immediate family members of the Bank or its significant subsidiaries, and/or the companies in which they held directly or indirectly a majority voting interest.

A summary of the significant related party transactions as of and for the years ended March 31, 2021 and 2020 is as follows.

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
For the year:				
Number of related parties	7	7		
Amount of loan transactions (average balance)	¥ 166	¥ 153	\$ 1,501	
At year-end:				
Loans and bills discounted	¥ 168	¥ 153	\$ 1,521	

21. Subsequent Events

Appropriation of retained earnings

Shareholders of the Bank approved the following appropriation of retained earnings at the annual general meeting held on June 25, 2021.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥35.0 per share (\$0.32 per share)	¥ 633	\$ 5,726

22. Segment Information

(a) General information about reportable segments

The Group defines a reportable segment as a component of the Group for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about the allocation of resources and to assess performance.

The Group engages in financial services, primarily in banking but also in comprehensive finance leasing services and credit card services. The reportable segments of the Group are determined based on the types of financial services as follows.

“Banking” — head office and branches

- Deposits and loans
- Domestic and foreign exchange transactions

- Securities investments
- Trading of trading account securities
- Underwriting and registration of corporate bonds

“Leasing” — Nagoya Lease Co., Ltd., a domestic subsidiary of the Bank

- Comprehensive finance leasing business

“Credit Card” — Nagoya Card Co., Ltd. and Nagoya MC Card Co., Ltd., domestic subsidiaries of the Bank

- Credit card business

(b) Basis of measurement for segment profit, segment assets, segment liabilities and other material items for each reportable segment

The basis of measurement for reportable segment information follows the accounting principles used in the consolidated financial statements as described in Note 2, “Summary of Significant Accounting Policies.” Segment profit is based on “ordinary income,” which is defined as total income less certain special gains and special losses included in the accompanying consolidated statements of income. Intersegment income is accounted for based on prices of ordinary transactions with independent third parties.

(c) Information about reportable segment profit, segment assets, segment liabilities and other material items by reportable segment

Segment information as of and for the years ended March 31, 2021 and 2020 was as follows.

Millions of yen						
2021						
	Reportable segments				Other (*2)	Total
	Banking	Leasing	Credit Card	Total		
Ordinary income (*1):						
External customers	¥ 47,991	¥ 19,082	¥ 2,106	¥ 69,179	¥ 6	¥ 69,186
Intersegment	916	330	206	1,453	80	1,533
Total ordinary income	48,907	19,412	2,312	70,632	86	70,719
Segment profit	9,143	677	843	10,664	20	10,684
Segment assets	4,869,398	54,686	17,431	4,941,515	438	4,941,954
Segment liabilities	4,627,591	48,516	10,726	4,686,834	12	4,686,846
Other material items:						
Depreciation and amortization (*3)	2,083	397	8	2,489	0	2,489
Interest income	31,330	147	53	31,532	0	31,532
Interest expense	1,132	138	1	1,272	–	1,272
Provision for possible loan losses	1,505	27	–	1,532	–	1,532
Increase in tangible and intangible fixed assets	6,535	189	6	6,730	0	6,731
Millions of yen						
2020						
	Reportable segments				Other (*2)	Total
	Banking	Leasing	Credit Card	Total		
Ordinary income (*1):						
External customers	¥ 46,404	¥ 18,325	¥ 2,313	¥ 67,043	¥ 0	¥ 67,043
Intersegment	1,110	343	230	1,684	98	1,783
Total ordinary income	47,514	18,668	2,544	68,728	98	68,826
Segment profit	6,070	475	729	7,274	18	7,292
Segment assets	3,893,672	56,126	17,333	3,967,131	387	3,967,519
Segment liabilities	3,675,922	50,094	10,642	3,736,659	13	3,736,673
Other material items:						
Depreciation and amortization (*3)	1,640	401	9	2,051	–	2,051
Interest income	30,438	150	67	30,656	–	30,656
Interest expense	2,535	138	2	2,676	–	2,676
Provision for possible loan losses	939	77	148	1,164	–	1,164
Increase in tangible and intangible fixed assets	2,402	244	14	2,661	–	2,661

Thousands of U.S. dollars						
2021						
	Reportable segments				Other (*2)	Total
	Banking	Leasing	Credit Card	Total		
Ordinary income (*1):						
External customers	\$ 433,485	\$ 172,360	\$ 19,023	\$ 624,868	\$ 62	\$ 624,930
Intersegment	8,275	2,983	1,868	13,126	723	13,849
Total ordinary income	441,760	175,343	20,891	637,994	785	638,779
Segment profit	82,588	6,124	7,617	96,329	183	96,512
Segment assets	43,983,363	493,959	157,452	44,634,774	3,961	44,638,735
Segment liabilities	41,799,222	438,229	96,884	42,334,335	113	42,334,448
Other material items:						
Depreciation and amortization (*3)	18,819	3,593	74	22,486	1	22,487
Interest income	282,997	1,335	486	284,818	0	284,818
Interest expense	10,234	1,247	13	11,494	—	11,494
Provision for possible loan losses	13,597	244	—	13,841	—	13,841
Increase in tangible and intangible fixed assets	59,029	1,711	55	60,795	5	60,800

Notes: *1. "Ordinary income" represents total income less certain special gains included in the accompanying consolidated statements of income.

*2. The "other" business segment includes principally the clerical outsourcing business.

*3. Depreciation and amortization include amounts related to information technology investments.

(d) Reconciliation of the totals of each segment item to the corresponding Group amounts

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Ordinary income:			
Total reportable segments	¥ 70,632	¥ 68,728	\$ 637,994
Other	86	98	785
Intersegment elimination	(1,533)	(1,783)	(13,848)
Reversal of provision for possible loan losses	(136)	—	(1,228)
	69,050	67,043	623,703
Other gains	6,503	4	58,744
Total income on consolidated statements of income	¥ 75,553	¥ 67,047	\$ 682,447

Note: “Other gains” includes gain on disposal of fixed assets.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Segment profit:			
Total reportable segments	¥ 10,664	¥ 7,274	\$ 96,329
Other	20	18	183
Intersegment elimination	(807)	(989)	(7,298)
	9,876	6,303	89,214
Other gains (losses), net	5,660	(124)	51,124
Profit before income taxes on consolidated statements of income	¥ 15,536	¥ 6,178	\$ 140,338

Note: “Other gains (losses), net” includes gain and loss on disposal of fixed assets and impairment loss on fixed assets.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Segment assets:			
Total reportable segments	¥ 4,941,515	¥ 3,967,131	\$ 44,634,774
Other	438	387	3,961
Intersegment elimination	(31,471)	(32,116)	(284,271)
Adjustment of retirement benefit assets	2,268	(440)	20,488
Total assets on consolidated balance sheets	¥ 4,912,750	¥ 3,934,962	\$ 44,374,952

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Segment liabilities:			
Total reportable segments	¥ 4,686,834	¥ 3,736,659	\$ 42,334,335
Other	12	13	113
Intersegment elimination	(27,535)	(28,228)	(248,717)
Adjustment of retirement benefit liability	180	(149)	1,630
Total liabilities on consolidated balance sheets	¥ 4,659,491	¥ 3,708,295	\$ 42,087,361

	Millions of yen			
	2021			
	Total reportable segments	Other	Reconciliation	Consolidated
Other material items:				
Depreciation and amortization	¥ 2,489	¥ 0	¥ –	¥ 2,489
Interest income	31,532	0	(864)	30,667
Interest expense	1,272	–	(74)	1,197
Provision for possible loan losses	1,532	–	(136)	1,396
Increase in tangible and intangible fixed assets	6,730	0	–	6,731

	Millions of yen			
	2020			
	Total reportable segments	Other	Reconciliation	Consolidated
Other material items:				
Depreciation and amortization	¥ 2,051	¥ –	¥ –	¥ 2,051
Interest income	30,656	–	(1,037)	29,618
Interest expense	2,676	–	(69)	2,606
Provision for possible loan losses	1,164	–	–	1,164
Increase in tangible and intangible fixed assets	2,661	–	–	2,661

Thousands of U.S. dollars				
2021				
	Total reportable segments	Other	Reconciliation	Consolidated
Other material items:				
Depreciation and amortization	\$ 22,486	\$ 1	\$ –	\$ 22,487
Interest income	284,818	0	(7,806)	277,012
Interest expense	11,494	–	(675)	10,819
Provision for possible loan losses	13,841	–	(1,229)	12,612
Increase in tangible and intangible fixed assets	60,795	5	–	60,800

(e) Related information for enterprise-wide disclosure

(1) Information by service

Millions of yen					
Service					
	Loans	Securities investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2021	¥ 25,144	¥ 11,053	¥ 19,082	¥ 13,905	¥ 69,186
For the year ended March 31, 2020	23,078	11,951	18,325	13,687	67,043
Thousands of U.S. dollars					
Ordinary income from external customers:					
For the year ended March 31, 2021	\$ 227,123	\$ 99,842	\$ 172,360	\$ 125,605	\$ 624,930

(2) Information by geographical area for the years ended March 31, 2021 and 2020 was omitted since income from operations in Japan accounted for more than 90% of total consolidated income, and tangible fixed assets in Japan were more than 90% of tangible fixed assets on the consolidated balance sheets.

(3) Information by major customer for the years ended March 31, 2021 and 2020 was omitted since there were no external customers accounting for 10% or more of consolidated income.

(f) Information about impairment loss on fixed assets by reportable segment

		Millions of yen											
		Reportable segments											
		Banking		Leasing		Credit Card		Total		Other		Total	
Impairment loss on fixed assets:													
For the year ended													
March 31, 2021		¥	537	¥	—	¥	80	¥	618	¥	—	¥	618
For the year ended													
March 31, 2020			71		—		—		71		—		71
		Thousands of U.S. dollars											
Impairment loss on fixed assets:													
For the year ended													
March 31, 2021		\$	4,858	\$	—	\$	726	\$	5,584	\$	—	\$	5,584

(g) Information with regard to goodwill by reportable segment

None