

ANNUAL REPORT

YEAR ENDED March 31, 2021

2021



The Akita Bank, Ltd.

Profile

Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and five consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on the current medium-term management plan, Kachi Kyoso - Grow with Our Community -, the Bank will execute its role as a regional bank, which its network covers the area in eastern Japan and expand our financial services including international operations emphasizing relations with regional clients.

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In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2021 and 2020

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Total income	¥43,535	¥46,392	\$393,234
Total expenses	39,400	41,851	355,884
Income before income taxes	4,134	4,541	37,340
Net income attributable to owners of parent	2,716	3,128	24,532

	Yen	U.S. dollars (Note 1)
Net income per share	¥151.97	\$1.37

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Total assets	¥3,488,741	¥3,030,786	\$31,512,428
Trading account securities and securities	755,976	697,281	6,828,434
Loans and bills discounted	1,834,802	1,612,055	16,573,046
Deposits	2,903,903	2,619,653	26,229,816
Total net assets	176,594	165,830	1,595,104

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥110.71 = U.S.\$1.00, the exchange rate prevailing as of March 31, 2021.

(2) Capital adequacy ratio stood at 12.10% and 11.89% as of March 31, 2021 and 2020, respectively, in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31

	Millions of yen				
	2021	2020	2019	2018	2017
Total income	¥43,535	¥46,392	¥45,173	¥47,492	¥47,465
Net income attributable to owners of parent	2,716	3,128	4,142	4,733	4,741

	Yen				
	2021	2020	2019	2018	2017
Net income per share	¥151.97	¥174.78	¥230.77	¥263.65	¥261.26

	Percent				
	2021	2020	2019	2018	2017
Income ratio					
Net income to total assets	0.08	0.10	0.13	0.15	0.15
Net income to owned capital	1.59	1.82	2.33	2.72	2.78
Capital adequacy ratio					
Domestic guidelines	12.10	11.89	11.49	11.24	11.55

Notes: (1) The Bank's capital adequacy ratio and net income to owned capital ratio are calculated in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

(2) Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of fiscal year 2016.

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
ASSETS			
Cash and due from banks (Note 41)	¥ 789,282	¥ 619,613	\$ 7,129,274
Call loans and bills bought	15,802	5,842	142,733
Monetary claims bought	8,420	6,901	76,054
Trading account securities (Note 8)	—	423	—
Securities (Notes 9 and 16)	755,976	696,857	6,828,434
Loans and bills discounted (Note 10)	1,834,802	1,612,055	16,573,046
Foreign exchanges (Note 11)	3,370	1,808	30,439
Other assets (Notes 12 and 16)	57,575	65,924	520,052
Premises and equipment (Notes 13 and 34)	18,763	19,878	169,478
Intangible assets (Note 14)	1,404	1,608	12,681
Net defined benefit asset (Note 23)	3,817	1,433	34,477
Deferred tax assets (Note 18)	303	329	2,736
Customers' liabilities for acceptances and guarantees (Note 17)	11,832	9,454	106,873
Reserve for possible loan losses (Notes 4 and 10)	(12,609)	(11,345)	(113,892)
Reserve for investment losses	(0)	(0)	(0)
Total assets	¥3,488,741	¥3,030,786	\$31,512,428

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
LIABILITIES			
Deposits (Notes 16 and 19)	¥2,903,903	¥2,619,653	\$26,229,816
Negotiable certificates of deposit	77,185	82,742	697,181
Call money and bills sold	942	804	8,508
Payables under securities lending transactions (Note 16)	48,177	50,674	435,163
Borrowed money (Notes 16 and 20)	247,546	80,082	2,235,985
Foreign exchanges (Note 21)	35	51	316
Other liabilities (Note 22)	10,317	11,915	93,189
Reserve for directors' bonuses	20	20	180
Net defined benefit liability (Note 23)	2,183	2,858	19,718
Reserve for directors' retirement benefits	22	24	198
Reserve for share-based remuneration	60	74	541
Reserve for reimbursement of dormant deposits	436	534	3,938
Reserve for contingent losses	796	850	7,189
Deferred tax liabilities (Note 18)	7,159	3,672	64,664
Deferred tax liability for land revaluation (Note 24)	1,525	1,543	13,774
Acceptances and guarantees (Note 17)	11,832	9,454	106,873
Total liabilities	¥3,312,146	¥2,864,956	\$29,917,315
NET ASSETS			
Capital stock (Note 38)	14,100	14,100	127,359
Capital surplus	9,212	9,212	83,208
Retained earnings (Note 40)	124,820	123,439	1,127,450
Treasury stock (Note 38)	(637)	(670)	(5,753)
Total stockholders' equity	147,496	146,081	1,332,273
Valuation difference on available-for-sale securities (Note 25)	25,687	18,590	232,020
Land revaluation excess (Note 24)	2,975	2,986	26,872
Remeasurements of defined benefit plans (Note 23)	(239)	(2,485)	(2,158)
Total accumulated other comprehensive income	28,423	19,091	256,733
Non-controlling interests	674	657	6,087
Total net assets	176,594	165,830	1,595,104
Total liabilities and net assets	¥3,488,741	¥3,030,786	\$31,512,428

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2019	¥14,100	¥9,212	¥121,664	¥(509)	¥144,468
Changes of items during the period					
Dividends from surplus	—	—	(1,346)	—	(1,346)
Net income attributable to owners of parent	—	—	3,128	—	3,128
Purchase of treasury stock	—	—	—	(171)	(171)
Disposal of treasury stock	—	—	(1)	10	8
Reversal of revaluation reserve for land	—	—	(5)	—	(5)
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,774	(161)	1,613
Balance at March 31, 2020	¥14,100	¥9,212	¥123,439	¥(670)	¥146,081
Changes of items during the period					
Dividends from surplus	—	—	(1,346)	—	(1,346)
Net income attributable to owners of parent	—	—	2,716	—	2,716
Purchase of treasury stock	—	—	—	(0)	(0)
Disposal of treasury stock	—	—	(0)	34	33
Reversal of revaluation reserve for land	—	—	11	—	11
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,381	33	1,414
Balance at March 31, 2021	¥14,100	¥9,212	¥124,820	¥(637)	¥147,496

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
Balance at March 31, 2019	¥31,452	¥2,980	¥(1,238)	¥33,194	¥84	¥646	¥178,393
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(1,346)
Net income attributable to owners of parent	—	—	—	—	—	—	3,128
Purchase of treasury stock	—	—	—	—	—	—	(171)
Disposal of treasury stock	—	—	—	—	—	—	8
Reversal of revaluation reserve for land	—	—	—	—	—	—	(5)
Net changes of items other than stockholders' equity	(12,861)	5	(1,247)	(14,103)	(84)	11	(14,175)
Total changes of items during the period	(12,861)	5	(1,247)	(14,103)	(84)	11	(12,562)
Balance at March 31, 2020	¥18,590	¥2,986	¥(2,485)	¥19,091	¥—	¥657	¥165,830
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(1,346)
Net income attributable to owners of parent	—	—	—	—	—	—	2,716
Purchase of treasury stock	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	33
Reversal of revaluation reserve for land	—	—	—	—	—	—	11
Net changes of items other than stockholders' equity	7,097	(11)	2,246	9,332	—	16	9,349
Total changes of items during the period	7,097	(11)	2,246	9,332	—	16	10,763
Balance at March 31, 2021	¥25,687	¥2,975	¥(239)	¥28,423	¥—	¥674	¥176,594

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2020	\$127,359	\$83,208	\$1,114,976	\$(6,051)	\$1,319,492
Changes of items during the period					
Dividends from surplus	—	—	(12,157)	—	(12,157)
Net income attributable to owners of parent	—	—	24,532	—	24,532
Purchase of treasury stock	—	—	—	(0)	(0)
Disposal of treasury stock	—	—	(0)	307	298
Reversal of revaluation reserve for land	—	—	99	—	99
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	12,474	298	12,772
Balance at March 31, 2021	\$127,359	\$83,208	\$1,127,450	\$(5,753)	\$1,332,273

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
Balance at March 31, 2020	\$167,916	\$26,971	\$(22,446)	\$172,441	\$—	\$5,934	\$1,497,877
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(12,157)
Net income attributable to owners of parent	—	—	—	—	—	—	24,532
Purchase of treasury stock	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	298
Reversal of revaluation reserve for land	—	—	—	—	—	—	99
Net changes of items other than stockholders' equity	64,104	(99)	20,287	84,292	—	144	84,445
Total changes of items during the period	64,104	(99)	20,287	84,292	—	144	97,217
Balance at March 31, 2021	\$232,020	\$26,872	\$(2,158)	\$256,733	\$—	\$6,087	\$1,595,104

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2021 and 2020

Thousands of
U.S. dollars (Note 1)

	Millions of yen		2021
	2021	2020	
Cash flows from operating activities			
Income before income taxes	¥ 4,134	¥ 4,541	\$ 37,340
Depreciation and amortization	1,706	1,959	15,409
Losses on impairment of fixed assets	157	540	1,418
Net change in reserve for possible loan losses	1,264	(848)	11,417
Net change in reserve for investment losses	0	(0)	0
Net change in net defined benefit liability	(22)	(115)	(198)
Net change in reserve for directors' retirement benefits	(2)	2	(18)
Net change in reserve for share-based remuneration	(13)	74	(117)
Net change in reserve for reimbursement of dormant deposits	(98)	(105)	(885)
Net change in reserve for contingent losses	(54)	123	(487)
Gain on fund management	(24,072)	(25,922)	(217,432)
Financing expenses	311	763	2,809
Net (gain) loss related to securities transactions	(1,854)	(145)	(16,746)
Net (gain) loss on money held in trust	16	(35)	144
Net foreign exchange (gains) losses	(776)	361	(7,009)
Net (gain) loss on disposal of premises and equipment	49	144	442
Net change in loans and bills discounted	(224,090)	52,995	(2,024,117)
Net change in deposits	284,249	45,384	2,567,509
Net change in negotiable certificates of deposit	(5,556)	(11,331)	(50,185)
Net change in borrowed money (excluding subordinated borrowing)	167,464	(3,717)	1,512,636
Net change in due from banks (excluding deposit paid to Bank of Japan)	(369)	(422)	(3,333)
Net change in call loans	(11,479)	(3,084)	(103,685)
Net change in call money	138	(11,194)	1,246
Net change in payable under securities lending transactions	(2,496)	4,760	(22,545)
Net change in foreign exchanges assets	(1,561)	(337)	(14,099)
Net change in foreign exchanges liabilities	(16)	(219)	(144)
Proceeds from fund management	24,131	26,572	217,965
Payments for finance	(422)	(805)	(3,811)
Net change in trading account securities	427	99	3,856
Other, net	804	1,701	7,262
Sub-total	211,967	81,739	1,914,614
Income taxes paid	(1,070)	(2,406)	(9,664)
Net cash provided by (used in) operating activities	210,896	79,333	1,904,940
Cash flows from investing activities			
Purchases of securities	(365,206)	(343,544)	(3,298,762)
Proceeds from sales of securities	66,869	96,709	604,001
Proceeds from redemption of securities	258,608	194,055	2,335,904
Increase in money held in trust	(1,000)	(1,000)	(9,032)
Decrease in money held in trust	1,000	1,000	9,032
Purchases of premises and equipment	(321)	(1,310)	(2,899)
Proceeds from sales of premises and equipment	72	45	650
Payments for retirement of premises and equipment	(8)	(96)	(72)
Purchases of intangible fixed assets	(262)	(415)	(2,366)
Net cash provided by (used in) investing activities	(40,249)	(54,556)	(363,553)
Cash flows from financing activities			
Purchases of treasury stock	(0)	(171)	(0)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(1,346)	(1,346)	(12,157)
Cash dividends paid to non-controlling interests	(2)	(0)	(18)
Net cash provided by (used in) financing activities	(1,349)	(1,518)	(12,184)
Effect of exchange rate change on cash and cash equivalents	0	(0)	0
Net increase (decrease) in cash and cash equivalents	169,299	23,257	1,529,211
Cash and cash equivalents at beginning of year	612,679	589,422	5,534,089
Cash and cash equivalents at end of year (Note 41)	¥781,978	¥612,679	\$7,063,300

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2021 and 2020

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan, and the original consolidated financial statements in Japanese language are audited by Deloitte Touche Tohmatsu LLC, the Bank's accounting auditor.

In preparing these consolidated financial statements in English language, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The amount of net income attributable to owners of parent in these consolidated financial statements after such modification is the same as that in the audited original consolidated financial statements issued domestically.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, at the rate of ¥110.71 to U.S.\$1.00, the prevailing exchange rate at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. Principles of Consolidation

Consolidated subsidiaries

The consolidated financial statements include the accounts of the Bank and five of its subsidiaries, including The Akita Guarantee Service Ltd. and others, whose fiscal year end is consistent to that of the Bank. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of limited partnerships due to insignificance.

3. Summary of Significant Accounting Policies

(a) Trading account securities

Trading account securities are stated at fair value and the cost of securities sold is determined by the moving average method.

(b) Securities

Securities are classified, and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method and (2) available-for-sale securities are stated at fair value with unrealized holding gains and losses, net of applicable taxes, reported as valuation

difference on available-for-sale securities in a separate component of net assets. Securities whose fair values cannot be reliably estimated are stated at cost determined using the moving-average cost method.

Securities held in money trusts, of which funds are principally invested in securities and are separately managed from other beneficiaries, are carried at fair value with unrealized holding gains and losses included in earnings.

For available-for-sale securities, in cases where the fair value has fallen significantly from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the Bank considers recognizing a loss on impairment. The Bank considers the decline to be significant when the fair value of the available-for-sale securities declines more than 30% of the carrying amount. When the fair value of the available-for-sale securities declines 50% or more, the securities are stated at fair value on the consolidated balance sheets and the difference between the fair value and the acquisition price is recognized as a loss. When the fair value of the available-for-sale securities declines from 30% to less than 50% of the carrying amount, the Bank recognizes a loss based on the recoverability of the securities after examining the trends of market prices and the financial position of the issuers.

(c) Derivatives

Derivatives are carried at fair value which is based on market quotation.

(d) Premises and equipment

The Bank's depreciation policies are in line with the Corporation Tax Act of Japan. Depreciation is charged using the declining balance method over the estimated useful lives of respective assets. The straight-line method is applied to buildings acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings:	3–50 years
Others:	3–20 years

Depreciation of premises and equipment owned by consolidated subsidiaries is predominantly charged using the declining balance method over the estimated useful lives of respective assets.

(e) Intangible assets

Intangible assets are amortized using the straight-line method. Cost of software held for internal-use is amortized over its estimated useful life (mainly 5 years).

(f) Leased assets

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease periods as the useful life of assets with zero residual value. The Bank leases mainly peripheral devices and automobiles, included in premises and equipment, and software, included in intangible assets.

(g) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in accordance with the following obligors' categories, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

Normal Obligors:	Obligors whose business conditions are good and financial condition are no particularly problem
Cautious Obligors:	Obligors who have problems with their lending conditions or repayment performance, whose business conditions are sluggish or unstable, and whose future management requires attention

Intensive Control Obligors:	whose all or part of the loans are requiring management (restructured loans and loans that are delinquent for over three months), of the Cautious Obligors
Potential Bankrupt Obligors:	Obligors who are not currently in a situation of bankruptcy, but are recognized as having a significant possibility of falling into bankruptcy in the future
Substantially Bankrupt Obligors:	Obligors in substantially the same situation as bankrupt obligors
Bankrupt Obligors:	Obligors who are legally or formally bankrupt, such as bankruptcy or special liquidation

For loans to Intensive Control Obligors, reserves are maintained using the estimated loss ratio for the next three years. For loans to Normal Obligors and other Cautious Obligors, reserves are maintained using the estimated loss ratio for the next one year. The estimated loss is calculated by obtaining a loss rate based on the average of default experiences during the three periods in the past, using the default experiences for one year or three years as a basis. If the loss rate with the business cycle taken into account and based on the average value for a longer and certain period in the past is high, the difference of the loss rates is taken into consideration as adjustment necessary for the estimated future value.

For loans to Potential Bankrupt Obligors, the Bank has provided a reserve for possible loan losses calculated first by deducting the expected recovery amount from collateral and guarantee from loans, and then multiplying the remaining amount by the estimated loss ratio determined based on the average of default experiences during a certain period in the past, using the default experiences for three years as a basis. For loans to Bankrupt and Substantially Bankrupt Obligors, the Bank has provided a reserve for possible loan losses based on the amount claimed, net of the expected recovery amount from collateral and guarantee.

The Bank applied the DCF method to estimate a reserve for possible loan losses, if future cash flows of principal and interest are reasonably estimated, for (1) loans to Potential Bankrupt Obligors, where the loan balance, net of the amount secured by collateral, exceeds a certain amount and (2) loans to Intensive Control Obligors and their loan balance exceeds a certain amount. Thus, the difference between the amount calculated by discounting future cash flows of principal and interest using the original interest rate of respective loans and its book value is accounted for as reserve for loan losses.

The collectability of all loans is assessed by branches and the credit supervisory division, with an internal audit by the asset review and inspection division, in accordance with the Bank's policies and rules for the self-assessment of asset quality. The audit division audits the results of the assessment.

The consolidated subsidiaries calculate their reserve for possible loan losses as the amount deemed necessary to cover possible losses, which is estimated based on the actual historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific loans.

(h) Reserve for investment losses

Reserve for investment losses is provided for possible losses at the estimated amounts based on the financial position of securities' issuers.

(i) Reserve for employees' retirement benefits

For the calculation of retirement benefit obligation, the Bank applies the benefit formula basis as the method of attributing expected benefit to period. Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of

employees (10 years), commencing from the next fiscal year after incurrence.

The consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit cost.

(j) Reserve for directors' bonuses

Reserve for directors' bonuses is provided as the amount of the estimated bonuses which are attributable to each fiscal year.

(k) Reserve for retirement benefits to directors

Consolidated subsidiaries of the Bank accrue 100% of obligations for their retirement benefits according to the internal rules, which are based under the assumption that all directors terminate their services at the year end.

(l) Reserve for share-based remuneration

Reserve for share-based remuneration is based on the Share Delivery Regulations established by the Bank, and is provided in preparation for the issuance of the shares of the Bank to the directors of the Bank (excluding directors serving as Audit and Supervisory Committee members and outside directors). The amount is calculated based on the estimated amount of share-based remuneration obligation at the year end.

(m) Reserve for reimbursement of dormant deposits

Reserve for the reimbursement of dormant deposits which were de-recognized as liabilities under certain conditions is provided for possible losses on the future claims.

(n) Reserve for contingent losses

The Bank provides a reserve for future payments under the Responsibility-sharing System with Credit Guarantee Corporations, at an amount estimated based on historical experience.

(o) Foreign currency transaction

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

(p) Hedge accounting

(1) Hedge against interest rate risk

For interest rate derivatives to mitigate the interest rate risks arising from various financial assets and liabilities, the Bank applies the deferred hedge accounting based on the rules prescribed in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guidelines No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (October 8, 2020). Under these rules, hedge effectiveness is assessed by specifying hedged items (such as securities and loans) and the corresponding hedging instruments (such as interest rate swaps).

(2) Hedge against foreign exchange risk

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank applies the deferred method of hedge accounting based on the rules prescribed in the JICPA Industry Committee Practical Guidelines No. 25, the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (October 8, 2020). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt denominated in foreign currency as hedging instruments, by verifying the correlation between the hedged items and the foreign exchange positions of hedging instruments.

(q) Consumption taxes

Transactions are recorded exclusive of consumption taxes.

(r) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and deposit with the Bank of Japan.

(s) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to the operating loss carried forward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

4. Significant Accounting Estimates

The following is a list of items which were recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 using accounting estimates and may have a material impact on the consolidated financial statements for the following fiscal year.

(a) Reserve for possible loan losses

(1) The amount recorded in the consolidated financial statements for the current fiscal year

Reserve for possible loan losses ¥12,609 million (U.S.\$113,892 thousand)

(2) Information that contributes to understanding of significant accounting estimates on identified items

The Bank determines the obligor category (Normal Obligors, Cautious Obligors (Intensive Control Obligors, other Cautious Obligors), Potential Bankrupt Obligors, Substantially Bankrupt Obligors, Bankrupt Obligors) for each obligor based on the obligor's financial information and available external information, and records reserve for possible loan losses based on the calculation method described in "3. Summary of Significant Accounting Policies (g) Reserve for possible loan losses."

The classification of obligors is reviewed regularly and on an as-needed basis based on the financial information of the obligors, including the impact of the COVID-19 pandemic. However, the category of obligors who are facing poor performance or financial difficulties may depend on the judgment of the reasonableness and feasibility of the expected recovery of future performance and management improvement plans. If the obligor's category changes due to changes in the business environment surrounding the obligor, which is the premise for judging the reasonableness and feasibility of the management improvement plan, the reserve for possible loan losses may change in the following fiscal year.

At the end of the fiscal year ended March 31, 2020, the Bank assumed that the economic impact of the COVID-19 pandemic would continue for about one year, but based on the infection situation in Japan and overseas, the assumption was revised at the end of the current fiscal year to assume that it would continue for several more years. Based on these assumptions, the Bank estimated the cash flows considering the impact of the COVID-19 pandemic for some of the obligors to which the DCF method is applied, and recorded reserve for possible loan losses.

The impact of this change on the consolidated financial statements for the fiscal year ended March 31, 2021 is limited. However, the reserve for possible loan losses may change in the fiscal year ending March 31, 2022 if the circumstances on which the assumptions are based change.

5. Accounting Standards Issued But Not Yet Applied

(a) Accounting standard for fair value measurement, etc.

- "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Statement No. 30, issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)

- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(1) Outline

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have established detailed guidance on fair value measurement with almost the same content (IFRS 13 "Fair Value Measurement" in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 "Fair Value Measurement" in the US GAAP). In response to the situation, the ASBJ worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the "Accounting Standard for Fair Value Measurement" as well as issued or revised related accounting standards and implementation guidances.

The ASBJ's basic policy in developing the accounting standard for fair value measurement is, in principle, to incorporate all the provisions of IFRS 13 from the viewpoint of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.

(2) Scheduled date of application

The accounting standards and guidances will be applied effective from the beginning of the year ending March 31, 2022.

(3) Effect of applying the accounting standards and guidances

It is currently undecided about the effect of applying the "Accounting Standard for Fair Value Measurement," etc. on the consolidated financial statements.

6. Changes in Presentation

The Bank has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) to the consolidated financial statements for the fiscal year ended March 31, 2021 and has included notes on significant accounting estimates.

However, the Bank has not disclosed information for the year ended March 31, 2020 in accordance with transitional provisions in proviso of paragraph 11 of this accounting standard.

7. Additional Information

(a) Performance-linked stock compensation plan

1. Outline

The Bank has introduced a performance-linked stock compensation plan (the "Plan") using the executive compensation BIP trust. The objective of the Plan is to further clarify the link between the remuneration of directors (excluding directors serving as Audit and Supervisory Committee members and outside directors) and the Bank's business performance and share value, and enhance directors' awareness of contributing to improving business performance over the medium- to long-term and increasing corporate value.

Under the Plan, the Bank's shares are acquired through the trust by using an amount of remuneration for directors contributed by the Bank as funds, and based on the Share Delivery Regulations established by the Bank, the Bank's shares and cash equivalent to the conversion value of the Bank's shares are delivered and paid to the Bank's directors.

2. The Bank's shares remaining in trust

The shares of the Bank remaining in trust are recorded as treasury stock in stockholders' equity. The book value of the treasury stock was ¥136 million (U.S.\$1,228 thousand) and ¥169 million as of March 31, 2021 and 2020, respectively. The number of shares was 70 thousand and 87 thousand as of March 31, 2021 and 2020, respectively.

8. Trading Account Securities

Trading account securities as of March 31, 2021 and 2020 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Amount in the balance sheet	¥—	¥423	\$—
Valuation gain (loss) included in income for the year	3	(7)	27

9. Securities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Japanese government bonds	¥109,642	¥112,057	\$ 990,353
Local government bonds	244,550	181,571	2,208,924
Corporate bonds	152,940	183,004	1,381,447
Share stocks	53,193	46,241	480,471
Other securities	195,649	173,983	1,767,220
Total	¥755,976	¥696,857	\$6,828,434

Fair value and valuation differences of securities as of March 31, 2021 and 2020 and other related information are stated below.

(a) Held-to-maturity debt securities

None to report as of March 31, 2021.

The Bank and its consolidated subsidiaries' investments in held-to-maturity debt securities as of March 31, 2020 were summarized as follows:

	Millions of yen		
	2020		
	Carrying value	Fair value	Difference
Japanese government bonds	¥599	¥603	¥3

(b) Available-for-sale securities

The Bank and its consolidated subsidiaries' investments in available-for-sale securities as of March 31, 2021 and 2020 were summarized in the following tables. For presentation purposes, the tables also include: (i) trading account securities, (ii) some negotiable certificates of deposit included in cash and deposits and (iii) a part of securities included in monetary claims bought on the consolidated balance sheets, but exclude the stocks of the Bank's subsidiaries and affiliates.

	Millions of yen		
	2021		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 49,971	¥ 18,602	¥31,369
Bonds:			
Japanese government bonds	56,993	56,598	394
Local government bonds	171,143	169,807	1,335
Corporate bonds	130,534	129,546	988
Bonds total	358,670	355,952	2,718
Others	75,892	69,373	6,519
Subtotal	484,535	443,927	40,607
Carrying value not exceeding cost:			
Stocks	1,418	1,423	(5)
Bonds:			
Japanese government bonds	52,649	53,167	(518)
Local government bonds	73,407	73,632	(224)
Corporate bonds	22,405	22,451	(46)
Bonds total	148,462	149,252	(789)
Others	112,585	115,558	(2,972)
Subtotal	262,466	266,233	(3,767)
Total	¥747,001	¥710,161	¥36,840

	Millions of yen		
	2020		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 40,204	¥ 18,458	¥21,745
Bonds:			
Japanese government bonds	101,477	100,241	1,235
Local government bonds	113,984	112,797	1,187
Corporate bonds	154,791	153,308	1,482
Bonds total	370,252	366,347	3,905
Others	67,403	61,637	5,766
Subtotal	477,860	446,443	31,417
Carrying value not exceeding cost:			
Stocks	4,259	5,347	(1,087)
Bonds:			
Japanese government bonds	9,981	10,000	(19)
Local government bonds	67,586	67,893	(306)
Corporate bonds	28,213	28,283	(69)
Bonds total	105,780	106,176	(395)
Others	100,267	103,531	(3,263)
Subtotal	210,308	215,054	(4,746)
Total	¥688,169	¥661,498	¥26,671

	Thousands of U.S. dollars (Note 1)		
	2021		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	\$ 451,368	\$ 168,024	\$283,343
Bonds:			
Japanese government bonds	514,795	511,227	3,558
Local government bonds	1,545,867	1,533,800	12,058
Corporate bonds	1,179,062	1,170,138	8,924
Bonds total	3,239,725	3,215,174	24,550
Others	685,502	626,619	58,883
Subtotal	4,376,614	4,009,818	366,787
Carrying value not exceeding cost:			
Stocks	12,808	12,853	(45)
Bonds:			
Japanese government bonds	475,557	480,236	(4,678)
Local government bonds	663,056	665,088	(2,023)
Corporate bonds	202,375	202,791	(415)
Bonds total	1,340,999	1,348,134	(7,126)
Others	1,016,936	1,043,790	(26,844)
Subtotal	2,370,752	2,404,778	(34,025)
Total	\$6,747,366	\$6,414,605	\$332,761

(c) Available-for-sale securities sold

Available-for-sale securities sold and the gains and losses on sale of those securities for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Proceeds from sales	¥65,423	¥97,518	\$590,940
Gains	6,047	5,222	54,620
Losses	(1,512)	(2,241)	(13,657)

The Bank recognized an impairment loss of ¥778 million (U.S.\$7,027 thousand) and ¥5 million on equity securities for the years ended March 31, 2021 and 2020, respectively.

10. Loans and Bills Discounted

(a) Loans and bills discounted as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Bills discounted	¥ 2,555	¥ 3,530	\$ 23,078
Loans on notes	25,775	31,912	232,815
Loans on deeds	1,630,988	1,399,118	14,732,074
Overdrafts	175,483	177,493	1,585,069
Total	¥1,834,802	¥1,612,055	\$16,573,046

(b) Non-performing loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the following non-performing loans are included in the balance of loans and bills discounted at March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Loans in bankruptcy and dishonored bills (*1)	¥ 1,027	¥ 1,831	\$ 9,276
Delinquent loans (*2)	38,365	30,952	346,535
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	1,679	1,337	15,165
Total	¥41,071	¥34,121	\$370,978

*1. "Loans in bankruptcy and dishonored bills" consist of non-accrual loans on which the payment of principal or interest is well past due or where there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Order for Enforcement of Corporation Tax Act (Cabinet Order No. 97 of 1965).

*2. "Delinquent loans" are non-accrual loans, which do not fall under the classifications of loans in bankruptcy and dishonored bills, or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

*3. "Loans past due for three months or more" are classified in this category when three months or more have elapsed since the due date with no payment of principal or interest. Excluded from this balance are the balances of loans in bankruptcy and dishonored bills and the balances of delinquent loans.

*4. "Restructured loans" include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by revising terms of repayment favorable to the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, debt waiver, etc.). Excluded from this balance are the balances of loans in bankruptcy and dishonored bills, the balances of delinquent loans and the balances of loans past due for three months or more.

(c) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Bank has the rights to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. Their total face value as of March 31, 2021 and 2020 were ¥2,555 million (U.S.\$23,078 thousand) and ¥3,530 million, respectively.

(d) Contracts of overdraft facilities and loan commitment limits

Contracts of overdraft facilities and loan commitment limits are the contracts detailing that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Unused balance within the limits	¥639,039	¥629,096	\$5,772,188
Of which, the term of contracts is less than one year or revocable at any time	617,789	608,220	5,580,245

Since many of these commitments expire without being utilized, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions such that the Bank can refuse customers' applications for loans and can decrease the contract limits as they see with proper reasons (e.g., changes in financial situations, deterioration of customers' creditworthiness). At the inception of a contract the Bank obtains real estate, securities, etc. as collateral, if considered necessary. Subsequently, the Bank performs periodic reviews of customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or the requirement for additional collateral and guarantees.

11. Foreign Exchange Assets

Foreign exchange assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Due from foreign banks	¥3,370	¥1,808	\$30,439
Foreign exchange bills bought	—	0	—
Total	¥3,370	¥1,808	\$30,439

12. Other Assets

Other assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Lease receivables and lease investment assets	¥ 9,870	¥ 9,874	\$ 89,151
Prepaid expenses	20	19	180
Accrued income	4,549	4,768	41,089
Futures margins	83	—	749
Derivatives	78	1,530	704
Others	42,974	49,730	388,167
Total	¥57,575	¥65,924	\$520,052

13. Premises and Equipment

Premises and equipment as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Buildings	¥ 6,838	¥ 7,258	\$ 61,764
Land	10,137	10,299	91,563
Leased assets	1	1	9
Construction in Progress	11	1	99
Others	1,774	2,317	16,023
Total	¥18,763	¥19,878	\$169,478

The accumulated depreciation of premises and equipment as of March 31, 2021 and 2020 amounted to ¥32,412 million (U.S.\$292,764 thousand) and ¥32,335 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥1,925 million (U.S.\$17,387 thousand) and ¥1,942 million as of March 31, 2021 and 2020, respectively.

14. Intangible Assets

Intangible assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Software	¥1,223	¥1,425	\$11,046
Others	180	183	1,625
Total	¥1,404	¥1,608	\$12,681

15. Leases

Finance leases

Finance leases that do not transfer ownership

(1) Outline of lease assets

(i) Tangible fixed assets

Vehicle

(ii) Intangible assets

None

(2) Method of depreciation of lease assets

Please refer to Note 3. "Summary of Significant Accounting Policies, (f) Leased assets" in "Notes to Consolidated Financial Statements."

16. Assets Pledged

Assets pledged as collateral as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Securities	¥333,224	¥150,355	\$3,009,881
Other assets	49	49	442
Total	¥333,273	¥150,404	\$3,010,324

Liabilities related to above pledged assets as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Deposits	¥ 21,037	¥13,684	\$ 190,018
Payables under securities lending transactions	48,177	50,674	435,163
Borrowed money	245,100	77,900	2,213,892

In addition, the following assets were pledged as collateral for settlements of exchange as of March 31, 2021 and 2020, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Securities	¥ 3,456	¥ 3,491	\$ 31,216
Other assets	39,000	39,000	352,271

17. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

18. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which results in a statutory rate of approximately 30.5% for the years ended March 31, 2021 and 2020.

Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liability	¥ 2,742	¥ 2,567	\$ 24,767
Reserve for possible loan losses	3,347	2,937	30,232
Securities	724	482	6,539
Depreciation	275	309	2,483
Remeasurements of defined benefit plans	105	1,090	948
Others	1,519	1,574	13,720
Total deferred tax assets	8,715	8,962	78,719
Valuation allowance for the total of deductible temporary differences	(2,942)	(2,654)	(26,573)
Subtotal valuation allowance	(2,942)	(2,654)	(26,573)
Total deferred tax assets, net	5,773	6,308	52,145
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(998)	(1,025)	(9,014)
Valuation difference on available-for-sale securities	(10,916)	(7,848)	(98,599)
Reserve for advanced depreciation of real estate	(81)	(84)	(731)
Others	(633)	(693)	(5,717)
Total deferred tax liabilities	(12,629)	(9,651)	(114,072)
Net deferred tax assets (liabilities)	¥ (6,856)	¥(3,342)	\$ (61,927)

The following summarizes the amounts shown on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Deferred tax assets	¥ 303	¥ 329	\$ 2,736
Deferred tax liabilities	(7,159)	(3,672)	(64,664)
Net deferred tax assets (liabilities)	¥(6,856)	¥(3,342)	\$(61,927)

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Statutory tax rate	30.5 %	30.5 %
(Adjustments)		
Expenses not deductible for income tax purpose	0.2	0.5
Dividend income not included in taxable income	(4.7)	(4.5)
Inhabitant tax on per capital basis	1.0	0.9
Change in valuation allowance	7.0	1.8
Others	(0.1)	1.6
Actual effective tax rate	33.9 %	30.8 %

19. Deposits

An analysis of deposits as of March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Current deposits	¥ 165,630	¥ 133,204	\$ 1,496,070
Ordinary deposits	1,658,757	1,415,711	14,982,901
Saving deposits	47,228	42,658	426,591
Deposits at notice	7,258	5,505	65,558
Time deposits	980,549	985,946	8,856,914
Installment savings	3	3	27
Other deposits	44,476	36,623	401,734
Total	¥2,903,903	¥2,619,653	\$26,229,816

20. Borrowed Money

Borrowed money as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Borrowings from other banks	¥247,546	¥80,082	\$2,235,985

The average interest rates of the loans were 0.004% and 0.012% as of March 31, 2021 and 2020, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2021 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2022	¥151,130	\$1,365,098
2023	8,645	78,086
2024	20,470	184,897
2025	67,010	605,275
2026	172	1,553

21. Foreign Exchanges Liabilities

Foreign exchange liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Foreign exchange bills sold	¥ 9	¥32	\$ 81
Foreign exchange bills payable	25	18	225
Total	¥35	¥51	\$316

22. Other Liabilities

Other liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Domestic exchange settlement	¥ 115	¥ 107	\$ 1,038
Income taxes payable	971	80	8,770
Accrued expenses	1,495	2,078	13,503
Unearned income	2,361	2,438	21,325
Reserve for interest on installment savings	0	0	0
Variation margins of futures markets	—	1,445	—
Derivatives	143	40	1,291
Lease obligations	687	711	6,205
Others	4,542	5,012	41,026
Total	¥10,317	¥11,915	\$93,189

23. Reserve for Employees' Retirement Benefits

The Bank and its consolidated subsidiaries have defined benefit plans, i.e., Employees' Pension Fund plan (funded plan), and lump-sum retirement plan (non-funded plan). Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary and length of service. Retirement benefit trust is established for the Employees' Pension Fund plan and the lump-sum retirement plan. Some lump-sum retirement plan is substantially the same as funded plan due to the retirement benefit trust.

The Bank has a defined contribution pension plan as well. The amount of contribution required to the defined contribution pension plan was ¥167 million (U.S.\$1,508 thousand) and ¥169 million for the years ended March 31, 2021 and 2020, respectively.

(a) Changes in projected benefit obligation for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Projected benefit obligation			
– Beginning balance	¥25,279	¥25,382	\$228,335
Service cost	672	673	6,069
Interest cost	72	77	650
Actuarial gains and losses arising in the year	(82)	412	(740)
Retirement benefits paid	(1,226)	(1,266)	(11,073)
Projected benefit obligation			
– Ending balance	¥24,715	¥25,279	\$223,240

(b) Changes in plan assets for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Plan assets – Beginning balance	¥23,854	¥25,527	\$215,463
Expected return on plan assets	655	677	5,916
Actuarial gains and losses arising in the year	2,551	(1,643)	23,042
Retirement benefits paid	(754)	(749)	(6,810)
Others	41	42	370
Plan assets – Ending balance	¥26,348	¥23,854	\$237,991

(c) Ending balances of projected benefit obligation and plan assets and amounts on the consolidated balance sheets as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Projected benefit obligation under funded plan	¥ 24,664	¥ 25,228	\$ 222,780
Plan assets	(26,348)	(23,854)	(237,991)
	(1,684)	1,373	(15,210)
Projected benefit obligation under non-funded plan	50	50	451
Net balance on the consolidated balance sheets	¥ (1,633)	¥ 1,424	\$ (14,750)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net defined benefit liability	¥ 2,183	¥ 2,858	\$ 19,718
Net defined benefit asset	(3,817)	(1,433)	(34,477)
Net balance on the consolidated balance sheets	¥(1,633)	¥ 1,424	\$(14,750)

(d) Components of retirement benefit cost as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Service cost	¥ 630	¥ 630	\$ 5,690
Interest cost	72	77	650
Expected return on plan assets	(655)	(677)	(5,916)
Amortization of actuarial gains and losses	597	261	5,392
Retirement benefit cost	¥ 645	¥ 291	\$ 5,826

Note: The amount of employee contributions to the corporate pension fund is deducted from "Service cost."

(e) Items accounted for as remeasurements of defined benefit plans, before tax effect, for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Actuarial gains and losses	¥(3,232)	¥1,794	\$(29,193)
Total	¥(3,232)	¥1,794	\$(29,193)

(f) Remeasurements of defined benefit plans, before tax effect, as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Unrecognized actuarial gains and losses	¥344	¥3,576	\$3,107
Total	¥344	¥3,576	\$3,107

(g) Plan assets consisted of the following investments as of March 31, 2021 and 2020.

	2021	2020
Debt securities	20%	25%
Equity securities	41	37
Others	39	38
Total	100%	100%

The total plan assets included the retirement benefit trust established for Employees' Pension Fund plan. The portion to the total plan assets was 39% and 40% as of March 31, 2021 and 2020, respectively.

Long-term expected rate of return on plan assets is determined based on the assumption of: (i) allocation of plan assets and (ii) long-term returns on such assets.

(h) Assumption used for the calculation of actuarial gains and losses

The assumption used for the calculation of actuarial gains and losses, on a basis of weighted average, is as follows:

	2021	2020
Discount rate	0.311 to 0.476%	0.212 to 0.318%
Long-term expected rate of return	2.5 to 3.8	2.5 to 3.3
Expected salary raise	3.2	3.2

24. Land Revaluation Excess

Pursuant to the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998), the Bank recorded the land owned by the Bank at the fair value and related unrealized gain, net of the applicable income tax effect, was reported as "Land revaluation excess" in net assets. The corresponding deferred tax liability amount was recorded as "Deferred tax liability for land revaluation."

Revaluation date: March 31, 2000

Revaluation method stated in Article 3, Section 3 of the Act on

Revaluation of Land:

The value of land is based on the official notice prices determined by the public notification of the Commissioner of the National Tax Administration and as provided for in the Land-holding Tax Act, as stipulated in Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Differences between the fair value and the carrying value were: ¥4,399 million (U.S.\$39,734 thousand) and ¥4,681 million as of March 31, 2021 and 2020, respectively.

25. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Valuation differences:			
Available-for-sale securities	¥ 36,619	¥26,449	\$330,765
Deferred tax liabilities	(10,916)	(7,848)	(98,599)
Non-controlling interests	(14)	(10)	(126)
Valuation differences on available-for-sale securities	¥ 25,687	¥18,590	\$232,020

26. Other Interest Income

Other interest income for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Interest on deposits	¥138	¥111	\$1,246
Others	45	137	406
Total	¥184	¥249	\$1,661

27. Fees and Commissions—Income

Fees and commission income for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Domestic and foreign exchange	¥1,721	¥1,723	\$15,545
Others	4,784	5,246	43,211
Total	¥6,505	¥6,970	\$58,757

28. Other Operating Income

Other operating income for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Gains on trading account securities transactions	¥ 0	¥ —	\$ 0
Gains of sales and redemption of bonds	3,513	5,479	31,731
Gains on foreign exchange transactions	68	100	614
Others	4,686	4,887	42,326
Total	¥8,269	¥10,467	\$74,690

29. Other Income

Other income for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Recoveries of written off claims	¥ 3	¥ 0	\$ 27
Gains on sales of available-for-sale securities	4,324	2,685	39,056
Gains on money held in trust	—	35	—
Gains on disposal of fixed assets	18	4	162
Others	340	306	3,071
Total	¥4,687	¥3,032	\$42,335

30. Other Interest Expenses

Other interest expenses for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Interest on interest rate swaps	¥—	¥ —	\$ —
Others	50	154	451
Total	¥50	¥154	\$451

31. Fees and Commissions—Expenses

Fees and commissions expenses for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Domestic and foreign exchanges	¥ 265	¥ 271	\$ 2,393
Others	2,093	2,172	18,905
Total	¥2,358	¥2,443	\$21,298

32. Other Operating Expenses

Other operating expenses for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Losses on redemption of bonds	¥2,335	¥ 3,221	\$21,091
Losses on sales of bonds	2,045	4,002	18,471
Loss on trading account securities transactions	—	6	—
Others	4,359	4,301	39,373
Total	¥8,741	¥11,532	\$78,954

33. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Provision of reserve for possible loan losses	¥2,641	¥1,458	\$23,855
Written off of loans	35	74	316
Losses on sales of available-for-sale securities	819	771	7,397
Losses on devaluation of available-for-sale securities	783	23	7,072
Losses on money held in trust	16	—	144
Losses on disposals of fixed assets	67	148	605
Impairment losses	157	540	1,418
Others	487	699	4,398
Total	¥5,008	¥3,716	\$45,235

34. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of the following fixed assets, included in "other expenses," for the years ended March 31, 2021 and 2020.

For the year ended March 31, 2021

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Branch Buildings	Land and Buildings; three places	¥ 55	\$ 496
	Idle Assets	Land; 12 places	4	36
Other	Branch Buildings	Land and Buildings; three places	98	885
Total			¥157	\$1,418
Components of impairment losses:				
			¥ 50	\$ 451
			107	966

For the year ended March 31, 2020

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Branch Buildings	Land and Buildings; 12 places	¥469
	Idle Assets	Land; four places	5
Other	Branch Buildings	Land and Buildings; three places	64
Total			¥540
Components of impairment losses:			
			¥188
			351

For the purpose of identifying impaired assets, the assets of each individual branch are grouped as a unit.

The recoverable values of such assets are measured as the higher of net realizable values or value in use. Net realizable values are determined by the appraisal value based on Japanese Real Estate Appraisal Standards (issued by the Ministry of Lands, Infrastructure and Transport) less estimated costs of disposal. Value in use is calculated by discounting the future cash flow by 1.9% and 2.2% as of March 31, 2021 and 2020, respectively.

35. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥11,589	¥(18,627)	\$104,678
Recycling	(1,420)	246	(12,826)
Before tax effect adjustment	10,169	(18,380)	91,852
Tax effect	(3,068)	5,519	(27,712)
Valuation difference on available-for-sale securities	¥ 7,101	¥(12,861)	\$ 64,140
Remeasurements of defined benefit plans			
Amount arising in the year	¥ 2,634	¥ (2,056)	\$ 23,791
Recycling	597	261	5,392
Before tax effect adjustment	3,232	(1,794)	29,193
Tax effect	(985)	547	(8,897)
Remeasurements of defined benefit plans	¥ 2,246	¥ (1,247)	\$ 20,287
Total other comprehensive income	¥ 9,347	¥(14,108)	\$ 84,427

36. Financial Instruments

(a) Status

(1) Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") engage in banking as the mainstay of business, as well as other financial services such as leasing and guarantee. To execute these services, the Bank utilizes funds acquired primarily from deposits and applies funds mainly to extend loans and purchase securities. To ensure sound and appropriate banking operations without succumbing to the pursuit of excessive profit or risk aversion, the Bank conducts suitable risk management and seeks to maintain the right balance between profit and risk in fund-raising and application activities. The Bank also utilizes derivative transactions to hedge potential risks.

(2) Financial instruments and associated risks

Financial assets held by the Group are primarily loans and investment securities.

Loans are exposed to credit risk, which could lead to losses if the financial status of certain borrowers deteriorates, causing the asset value of collateral to decrease or disappear altogether.

Securities held by the Bank are mainly bonds, stocks, investment trusts, and investments in partnerships through capital contributions. The Bank holds these securities to secure profit, primarily from interest and dividends, for strategic purposes, such as business alliances, or as held-to-maturity bonds in consolidated subsidiaries. These securities are exposed to the credit risk of the respective issuers as well as market risk that could lead to losses caused by fluctuations, particularly in interest rates, exchange rates and market prices, that erode the value of held assets.

Financial liabilities held by the Bank and its consolidated subsidiaries are mainly deposits. Deposits are exposed to liquidity risk, which could lead to losses if an unexpected outflow of cash, for example, forces the Bank to acquire funds at significantly higher interest rates than usual (funding liquidity risk), or changes in the market environment force the Bank into transactions at prices that are more disadvantageous than usual (market liquidity risk).

The Bank engages in derivative transactions, including interest rate swaps, bond futures, forward exchange contracts and currency options. Interest rate swaps and bond futures serve to hedge against interest rate fluctuations affecting on-balance-sheet transactions. Forward exchange contracts and currency options serve to hedge foreign exchange fluctuations. (Please refer to Note 3. "Summary of Significant Accounting Policies, (p) Hedge accounting," regarding hedging instruments, hedged items, the Bank's accounting standards and qualifying method.)

Some transactions that do not meet hedge accounting criteria are exposed to interest rate risk and foreign exchange risk.

(3) Risk management for financial instruments

To ensure the quality and appropriateness of its banking operations, the Bank undertakes integrated risk management, a self-administered process whereby inherent risks are evaluated according to category, such as credit risk and market risk, and are viewed in total and compared against operating capacity, that is, net worth. Risk management for financial instruments also falls within the scope of this process.

Integrated risk management entails risk capital allocation by division and risk category within net worth on a yearly basis, monitoring risk volume, which is quantified using methods such as Value at Risk (VaR) and the status of allocated risk capital, and sufficient verification of business soundness and capital adequacy. In addition, corporate structures, such as the Board of Directors, are provided with regular updates on risk status and risk volume is kept when conditions require such action.

In setting caps on risk volume, the Bank considers profitability and efficiency, including a suitable assessment of risk and return, to underpin efforts that will enhance operations and results.

(i) Credit risk management

Through the application of a credit policy that outlines the Bank's basic lending policy and screening criteria, and a credit risk management standard outlining/detailing specific lending rules, the Bank has established an

administration policy for consolidated subsidiaries and strategic investments, in order to prevent excessive loan volume to a specific industry or group, with the aim of making risk management as accurate as possible.

In addition, the Bank maintains a credit rating system for corporate clients to quantify credit risks and is improving loan pricing. Furthermore, for loans and bills discounted, which account for the majority of credit risk, the Bank has separated the screening and administration division from the sales promotion division and set up a screening and administration system that is not influenced by the sales promotion division. Through a specialized screening and loan management and recovery structure, the Bank is able to ensure asset quality and improve asset value.

(ii) Market risk management

The Bank's risk volume control structure is supported by regular reports to the ALM Committee on interest rate risk volume associated with the Bank's assets and liabilities, and interest rate, exchange rate and stock price risk volume associated with market transactions.

In its market transactions, the Bank strives for the efficient application of funds and optimum risk and return, within the limits of allocated risk capital determined through integrated risk management and the predetermined annual capital budget. The Bank also maintains a structure with middle offices specializing in risk management that are independent of both front offices, which engage in market transactions, and back offices, which handle administrative tasks. This structure reinforces the system of mutual checks and balances and helps to prevent potential processing mistakes and unauthorized transactions, although these are very unlikely.

(iii) Liquidity risk management

The Bank maintains an appropriate financial position with regard to liquidity risk by continually improving the accuracy of the methods used to estimate and verify fund utilization and acquisition balances. In addition, the Bank strives to prevent liquidity risk through the assessment and analysis of conditions in financial markets and society at large that could affect cash flow. To respond quickly to fund-impacting situations that arise, the Bank has established classifications for cash flow conditions, ranging from "normal" to "cause for concern" and "critical," and procedures are in place for dealing with situations that fall into the "cause for concern" and "critical" categories.

(iv) Risk management relating to derivative transactions

To manage risks relating to interest rate swaps, the necessity of hedging transactions and the status of derivative transactions are continuously monitored at the ALM Committee. Bond futures are operated based on commitment lines and loss-cut rules as prescribed in the annual operation policy for securities, and the status of its operations is periodically monitored by the market risk management department. Regarding forward exchange contracts and currency options, it is vital to manage total balances including on-balance-sheet and off-balance-sheet transactions, in addition to the assessment of individual transactions.

(v) Quantitative information on market risk

For the Group, the key financial instruments influenced by interest rate risk, a major risk variable, are: loans, bonds classified as available-for-sales securities under investment securities, deposits, negotiable certificates of deposit, and interest rate swaps under derivative transactions. The Group uses the measure VaR to calculate changes in the economic value of these financial assets and financial liabilities, which facilitates quantitative analysis for controlling the risk of interest rate fluctuations.

To calculate the associated value impact of interest rate risk on revenues using VaR, the Group divides risk-prone financial assets and financial liabilities into fixed interest rate and floating interest rate groups, breaks down the balances into appropriate periods corresponding to respective interest due dates, and applies the variance-covariance method reflecting the correlation effect among risk factors (holding period: 40 days; confidence interval: 99%; observation period: 5 years) based on interest rate margins, the spread between lending and borrowing rates, for each period. As of March 31, 2021 and 2020, the Group's interest rate risk volume (estimated decrease in economic value) was ¥4,665 million (U.S.\$42,137 thousand) and

¥6,542 million, respectively.

Interest due dates on demand deposits subject to VaR measurement are sorted according to set periods, based on effective due dates estimated using internal models.

The Group also tests financial instruments with market value to compare actual losses at the end of the horizon period with model-derived VaR estimates, in an effort to verify that the measurement models used to identify interest rate risk are suitably accurate. However, VaR measures interest rate risk at a certain degree of probability statistically based on past market movements, so the technique may be unable to identify risk when market conditions are uncharacteristically volatile.

(4) Supplemental information relating to fair market values

Fair market values include prices at market as well as values reasonably estimated in cases where there is no available quoted market price. Certain assumptions are used for the calculation of such amounts. Accordingly, the result of such calculations may vary if different assumptions are used.

(b) Fair value of financial instruments

The amounts on the consolidated balance sheets, fair values and their differences as of March 31, 2021 and 2020 are shown below. The securities for which fair value is not reliably determined are excluded from the table.

As of March 31, 2021

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 789,282	¥ 789,282	¥ —	\$ 7,129,274	\$ 7,129,274	\$ —
(2) Call loans and bills bought	15,802	15,802	—	142,733	142,733	—
(3) Monetary claims bought	8,420	8,420	—	76,054	76,054	—
(4) Securities (*1)						
Available-for-sale securities	747,000	747,000	—	6,747,357	6,747,357	—
(5) Loans and bills discounted	1,834,802			16,573,046		
Reserve for possible loan losses (*1)	(11,400)			(102,971)		
	1,823,402	1,849,482	26,080	16,470,074	16,705,645	235,570
Total assets	¥3,383,908	¥3,409,988	¥26,080	\$30,565,513	\$30,801,083	\$235,570
(1) Deposits	¥2,903,903	¥2,903,937	¥ 33	\$26,229,816	\$26,230,123	\$ 298
(2) Negotiable certificates of deposit	77,185	77,187	1	697,181	697,199	9
(3) Call money and bills sold	942	942	—	8,508	8,508	—
(4) Payables under securities lending transactions	48,177	48,177	—	435,163	435,163	—
(5) Borrowed money	247,546	247,546	—	2,235,985	2,235,985	—
Total liabilities	¥3,277,757	¥3,277,792	¥ 35	\$29,606,693	\$29,607,009	\$ 316
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ (65)	¥ (65)	¥ —	\$ (587)	\$ (587)	\$ —
Hedge accounting is applied	—	—	—	—	—	—
Total derivative transactions	¥ (65)	¥ (65)	¥ —	\$ (587)	\$ (587)	\$ —

*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

As of March 31, 2020

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 619,613	¥ 619,613	¥ —
(2) Call loans and bills bought	5,842	5,842	—
(3) Monetary claims bought	6,901	6,901	—
(4) Securities (*1)			
Held-to-maturity debt securities	599	603	3
Available-for-sale securities	688,054	688,054	—
(5) Loans and bills discounted	1,612,055		
Reserve for possible loan losses (*1)	(10,153)		
	1,601,901	1,626,409	24,508
Total assets	¥2,922,913	¥2,947,425	¥24,512
(1) Deposits	¥2,619,653	¥2,619,722	¥ 68
(2) Negotiable certificates of deposit	82,742	82,744	1
(3) Call money and bills sold	804	804	—
(4) Payables under securities lending transactions	50,674	50,674	—
(5) Borrowed money	80,082	80,082	—
Total liabilities	¥2,833,957	¥2,834,028	¥ 70
Derivative transactions (*2)			
For which:			
Hedge accounting is not applied	¥ (1,489)	¥ (1,489)	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ (1,489)	¥ (1,489)	¥ —

*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

Fair value measurement

Assets

(1) Cash and due from banks

The book values are deemed fair market value as the fair value approximates such carrying amounts.

(2) Call loans and bills bought

Book values of call loans and bills bought are deemed fair values as the majority of transactions have short contract terms (within three months) and the fair value approximates such carrying amounts.

(3) Monetary claims bought

The fair value of long-term trust beneficiary interest is determined based on the price quoted by the financial institutions. Regarding monetary claims bought other than the long-term trust beneficiary interest, book values are deemed fair values as the majority of such monetary claim are due within six months and the fair value approximates such carrying amounts.

(4) Securities

The fair value of equity securities is determined based on the price quoted by the relevant stock exchange and the fair value of bonds is determined based on the price quoted by the relevant stock exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

Privately placed bonds are categorized using an internal credit rating and maturity, and their fair value is calculated based on the future cash flows discounted by the market interest rate, after the deduction of credit risk equivalents. For privately placed bonds from potentially bankrupt borrowers, the fair value is deemed to be its carrying amount, net of a specific reserve.

Please refer to Note 7. "Securities" as to notes regarding securities by holding purpose.

(5) Loans and bills discounted

For loans and bills discounted with floating interest rates, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate loans and bills discounted.

Loans and bills discounted with fixed interest rates are categorized by nature, internal credit rating and maturity, and the present value is calculated based on the future cash flows, net of reserves for possible loan loss, discounted by the market interest rate.

Regarding loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors, possible loan losses are estimated based on the present value of estimated future cash flows or collectible amounts from collateral and guarantees. Thus, the book value is deemed as fair value since the fair value approximates the carrying value of loans.

Regarding loans and bills discounted which have no predetermined maturity since they are fully secured by collateral, their book values are deemed fair values as the fair values approximate such carrying amounts based on the repayment period and interest rate terms.

Liabilities

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

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the book value) is used as the fair value. For time deposits and negotiable certificates of deposit, the fair value is calculated based on the future cash flows discounted by the interest rate applied on new deposits, after each deposit is categorized by product and maturity.

(3) Call money and bills sold and (4) Payables under securities lending transactions

Book values are deemed fair market values as the majority of transactions have short contract terms (within three months) and their fair values approximate such carrying amounts.

(5) Borrowed money

For floating-rate borrowings, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period and there has been no significant change in creditworthiness of the Bank or its consolidated subsidiaries after execution of such borrowings.

The book values of fixed rate borrowings are used as their fair values as both the amounts on the consolidated balance sheets and the fair values are insignificant.

Derivative transactions

The Bank uses derivative transactions including (i) interest-related derivatives such as interest rate swaps, (ii) currency-related derivatives such as forward exchange contracts and currency options, and (iii) bond-related derivatives such as bond futures. The fair values are determined based on the market quotes at the relevant exchanges or the present values calculated by discounting cash flows or option price models.

The following securities of which market value is not calculable are excluded from "(b) Fair value of financial instruments, (4) Available-for-sale securities" shown above.

Their book values as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Non-listed stocks (*1, *2)	¥1,803	¥1,777	\$16,285
Investment in partnerships (*3)	7,088	6,363	64,023
Others (*4)	82	62	740
Total	¥8,974	¥8,202	\$81,058

*1. Non-listed stocks are not included in the fair value information in the above table ((b) Fair value of financial instruments), because their fair value is not reliably determined.

*2. The Bank recognizes impairment losses of ¥4 million (U.S.\$36 thousand) and ¥18 million, for the years ended March 31, 2021 and 2020, respectively.

*3. When assets held by partnerships consist of non-listed stocks whose fair value is not reliably determined, such investment in partnership is not included in the fair value information in the above table ((b) Fair value of financial instruments).

*4. Other includes non-listed foreign stocks, and is not disclosed in the above table ((b) Fair value of financial instruments), because their fair value is not reliably determined.

Redemption schedules for monetary claims and securities with maturity dates as of March 31, 2021 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥ 753,097	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	15,802	—	—	—	—	—
Monetary claims bought	8,420	—	—	—	—	—
Securities						
Available-for-sale securities with maturity	80,275	119,989	69,331	48,336	190,806	148,930
Japanese government bonds	39,291	14,688	—	—	23,051	32,611
Local government bonds	—	13,575	6,531	14,211	112,396	97,835
Corporate bonds	38,508	60,250	38,450	9,921	4,704	1,103
Loans and bills discounted (*)	239,970	212,117	268,781	141,848	229,309	525,292
Total	¥1,097,566	¥332,107	¥338,112	¥190,185	¥420,115	¥674,223

(*) Loans and bills discounted in the above table excluded loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors in the total amount of ¥37,000 million (U.S.\$334,206 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥180,483 million (U.S.\$1,630,232 thousand).

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$6,802,429	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	142,733	—	—	—	—	—
Monetary claims bought	76,054	—	—	—	—	—
Securities						
Available-for-sale securities with maturity	725,092	1,083,813	626,239	436,600	1,723,475	1,345,226
Japanese government bonds	354,900	132,670	—	—	208,210	294,562
Local government bonds	—	122,617	58,991	128,362	1,015,228	883,705
Corporate bonds	347,827	544,214	347,303	89,612	42,489	9,962
Loans and bills discounted (*)	2,167,554	1,915,969	2,427,793	1,281,257	2,071,258	4,744,756
Total	\$9,913,883	\$2,999,792	\$3,054,033	\$1,717,866	\$3,794,733	\$6,089,991

Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2021 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	¥2,749,889	¥24,074	¥ 5,165	¥ —	¥ —	¥ —
Negotiable certificates of deposit	77,185	—	—	—	—	—
Call money and bills sold	942	—	—	—	—	—
Payables under securities lending transactions	48,177	—	—	—	—	—
Borrowed money	151,130	29,115	67,183	95	20	—
Total	¥3,027,327	¥53,190	¥72,349	¥ 95	¥ 20	¥ —

(*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥124,773 million (U.S.\$1,127,025 thousand) were not included in the above table.

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	\$24,838,668	\$217,450	\$ 46,653	\$ —	\$ —	\$ —
Negotiable certificates of deposit	697,181	—	—	—	—	—
Call money and bills sold	8,508	—	—	—	—	—
Payables under securities lending transactions	435,163	—	—	—	—	—
Borrowed money	1,365,098	262,984	606,837	858	180	—
Total	\$27,344,657	\$480,444	\$653,500	\$858	\$180	\$ —

37. Derivative Financial Instruments Transaction

Derivative transactions to which hedge accounting is not applied

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2021 and 2020 were summarized below.

(1) Foreign exchange related transactions (over the counter)

As of March 31	Millions of yen			
	2021			
	Contact amounts	Due after one year	Fair value	Gains/losses
Currency swaps:	¥5,668	¥4,074	¥ 7	¥ 7
Forward exchange contracts:				
Sold	381	—	(15)	(15)
Bought	218	—	11	11
Currency options:				
Sold	1,166	—	(27)	(21)
Bought	1,166	—	27	22
Total			¥ 3	¥ 4

Changes in fair value of the above derivatives are recognized as income or loss. Fair value of over the counter derivative is determined by discounted present value or option price model.

As of March 31	Millions of yen			
	2020			
	Contact amounts	Due after one year	Fair value	Gains/losses
Currency swaps:	¥7,139	¥3,482	¥ 8	¥ 8
Forward exchange contracts:				
Sold	1,066	—	2	2
Bought	945	—	1	1
Currency options:				
Sold	1,106	—	(9)	(3)
Bought	1,106	—	9	5
Total			¥11	¥14

As of March 31	Thousands of U.S. dollars (Note 1)			
	2021			
	Contact amounts	Due after one year	Fair value	Gains/losses
Currency swaps:	\$51,196	\$36,798	\$ 63	\$ 63
Forward exchange contracts:				
Sold	3,441	—	(135)	(135)
Bought	1,969	—	99	99
Currency options:				
Sold	10,532	—	(243)	(189)
Bought	10,532	—	243	198
Total			\$ 27	\$ 36

(2) Bond futures related transactions (listed)

As of March 31	Millions of yen			
	2021			
	Contact amounts	Due after one year	Fair value	Gains/losses
Bond futures:				
Sold	¥20,000	¥ —	¥(69)	¥(69)
Bought	—	—	—	—
Total			¥(69)	¥(69)

The above derivatives are valued at the closing market price and changes in fair values are recognized as income or loss.

As of March 31	Millions of yen			
	2020			
	Contact amounts	Due after one year	Fair value	Gains/losses
Bond futures:				
Sold	¥50,000	¥ —	¥1,100	¥1,100
Bought	30,000	—	377	377
Total			¥1,477	¥1,477

As of March 31	Thousands of U.S. dollars (Note 1)			
	2021			
	Contact amounts	Due after one year	Fair value	Gains/losses
Bond futures:				
Sold	\$180,652	\$ —	\$(623)	\$(623)
Bought	—	—	—	—
Total			\$(623)	\$(623)

Derivative transactions to which hedge accounting is applied
No transaction to report as of March 31, 2021 and 2020.

38. Capital Stock

The number of the Bank's authorized shares was 68,745,500 as of March 31, 2021 and 2020.

The number of shares in issue was 18,093,643 as of March 31, 2021 and 2020.

The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan and executive compensation BIP trust was 141,595 and 141,090 as of March 31, 2021 and 2020, respectively.

39. Stock Option Rights

None to report.

40. Retained Earnings

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

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

41. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
	Cash and due from banks	¥789,282	¥619,613
Due from banks without interest	(394)	(721)	(3,558)
Ordinary due from banks	(948)	(845)	(8,562)
Time deposits with banks	(5,000)	(5,000)	(45,163)
Others	(959)	(367)	(8,662)
Cash and cash equivalents	¥781,978	¥612,679	\$7,063,300

42. Segment Information

(a) Outline of reportable segment

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group offers total financial services mainly through operating branches with a philosophy that seeks to contribute to regional prosperity. Reportable segments are composed of banking business, leasing business and other businesses including consulting business, guarantee business and credit card business.

(b) Basis of measurement for the amount of ordinary income, segment profit, assets and other items by reporting segment

Accounting procedures applied to operating segments are consistent to those applied to the preparation of consolidated financial statements. Ordinary income from inter-segment transactions is measured on the assumption of arm's length transaction.

(c) Ordinary income, segment profit, assets and other items by reportable segment for the years ended March 31, 2021 and 2020

Year ended March 31, 2021	Millions of yen					
	Reportable segment			Total	Adjustment	Consolidated
	Banking	Leasing	Other			
Ordinary income						
External customers	¥ 38,109	¥ 4,668	¥ 764	¥ 43,542	¥ (24)	¥ 43,517
Inter-segment	386	169	457	1,013	(1,013)	—
Total	¥ 38,495	¥ 4,838	¥ 1,222	¥ 44,556	¥ (1,038)	¥ 43,517
Segment profit	¥ 4,243	¥ 167	¥ 287	¥ 4,697	¥ (355)	¥ 4,341
Segment assets	3,480,921	14,262	11,495	3,506,678	(17,937)	3,488,741
Segment liabilities	3,311,902	9,446	3,957	3,325,306	(13,159)	3,312,146
Other items:						
Depreciation and amortization	¥ 1,690	¥ 6	¥ 10	¥ 1,706	¥ —	¥ 1,706
Interest income	24,351	33	81	24,465	(392)	24,072
Interest expenses	300	47	0	348	(37)	311
Extraordinary income	18	0	—	18	—	18
Extraordinary losses	225	0	0	225	—	225
(Of which, Impairment losses)	157	—	—	157	—	157
Income taxes	1,272	44	85	1,403	—	1,403
Increase in premises & equipment and intangibles	615	18	25	659	(2)	657

Year ended March 31, 2020	Millions of yen					
	Reportable segment			Total	Adjustment	Consolidated
	Banking	Leasing	Other			
Ordinary income						
External customers	¥ 40,948	¥ 4,619	¥ 877	¥ 46,445	¥ (57)	¥ 46,388
Inter-segment	392	176	554	1,124	(1,124)	—
Total	¥ 41,341	¥ 4,796	¥ 1,431	¥ 47,569	¥ (1,181)	¥ 46,388
Segment profit	¥ 4,948	¥ 118	¥ 508	¥ 5,575	¥ (349)	¥ 5,225
Segment assets	3,025,003	14,200	11,191	3,050,394	(19,607)	3,030,786
Segment liabilities	2,864,353	9,516	3,669	2,877,539	(12,583)	2,864,956
Other items:						
Depreciation and amortization	¥ 1,947	¥ 3	¥ 8	¥ 1,959	¥ —	¥ 1,959
Interest income	26,187	33	90	26,311	(388)	25,922
Interest expenses	753	47	0	801	(37)	763
Extraordinary income	4	0	—	4	—	4
Extraordinary losses	689	0	—	689	—	689
(Of which, Impairment losses)	540	—	—	540	—	540
Income taxes	1,213	31	155	1,401	0	1,401
Increase in premises & equipment and intangibles	1,705	0	20	1,726	0	1,726

Year ended March 31, 2021	Thousands of U.S. dollars (Note 1)					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	\$ 344,223	\$ 42,164	\$ 6,900	\$ 393,297	\$ (216)	\$ 393,071
Inter-segment	3,486	1,526	4,127	9,150	(9,150)	—
Total	\$ 347,710	\$ 43,699	\$ 11,037	\$ 402,456	\$ (9,375)	\$ 393,071
Segment profit	\$ 38,325	\$ 1,508	\$ 2,592	\$ 42,426	\$ (3,206)	\$ 39,210
Segment assets	31,441,793	128,823	103,829	31,674,446	(162,017)	31,512,428
Segment liabilities	29,915,111	85,322	35,742	30,036,184	(118,860)	29,917,315
Other items:						
Depreciation and amortization	\$ 15,265	\$ 54	\$ 90	\$ 15,409	\$ —	\$ 15,409
Interest income	219,953	298	731	220,982	(3,540)	217,432
Interest expenses	2,709	424	0	3,143	(334)	2,809
Extraordinary income	162	0	—	162	—	162
Extraordinary losses	2,032	0	0	2,032	—	2,032
(Of which, Impairment losses)	1,418	—	—	1,418	—	1,418
Income taxes	11,489	397	767	12,672	—	12,672
Increase in premises & equipment and intangibles	5,555	162	225	5,952	(18)	5,934

43. Related Party Transactions

Related party transactions for the years ended March 31, 2021 and 2020 and related information were as follows:

Related party	Category/Business	Account	Amounts of transaction			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
			2021	2020	2021	2021	2020	2021
Yoshiyuki Tsuji	Director of the Bank	Loan	¥ —	¥ —	\$ —	¥ 24	¥ 28	\$ 216
Kiichiro Nishimura (*1)	Director of the Bank	Loan	—	7	—	—	23	—
Yukihiko Nishimura (*2)	President and Representative Director of YAMANI Co., Ltd.	Loan	—	—	—	—	42	—
IYATAKA GROUP (*3)	Wedding halls	Loan	—	130	—	613	627	5,536
		Lease transaction	1	10	9	12	13	108
Produce Pro Inc. (*4)	Advertising	Loan	4	1	36	24	20	216

The conditions of the above transactions were the same as arm's length transactions.

- *1. Mr. Kiichiro Nishimura retired from the position of director of the Bank on June 26, 2019. The balance as of March 31, 2020 is the balance as of the same date.
- *2. Regarding Mr. Yukihiko Nishimura, his close relatives retired from the position of director of the Bank on June 26, 2019. The balance as of March 31, 2020 is the balance as of the same date.
- *3. Mr. Masashi Kitajima and his family own 58.2% of voting rights of IYATAKA GROUP as of June 25, 2020 and March 31, 2020. Mr. Masashi Kitajima retired from the position of director of the Bank on June 25, 2020. The balance as of March 31, 2021 is the balance as of the same date.
- *4. Mr. Masashi Kitajima and his family own 100.0% of voting rights of Produce Pro Inc. as of June 25, 2020 and March 31, 2020. Mr. Masashi Kitajima retired from the position of director of the Bank on June 25, 2020. The balance as of March 31, 2021 is the balance as of the same date.

44. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2021 and 2020 were as follows:

	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Net assets per share	¥9,838.06	¥9,245.80	\$88.86
Net income per share	151.97	174.78	1.37

Note: Diluted net income per share for the years ended March 31, 2021 and 2020 is not presented because there are no dilutive shares.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income attributable to owners of parent	¥ 2,716	¥3,128	\$24,532
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stock owners of parent	2,716	3,128	24,532
Average number of common stock (thousand shares)	17,877	17,897	

Note: The Bank's shares held by the executive compensation BIP trust, which are recorded as treasury stock in stockholders' equity, are included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of net income per share. The average number of treasury stock during the period, which was deducted in the calculation of net income per share, was 75 thousand shares and 54 thousand shares in the years ended March 31, 2021 and 2020, respectively.

45. Subsequent Events

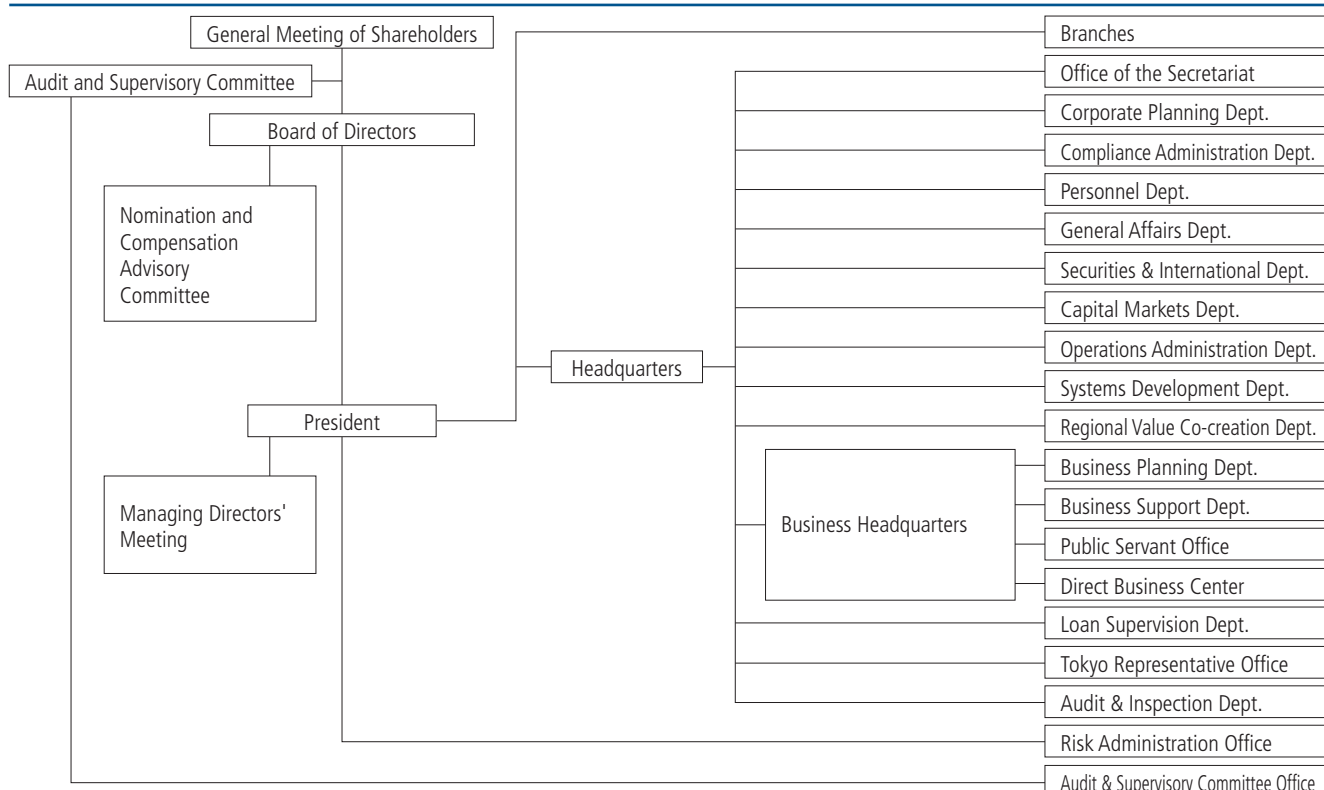
None to report.

Corporate Information

Corporate Data (As of March 31, 2021)

Corporate Name	The Akita Bank, Ltd.
Head Office	2-1, Sanno 3-Chome, Akita-shi, Akita 010-8655, Japan
Date of Establishment	January, 1879
Number of Shares Issued and Outstanding	18,093 thousand shares
Number of Employees (including executive officers who do not concurrently serve as directors)	1,306
Number of Branches	98
Paid-in Capital	¥14.1 billion

Organization (As of June 30, 2021)



Directors, Audit and Supervisory Committee Members & Executive Officers (As of June 30, 2021)

President and Representative Director Akihiro Araya	Outside Directors, Audit and Supervisory Committee Members Masahiro Morohashi Kenichi Kobayashi Kyoko Omoteyama
Directors and Managing Executive officers Masato Tsuchiya Tsuyoshi Minakawa Hiroyoshi Miura Kosuke Ashida	Managing Executive Officer Chikara Miura
Outside Directors Yoshiyuki Tsuji Junichi Sakaki Naofumi Nakata Tamaki Kakizaki	Executive Officers Reisei Shindo Satoru Nakayama Jyushin Kudo Arata Tateoka Tetsuya Hayashiguchi Susumu Shindo Hideaki Hosaka Masahiro Haraoka
Director, Audit and Supervisory Committee Member Masahiko Sato	

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2021



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