

# Financial Section

## Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2021

For more details about the financial information contained in this annual report, please refer to the financial information that has been made public on Hirogin Holdings website.

 <https://www.hirogin-hd.co.jp/english/index.html>

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
<b>ASSETS</b>		
Cash and due from banks (Notes 4, 14 and 21)	¥ 2,580,736	\$23,311
Call loans and bills purchased (Note 21)	942	9
Monetary claims bought (Notes 4 and 21)	7,533	68
Trading assets (Notes 4 and 21)	6,501	59
Money held in trust (Notes 5 and 21)	45,727	413
Securities (Notes 4, 7, 10 and 21)	1,479,829	13,367
Loans and bills discounted (Notes 6, 7, 8 and 21)	6,480,841	58,539
Foreign exchanges	15,463	140
Lease receivables and investments in lease assets	60,231	544
Other assets (Notes 7 and 21)	129,018	1,165
Tangible fixed assets (Note 15)	110,904	1,002
Intangible fixed assets	9,308	84
Net defined benefit assets (Note 17)	85,864	776
Deferred tax assets (Note 18)	1,487	13
Customers' liabilities for acceptances and guarantees	36,251	327
Reserve for possible loan losses (Note 21)	(41,072)	(371)
<b>Total assets</b>	<b>¥11,009,572</b>	<b>\$99,445</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Deposits (Notes 7 and 21)	¥ 8,670,076	\$78,313
Payables under repurchase agreements (Notes 7 and 21)	255,685	2,310
Deposits received for bonds lending/borrowing transactions (Notes 7 and 21)	382,445	3,454
Trading liabilities	3,607	33
Borrowed money (Notes 7, 9 and 21)	1,024,872	9,257
Foreign exchanges	1,985	18
Due to trust account	47	0
Other liabilities (Notes 9 and 21)	90,468	817
Net defined benefit liabilities (Note 17)	670	6
Reserve for retirement benefits of directors and Audit & Supervisory Board members	96	1
Reserve for reimbursement of deposits	1,745	16
Reserve for point loyalty programs	137	1
Reserve for stock payments	609	6
Reserve for dismantling costs for fixed assets	768	7
Reserve under Special Laws	28	0
Deferred tax liabilities (Note 18)	9,588	87
Deferred tax liabilities for land revaluation reserve	13,605	123
Acceptances and guarantees	36,251	327
<b>Total liabilities</b>	<b>¥10,492,691</b>	<b>\$94,776</b>
<b>Net Assets (Note 11):</b>		
Common stock:		
Authorized – 1,000,000,000 shares	¥ 60,000	\$ 542
Issued – 312,370,921 shares		
Capital surplus	25,209	228
Retained earnings	361,215	3,263
Common stock in treasury	(1,311)	(12)
<b>Total stockholders' equity</b>	<b>¥ 445,112</b>	<b>\$ 4,021</b>
Net unrealized holding gains on available-for-sale securities (Note 4)	¥ 27,327	\$ 247
Net deferred losses on hedging instruments	(1,938)	(18)
Land revaluation reserve	27,781	251
Remeasurements of defined benefit plans	18,348	166
<b>Total accumulated other comprehensive income</b>	<b>¥ 71,519</b>	<b>\$ 646</b>
Stock acquisition rights (Note 22)	¥126	\$1
Non-controlling interests	121	1
<b>Total net assets</b>	<b>¥ 516,880</b>	<b>\$4,669</b>
<b>Total liabilities and net assets</b>	<b>¥11,009,572</b>	<b>\$99,445</b>

See notes to consolidated financial statements.

# Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2021

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
<b>Income:</b>		
Interest income:		
Interest on loans and discounts	¥ 58,839	\$ 531
Interest and dividends on securities	10,132	92
Other interest income	2,418	22
Trust fees	128	1
Fees and commissions	28,852	261
Trading income	4,134	37
Other operating income	5,552	50
Other income	5,900	53
Total income	¥ 115,959	\$ 1,047
<b>Expenses:</b>		
Interest expenses:		
Interest on deposits	¥ 1,291	\$ 12
Interest on borrowings and rediscounts	1,121	10
Other interest expenses	2,172	20
Fees and commissions	9,456	85
Other operating expenses	797	7
General and administrative expenses (Note 12)	57,800	522
Other expenses (Note 13)	12,386	112
Total expenses	¥ 85,025	\$ 768
<b>Income before income taxes</b>	¥ 30,934	\$ 279
Income taxes (Note 18):		
Current income taxes	¥ 10,360	\$ 94
Deferred income taxes	(1,000)	(9)
Total income taxes	¥ 9,360	\$ 85
<b>Net income</b>	¥ 21,574	\$ 195
<b>Net income attributable to owners of the parent</b>	¥ 21,574	\$ 195

	Yen	U.S. dollars (Note 1)
<b>Amounts per share of common stock (Note 25):</b>		
Net assets	¥1,664.01	\$15.03
Net income	69.26	0.63
Diluted net income	69.22	0.63
Cash dividends applicable to the year (Note 11)	24.00	0.22

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2021

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
<b>Net income</b>	¥21,574	\$195
<b>Other comprehensive income (Note 23):</b>		
Net unrealized holding gains on available-for-sale securities	12,322	111
Net deferred gains on hedging instruments	3,086	28
Remeasurements of defined benefit plans	6,264	57
Share of other comprehensive loss of an affiliated company accounted for by the equity method	(4)	(0)
Total other comprehensive income	¥21,668	\$196
<b>Comprehensive income</b>	¥43,243	\$391
Attributable to:		
Comprehensive income attributable to owners of the parent	¥43,243	\$391

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2021

Item	Millions of yen				
	2021				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,740	¥347,714	¥ (998)	¥432,030
Changes of items during the period					
Changes by stock transfers	5,426	(5,426)			—
Dividends from surplus			(7,964)		(7,964)
Net income attributable to owners of the parent			21,574		21,574
Purchase of common stock in treasury				(789)	(789)
Disposal of common stock in treasury		3		259	262
Retirement of common stock in treasury		(108)	(108)	216	—
Net changes of items other than stockholders' equity					
Total changes of items during the period	5,426	(5,531)	13,501	(313)	13,082
Balance at the end of current period	¥60,000	¥25,209	¥361,215	¥(1,311)	¥445,112

Item	Millions of yen							
	2021							
	Accumulated other comprehensive income							
	Net unrealized holding gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥15,010	¥(5,025)	¥27,781	¥12,084	¥49,850	¥176	¥—	¥482,057
Changes of items during the period								
Changes by stock transfers								—
Dividends from surplus								(7,964)
Net income attributable to owners of the parent								21,574
Purchase of common stock in treasury								(789)
Disposal of common stock in treasury								262
Retirement of common stock in treasury								—
Net changes of items other than stockholders' equity	12,317	3,086	—	6,264	21,668	(49)	121	21,741
Total changes of items during the period	12,317	3,086	—	6,264	21,668	(49)	121	34,823
Balance at the end of current period	¥27,327	¥(1,938)	¥27,781	¥18,348	¥71,519	¥126	¥121	¥516,880

Millions of U.S. dollars					
2021					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$ 493	\$ 278	\$3,141	\$ (9)	\$3,902
Changes of items during the period					
Changes by stock transfers	49	(49)			—
Dividends from surplus			(72)		(72)
Net income attributable to owners of the parent			195		195
Purchase of common stock in treasury				(7)	(7)
Disposal of common stock in treasury		0		2	2
Retirement of common stock in treasury		(1)	(1)	2	—
Net changes of items other than stockholders' equity					
Total changes of items during the period	49	(50)	122	(3)	118
Balance at the end of current period	\$542	\$228	\$3,263	\$(12)	\$4,021

Millions of U.S. dollars								
2021								
Accumulated other comprehensive income								
Item	Net unrealized holding gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$136	\$(45)	\$251	\$109	\$450	\$2	\$—	\$4,354
Changes of items during the period								
Changes by stock transfers								—
Dividends from surplus								(72)
Net income attributable to owners of the parent								195
Purchase of common stock in treasury								(7)
Disposal of common stock in treasury								2
Retirement of common stock in treasury								—
Net changes of items other than stockholders' equity	111	28	—	57	196	(0)	1	196
Total changes of items during the period	111	28	—	57	196	(0)	1	315
Balance at the end of current period	\$247	\$(18)	\$251	\$166	\$646	\$1	\$1	\$4,669

# Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2021

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥30,934	\$279
Depreciation of fixed assets	4,709	43
Impairment losses on fixed assets	439	4
Share of profit of an affiliated company accounted for by the equity method	(181)	(2)
Gain on step acquisition	(86)	(1)
Net change in reserve for possible loan losses	6,853	62
Net change in net defined benefit assets	(15,011)	(136)
Net change in net defined benefit liabilities	3	0
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	9	0
Net change in reserve for reimbursement of deposits	(785)	(7)
Net change in reserve for point loyalty programs	(4)	(0)
Net change in reserve for stock payments	61	1
Net change in reserve under special laws	(9)	(0)
Net change in reserve for dismantling costs for fixed assets	(408)	(4)
Interest income	(71,390)	(645)
Interest expense	4,585	41
Net gains on securities transactions	(7,730)	(70)
Net losses on dispositions of fixed assets	135	1
Net change in trading assets	(260)	(2)
Net change in trading liabilities	(206)	(2)
Net change in loans	(61,449)	(555)
Net change in deposits	982,239	8,872
Net change in borrowed money excluding subordinated loans	383,836	3,467
Net change in due from banks other than from the Bank of Japan	(1,192)	(11)
Net change in call loans and bills purchased	6,056	55
Net change in call money and bills sold	76,264	689
Net change in deposits received for bonds lending/borrowing transactions	61,437	555
Net change in foreign exchanges (assets)	19,526	176
Net change in foreign exchanges (liabilities)	(1,516)	(14)
Interest received	77,497	700
Interest paid	(4,794)	(43)
Other – net	5,579	50
Subtotal	1,495,141	13,505
Income taxes paid	(8,803)	(80)
Net cash provided by operating activities	1,486,338	13,426
<b>Cash flows from investing activities:</b>		
Purchases of securities	(831,611)	(7,512)
Proceeds from sales of securities	430,328	3,887
Proceeds from redemption of securities	88,936	803
Increase in money held in trust	(35,811)	(323)
Decrease in money held in trust	8	0
Purchases of tangible fixed assets	(19,977)	(180)
Purchases of intangible fixed assets	(2,342)	(21)
Proceeds from sales of tangible fixed assets	799	7
Payments for retirement of tangible fixed assets	(14)	(0)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(719)	(6)
Net cash used in investing activities	(370,404)	(3,346)
<b>Cash flows from financing activities:</b>		
Dividends paid	(7,957)	(72)
Purchases of treasury stock	(789)	(7)
Proceeds from sales of treasury stock	0	0
Payments of lease liabilities	(564)	(5)
Net cash used in financing activities	(9,312)	(84)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	(14)	(0)
<b>Net change in cash and cash equivalents</b>	1,106,606	9,996
<b>Cash and cash equivalents at the beginning of year</b>	1,463,401	13,218
<b>Cash and cash equivalents at the end of year (Note 14)</b>	¥2,570,007	\$23,214

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2021

## 1 Basis of presenting consolidated financial statements

In accordance with the approval from shareholders at the shareholders' meeting held on June 25, 2020 and necessary approval from the Prime Minister and relevant authorities based on Article 52-17, Paragraph 1 of the Banking Act, Hirogin Holdings, Inc. (the "Company") was incorporated as a holding company pursuant to a sole-share transfer on October 1, 2020, through which The Hiroshima Bank, Ltd. (the "Bank") became a wholly-owned subsidiary of the Company. This sole-share transfer was accounted for as a transaction under common control pursuant to the Accounting Standard for Business Combinations and Implementation Guidance on Business Combinations and Business Divestitures (see Note 25 for further information on the business combination). The accompanying consolidated financial statements have been prepared on the assumption that the above transaction had been in effect as of April 1, 2020. Accordingly, the accounts of the Bank for the period from April 1, 2020 through September 30, 2020 have been included in the accompanying consolidated financial statements of the Company.

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

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The Company maintains its accounting records in Japanese yen, the currency in which the Company is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange

Act and Enforcement Regulation concerning the Banking Act of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and ten subsidiaries (collectively the "Group") for the year ended March 31, 2021.

Under the control and influence concepts, the companies over which the Company is able to exercise control, directly or indirectly, are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

Following the incorporation of the Company, the Bank became a wholly-owned subsidiary of the Company. In addition, the Company obtained all shares in Hirogin Securities Co., Ltd., Shimanami Servicer Co., Ltd. and Hirogin Capital Partners Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank. Accordingly, the Bank and its consolidated subsidiaries were included in the scope of consolidation from the year ended March 31, 2021.

Furthermore, the Company made Hirogin IT Solutions Co., Ltd. its subsidiary by acquiring shares in the company. Accordingly, the company was included in the scope of consolidation from the year ended March 31, 2021.

In addition, following the incorporation of the Company, the Company acquired shares in Hirogin Lease Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank and included the company in the scope of equity method. However, as Hirogin Lease Co., Ltd. acquired its own shares and became a wholly-owned subsidiary of the Company, the company was included in the scope of consolidation from the year ended March 31, 2021.

All significant intercompany balances and transactions have been eliminated.

There are six subsidiaries which are not consolidated because the total assets, total income, net income, retained earnings and total other comprehensive income of these companies would not have a material effect on the consolidated financial statements.

There is no unconsolidated subsidiary nor an affiliated accompany which is accounted for using the equity method as of March 31, 2021.

As noted above, following the incorporation of the Company, the Company acquired shares in Hirogin Lease Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank and included the company in the scope of equity method. However, as Hirogin Lease Co., Ltd. acquired its own shares and became a wholly-owned subsidiary of the Company, the company was excluded from the scope of equity method from the year ended March 31, 2021.

There is an affiliated company which is not accounted for using the equity method because net income (corresponding to the share of interests), and other comprehensive income of the company would not have a material effect on the consolidated financial statements.

The six unconsolidated subsidiaries and an affiliated company are not accounted for using the equity method, but they are stated at cost, because these companies would not have a material effect on the consolidated financial statements even if they are excluded from the scope of equity method.

Goodwill incurred for the two consolidated subsidiaries is amortized using the straight-line method over a period of five years.

As of March 31, 2021, the fiscal year ending dates are March 31 for ten consolidated subsidiaries.

### **3 Significant accounting policies**

#### **Trading assets and trading liabilities**

The Group adopted mark-to-market accounting for trading assets and trading liabilities including securities, monetary claims and financial derivatives for trading purpose. Trading assets and trading liabilities are recorded on a trade date basis, and revenues and expenses related to trading securities transactions are also recorded on a trade date basis. Securities and monetary claims for trading purposes are stated at market or fair value at the balance sheet date. Financial derivatives such as futures and option transactions are stated at a deemed settlement amount at the balance sheet date. Unrealized gains or losses incurred by the mark-to-market method are charged to income.

#### **Securities**

All companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereinafter, "trading securities"), (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and an affiliated company, and (d) for all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities").

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated, nor accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities whose fair value cannot be reliably determined are carried at cost determined by the moving-average method.

Debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair value are stated at moving-average cost.

If the fair value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies not consolidated, nor accounted for by the equity method, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

When fair values of available-for-sale securities decline by 50% or more of the acquisition cost at the balance sheet date, the Group writes down such securities to the fair values and records the related write-downs as loss in its consolidated statements of income. When fair values of



available-for-sale securities decline by 30% or more but less than 50% of the acquisition cost, write-downs to the fair values may be recognized for certain issuers based on evaluation of issuers' debtor classification. For the year ended March 31, 2021, the Group did not recognize any write-downs of securities.

### Derivatives and hedge accounting

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

#### (1) Hedging against interest rate fluctuations

The consolidated banking subsidiary (the "Bank") applies deferred hedge accounting pursuant to the treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24 on October 8, 2020) to hedge transactions such as interest rate swaps entered into to mitigate interest rate risk arising from financial assets and liabilities. The Bank assesses the hedge effectiveness by considering the adequacy of offsetting movement of the fair value by the changes in interest rates through classifying the hedged items such as loans and the hedging instruments such as interest rate swaps by their maturity.

With respect to hedging transactions to fix the cash flows, hedging instruments (e.g. interest rate swaps) are designated to hedged items collectively by interest rate indices and tenors in accordance with JICPA Industry Audit Committee Practical Guideline No. 24. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms.

#### (2) Hedging against foreign currency fluctuations

The Bank applies deferred hedge accounting to hedge transactions such as currency swaps and foreign exchange swaps entered into to mitigate foreign exchange risk arising from foreign-currency-denominated financial assets and liabilities.

The Bank applies the hedge accounting pursuant to "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25 on October 8, 2020) to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing in different currencies. The Bank assesses the hedge effectiveness by

confirming that the positions of hedge instruments (currency swap and foreign exchange swap transactions) do not exceed the corresponding foreign-currency-denominated monetary receivables and payables as hedged items.

#### (3) Exceptional treatment

For some assets and liabilities, the Bank defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized. Also, if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Out of the above hedging relationships, all the hedging relationships included in the scope of application of the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issue Task Force ("PITF") Report No. 40, September 29, 2020) apply the special treatments defined by the PITF Report No. 40. The contents of hedging relationships to which the PITF Report No. 40 is applied are as follows:

Hedge accounting method:	Deferred accounting method in principle
Hedging instruments:	Interest rate swaps, currency swaps
Hedged items:	Loans, etc.
Type of hedging transaction:	Offset against market fluctuations, transactions to fix the cash flows

#### Tangible fixed assets (except for lease assets)

Tangible fixed assets of the Bank except for land utilized for business operations are stated at cost less accumulated depreciation. Accumulated impairment losses are deducted from acquisition costs.

The Bank depreciates its tangible fixed assets under the straight-line method over their estimated useful lives. Estimated useful lives of major items are as follows:

Buildings:	22–50 years
Others:	3–20 years

The Company and its other consolidated subsidiaries depreciate their tangible fixed assets mainly using the declining-balance method (except for facilities attached to buildings acquired on or after April 1, 2016, which are depreciated using the straight-line method) based on the estimated useful lives of those assets.

Accumulated depreciation for tangible assets as of March 31, 2021 amounted to ¥46,747 million (\$422 million).



Deferred revenue deducted from the acquisition cost was ¥12,733 million (\$115 million) as of March 31, 2021.

#### Land revaluation reserve

In accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998; the "Act"), land for business purposes of the Bank has been revalued as of the date indicated below. The tax equivalent with regard to the valuation differences was recognized as "Deferred tax liabilities for land revaluation" in liabilities, and the amount net of deferred tax liabilities for land revaluation was stated as "Land revaluation surplus" in equity.

Date of revaluation: March 31, 1998

The method of revaluation of assets set forth in Article 3, Paragraph 3 of the Act:

Fair values are determined based on land price determined using the method established and published by the Commissioner of the National Tax Agency of Japan in order to calculate land value used for determining taxable amounts subject to landholding tax stipulated in Article 16 of the Landholding Tax Act, which is stipulated in Article 2, Item 4 of the Order for Enforcement on Act on Revaluation of Land (Order No. 119, March 31, 1998), with reasonable price adjustments.

The difference between the total fair values and the total carrying amounts of land for business purposes which was revaluated pursuant to Article 10 of the Act as of March 31, 2021 was ¥22,207 million (\$201 million).

#### Intangible fixed assets (except for lease assets)

Intangible fixed assets are amortized using the straight-line method. Software utilized by the Group is amortized over the period in which it is expected to be utilized mainly for five or ten years.

#### Lease assets

Lease assets of the finance leases included in "Tangible fixed assets" other than those that transfer the ownership of leased property to the lessees are depreciated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

#### Reserve for possible loan losses

The Bank records its reserve for possible loan losses in accordance with a predetermined standard for write-offs and provisions as follows:

For loans to borrowers who are legally bankrupt due to special liquidation, etc. ("legally bankrupt" borrowers) or borrowers in a similar financial condition ("virtually bankrupt"

borrowers), the reserve for possible loan losses is provided in the carrying amounts of such loans which are stated after directly setting off the uncollectible amounts as mentioned below, less the disposable value of collaterals and the estimated recoverable value from relevant guarantees.

For loans to borrowers who are not bankrupt at present, but likely to become bankrupt in future ("possibly bankrupt" borrowers), the reserve for possible loan losses is provided in the amounts considered to be necessary after comprehensively evaluating the borrower's overall financial conditions out of the amounts remaining after deducting the disposable value of collaterals and the estimated recoverable value from relevant guarantees from the carrying amounts of the loans.

Among loans to major borrowers who are possibly bankrupt and those with restructured loans, for loans to borrowers whose cash flows from collection of principal and interest can be reasonably estimated, the reserve for possible loan losses is provided in the amount of differences between the amount obtained by discounting the said cash flows at the contractual interest rate before restructuring and the carrying amounts of the loans (cash flow estimation method).

For other loans, the reserve for possible loan losses is provided based on the expected credit losses for the coming year or the coming three years. Expected credit losses are determined by adding necessary adjustments such as future prospects, etc. to the loss rate obtained by the average rate of actual loan losses for certain past periods based on bad debts for the past one year or the past three years.

The sales-related department conducts asset assessments for all the loans in accordance with the self-assessment rule, and their assessments are audited by the asset audit department, which is independent from the sales-related department.

For collateralized or guaranteed loans to legally bankrupt and virtually bankrupt borrowers, the estimated uncollectible amounts, which are the amounts remaining after deducting the appraisal value of collaterals and the recoverable value from relevant guarantees, are directly set off against the carrying amounts of the loans. Such amounts directly set off against those loans at March 31, 2021 were ¥18,863 million (\$170 million).

Other consolidated subsidiaries record the reserve for possible loan losses at the necessary amounts considering the historical bad debt ratio for general loans, and at the estimated uncollectible amounts for specific loans to possibly bankrupt borrowers.

#### **Employees' severance and retirement benefits**

The liabilities and expenses for severance and retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

The Bank provides allowance for employees' severance and retirement benefits at March 31, 2021 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over 14 years, which was not longer than the average of the estimated remaining service lives, commencing with the following period.

In calculating the projected benefit obligation, the straight-line method is used to attribute the expected benefit attributable to the respective fiscal year. Prior service costs were recognized in the consolidated statements of income as incurred.

Other consolidated subsidiaries adopt the simplified method for the calculation of net defined benefit liability and expenses for severance and retirement benefits.

#### **Reserve for retirement benefits of directors and Audit & Supervisory Board members**

Reserve for retirement benefits of directors and Audit & Supervisory Board members is provided for in payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end.

#### **Reserve for reimbursement of deposits**

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal.

#### **Reserve for point loyalty programs**

Reserve for point loyalty programs is provided for the estimated expenses based on an estimate of the future usage of points. Points are granted to credit card holders through card usage under the point loyalty program which is designed to promote card usage.

#### **Reserve for stock payments**

Reserve for stock payments is provided for the Company's stock payment to directors (excluding outside directors and directors who are members of the audit committee) and executive officers of the Company and directors (excluding outside directors) and executive officers of the Bank based on the Director Share Payment Regulations at the estimated amount at the fiscal year-end.

#### **Reserve for dismantling costs for fixed assets**

Reserve for dismantling costs for fixed assets is provided to cover disbursements for dismantling buildings, etc. at the amount estimated to be incurred in future.

#### **Reserve under Special Laws**

Reserve under special laws is provided for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

#### **Foreign currency translation**

The consolidated financial statements of the Bank are maintained in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates, etc.

#### **Income taxes**

Income taxes consist of corporation tax, enterprise tax and inhabitant tax. The provision for income taxes is computed based on the pretax income of the Company and each of its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for tax loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the recoverability of the tax benefits.

#### **Consumption taxes**

National and local consumption taxes of the Company and its domestic consolidated subsidiaries are accounted for using the tax-excluded method.

#### **Consolidated statements of cash flows and cash equivalents**

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

#### **Amounts per share**

Net assets per share is calculated by dividing net assets by the number of common stocks outstanding at the year-end (excluding "treasury stock").

Net income per share is calculated by dividing net income attributable to owners of the parent by the average number

of shares of common stock outstanding during the year (excluding "treasury stock").

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

### Significant accounting estimates

The following items, which are items of accounting estimates recorded in the consolidated financial statements for the year ended March 31, 2021, may have significant effects on the consolidated financial statements for the following year:

#### • Reserve for possible loan losses

Accounting estimates associated with reserve for possible loan losses are considered to be material, since loans and other receivables of the Bank account for a relatively high portion in the consolidated balance sheet of the Group and therefore the recording of reserve for possible loan losses have a significant impact on the operating performance and financial position of the Group.

#### (1) Amount recorded in the consolidated financial statements as of March 31, 2021

Reserve for possible loan losses: ¥41,072 million (\$371 million)

(Amount recorded by the Bank: ¥38,881 million (\$351 million))

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

##### a. Calculation method for the amount recorded in the consolidated financial statements for the year ended March 31, 2021

The calculation method for reserve for possible loan losses is stated in "Reserve for possible loan losses" under Note 3 "Significant accounting policies."

Asset assessments described in "Reserve for possible loan losses" above refer to the classification in accordance with the risk of recovery and loss probabilities that are investigated and analyzed specifically after classifying debtors depending on their circumstances associated with the loans and receivables they hold based on the self-assessment criteria, and appropriate write-offs and the recording of provisions according to debtor classification are implemented. Debtors are classified into normal borrowers, borrowers who require special attention, possibly bankrupt borrowers, virtually bankrupt borrowers and legally bankrupt borrowers in accordance with the outcome of investigation of the repayment ability of debtors based on the financial position, cash management status, profitability, etc. of the debtors.

##### b. Main assumptions used in calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2021

On the premise that there is a certain correlation between the historical loan loss ratio and the future expected loan loss ratio, for normal borrowers, borrowers who require special attention (including borrowers of restructured loans) and possibly bankrupt borrowers, the Group, in principle, records reserve for possible loan losses at an amount corresponding to the expected loan losses which are determined by multiplying the expected loss ratio computed based on the historical loss ratio.

The Group determines the debtor classification by comprehensively taking into account the projections about business continuity and profitability, reasonableness of management improvement plans, etc., ability to repay debt and the status of support from financial institutions, in consideration of the characteristics of the industry, etc., after investigating the debtor's ability to repay the debt based on the actual financial position, cash management status, profitability, etc. of the debtor, and confirming the lending terms and the fulfilment status of loans.

Furthermore, if the management reconstruction is expected to proceed in line with reasonable and highly feasible management improvement plans, such loans will not fall under the category of restructured loans or possibly bankrupt loans.

Of the possibly bankrupt borrowers and borrowers of restructured loans whose unsecured credit amount exceeds a certain amount, if the future cash flows from the collection of the principal and interest of the loans held by such borrowers can be reasonably estimated, reserve for possible loan losses are recorded using the estimation of future cash flows from the collection of the principal and interest based on management improvement plans, etc. as a main assumption, considering the actual management condition of the borrower. In addition, for certain possibly bankrupt borrowers, additional reserve for possible loan losses is recorded at an amount that is not expected to be recovered in the future.

In addition, the Company assumes that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future as of March 31, 2021. Reserve for possible loan losses is recorded on the assumption that significant losses would not arise from the loans thanks to economic measures taken by national and local governments as well as support from the Bank and other financial institutions, although there may be some impacts on certain industries.

c. Effects on the consolidated financial statements for the following fiscal year

Main assumptions used for calculating the amount of reserve for possible loan losses, such as expected loan losses based on the historical loan loss ratio by debtor classification, debtor classification as of the fiscal year end, estimated recoverable amounts based on estimated disposal value of collateral and guarantees as well as the impact of COVID-19, involve uncertainties of significant estimates.

Main assumptions related to the estimation of reserve for possible loan losses are based on best available information as of the preparation of the consolidated financial statements, but they might affect the performances and financial position of the Group depending on factors such as the deterioration of the management status of the borrowers, the fulfilment status of management improvement plans, a significant deviation of the expected amount of decline in collateral value compared to the assumption at the time of recording reserve for possible loan losses, and the prolongation of the spread of COVID-19 and changes in its impact on the economy.

#### Unapplied new accounting standards

*Accounting Standards for Fair Value Measurement, etc.*

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)

Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)

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

#### (1) Overview

In order to enhance comparability with provisions under international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively "Fair Value Accounting Standards, etc.") have been developed and the guidance on fair value measurement has been provided. Fair Value Accounting Standards, etc. will be applied to the fair value of financial instruments defined in "Accounting Standard for Financial Instruments."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and notes such as the breakdown of fair value of financial instruments under the fair value hierarchy were provided.

#### (2) Date of adoption

Fair Value Accounting Standards, etc. are scheduled to be applied from the beginning of the year ending March 31, 2022.

#### (3) The effect of adopting the accounting standards

The effect of adopting Fair Value Accounting Standards, etc. is under evaluation.

#### *Accounting Standard for Revenue Recognition*

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

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

#### 1. Overview

The above standards are comprehensive accounting standards for revenue recognition.

Revenue shall be recognized by applying the following five steps:

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations under the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations under the contract.

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.

#### 2. Date of adoption

The above standards are scheduled to be applied from the beginning of the year ending March 31, 2022.

#### 3. The effect of adopting the accounting standards

The effect of adopting the above standards is immaterial.

#### Additional information

*Transactions vesting treasury stocks through trust*

*The Company and the Bank, which is a subsidiary of the Company, has introduced the Plan using a structure called a BIP (Board Incentive Plan) Trust for directors, etc. aiming at improvement of the mid- and long-term performance as well as an increase in the awareness of contributions to increasing corporate value.*

#### (1) Outline

The Plan grants specified points to directors, etc. depending on the Director Share Payment Regulations. The Company's shares and cash in the amount of converted value of the Company's shares equivalent to the number of such points may be granted and paid through the trust at the time of

retirement. The Company's shares to be granted to directors are acquired using cash trusted by the Company in advance.

## (2) The Company's shares remaining in the trust

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying value.
2. The carrying value of treasury stock remaining in the trust is ¥1,311 million (\$12 million) at March 31, 2021.
3. The number of the shares of the Company remaining in the trust is 1,895 thousand shares at March 31, 2021.

## 4 Securities

- (1) Trading securities included in "Trading assets," certificates of deposit with banks included in "Cash and due from banks," and trust beneficiary rights included in "Monetary claims bought," which are separately reported from "Securities" in the consolidated balance sheets, are included in this section.

Total amounts of equity securities or investments in capital of unconsolidated subsidiaries and affiliated companies included in "Securities" as of March 31, 2021 are as follows:

	Millions of yen	Millions of U.S. dollars
Equity securities	¥3	\$0
Investments in capital	3,850	35

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2021:

### a) Trading securities:

	Millions of yen	Millions of U.S. dollars
Amount of net unrealized gains included in the consolidated statement of income	¥1	\$0

### b) Available-for-sale securities:

	Millions of yen		
Carrying amount exceeding cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 72,989	¥ 26,324	¥46,665
Bonds:	459,966	455,551	4,414
National government bonds	188,783	187,055	1,727
Local government bonds	103,140	102,391	748
Corporate bonds	168,042	166,104	1,938
Others	188,088	181,971	6,117
Subtotal	721,043	663,846	57,197

Carrying amount not exceeding cost:			
Equity securities	21,722	25,207	(3,485)
Bonds:	410,690	414,925	(4,234)
National government bonds	240,599	244,181	(3,581)
Local government bonds	70,191	70,396	(204)
Corporate bonds	99,899	100,347	(448)
Others	316,007	326,735	(10,727)
Subtotal	748,420	766,868	(18,447)
Total	¥1,469,464	¥1,430,714	¥38,750

	Millions of U.S. dollars		
Carrying amount exceeding cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	\$ 659	\$ 238	\$422
Bonds:	4,155	4,115	40
National government bonds	1,705	1,690	16
Local government bonds	932	925	7
Corporate bonds	1,518	1,500	18
Others	1,699	1,644	55
Subtotal	6,513	5,996	517

Carrying amount not exceeding cost:			
Equity securities	196	228	(31)
Bonds:	3,710	3,748	(38)
National government bonds	2,173	2,206	(32)
Local government bonds	634	636	(2)
Corporate bonds	902	906	(4)
Others	2,854	2,951	(97)
Subtotal	6,760	6,927	(167)
Total	\$ 13,273	\$ 12,923	\$350

### c) Held-to-maturity debt securities

There were no held-to-maturity debt securities acquired or sold during the year ended March 31, 2021.

(3) Available-for-sale securities sold during the year ended March 31, 2021 were as follows:

Type	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	¥ 3,965	¥ 1,554	¥143
Bonds:	58,251	426	54
National government bonds	54,866	360	—
Local government bonds	—	—	—
Corporate bonds	3,384	66	54
Others	356,024	6,708	728
Total	¥ 418,241	¥ 8,690	¥926

Type	Millions of U.S. dollars		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	\$ 36	\$ 14	\$1
Bonds:	526	4	0
National government bonds	496	3	—
Local government bonds	—	—	—
Corporate bonds	31	1	0
Others	3,216	61	7
Total	\$ 3,778	\$ 78	\$8

(4) Securities whose holding purpose was reclassified  
There were no securities whose holding purpose was reclassified during the year ended March 31, 2021.

(5) Impairment of securities

No impairment losses were recognized on securities for the year ended March 31, 2021.

(6) Net unrealized holding gains on available-for-sale securities and other money held in trust at March 31, 2021 consisted of the following:

	Millions of yen	Millions of U.S. dollars
Net unrealized holding gains (losses):		
Available-for-sale securities	¥38,750	\$350
Other money held in trust	(46)	(0)
	38,703	350
Deferred tax assets	2,463	22
Deferred tax liabilities	(13,839)	(125)
Net unrealized holding gains on available-for-sale securities	¥27,327	\$247

## 5 Money held in trust

### (1) Money held in trust classified as trading purpose

There was no money held in trust classified as trading purpose at March 31, 2021.

### (2) Money held in trust classified as held-to-maturity

There was no money held in trust classified as held-to-maturity at March 31, 2021.

### (3) Other money held in trust at March 31, 2021

	Millions of yen				
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥45,727	¥45,774	¥(46)	¥11	¥58

	Millions of U.S. dollars				
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$413	\$413	\$(0)	\$0	\$1

Notes: 1. The carrying amount is calculated using market prices at the fiscal year-end.

2. "Unrealized gain" and "Unrealized loss" are breakdowns of "Net unrealized gain (loss)."

The principal amount of money held in trust with a contract for replacement of losses at March 31, 2021 is ¥20,891 million (\$189 million).



## 6 Loans and bills discounted

(1) Doubtful loans included in loans and bills discounted at March 31, 2021 were as follows:

	Millions of yen	Millions of U.S. dollars
Non-accrual loans:		
Loans to borrowers under bankruptcy proceedings	¥ 1,118	\$ 10
Other delinquent loans	59,799	540
Accrual loans past due three months or more	4,160	38
Restructured loans, including loans to supported companies	24,556	222
Total	¥89,634	\$810

The Bank does not accrue interest on loans to borrowers under bankruptcy proceedings and other delinquent loans, which are classified based on the results of self-assessment.

(2) Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign bills of exchange purchased without restrictions, and their total face amounts were ¥17,121 million (\$155 million) at March 31, 2021.

## 7 Assets pledged

At March 31, 2021, the following assets were pledged as collateral for certain liabilities of the Group.

	Millions of yen	Millions of U.S. dollars
Securities	¥1,029,487	\$ 9,299
Loans and bills discounted	912,545	8,243
Other assets	1,119	10
Total	¥1,943,152	\$17,552

The collateral was pledged to secure:

	Millions of yen	Millions of U.S. dollars
Deposits	¥ 1,668	\$ 15
Payables under repurchase agreements	255,685	2,310
Deposits received for bonds lending/ borrowing transactions	382,445	3,454
Borrowed money	968,132	8,745

In addition, other assets not included in the above schedules were pledged as collateral for operating transactions, such as exchange settlements. Other assets amounted to ¥50,000 million (\$452 million) at March 31, 2021.

Security deposits, included in other assets, amounted to ¥2,373 million (\$21 million) at March 31, 2021, deposits for financial instruments amounted to ¥31,843 million (\$288

million) at March 31, 2021, and deposits for futures trading amounted to ¥552 million (\$5 million) at March 31, 2021.

Of the securities received as collateral under transactions with repurchase agreement, those which the Group holds rights of sales or rehypothecation at its discretion amounted to ¥20,539 million (\$186 million) at March 31, 2021.

Bills rediscounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24), and the total face amount of foreign exchanges purchased, etc. that have been delivered was ¥2 million (\$0 million) at March 31, 2021.

## 8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which 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. The unused amount within the limits totaled ¥1,886,204 million (\$17,037 million) relating to these contracts at March 31, 2021. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,784,013 million (\$16,114 million) at March 31, 2021.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank refuse customers' applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers' business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

## 9 Borrowed money and lease obligations

Subordinated loans included in borrowed money were ¥15,000 million (\$135 million) at March 31, 2021.

The weighted average interest rate on the term-end balance of borrowed money maturing in October 2056 was 0.08%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations included in "Other liabilities" within five years at



March 31, 2021 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
2022	¥479,604	\$4,332	¥74	\$1
2023	11,367	103	73	1
2024	334,754	3,024	69	1
2025	151,493	1,368	67	1
2026	2,273	21	66	1

## 10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) included in "Securities" was ¥41,545 million (\$375 million) at March 31, 2021.

## 11 Net assets

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Companies Act of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March

31, 2021 include the amount representing the year-end cash dividend of ¥3,748 million (\$34 million), ¥12.00 (\$0.11) per share, which was approved at the Board of Directors' meeting held on May 12, 2021.

## 12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥25,202 million (\$228 million) for the year ended March 31, 2021.

## 13 Other expenses

Other expenses for the year ended March 31, 2021 include the following:

	Millions of yen	Millions of U.S. dollars
Loss on sales of equity securities, etc.	¥ 143	\$ 1
Write-off of loans	1,173	11
Loss on sales of loans, etc.	308	3
Reserve for possible loan losses	9,736	88
Loss on disposal of fixed assets	149	1
Impairment losses on fixed assets	439	4

## 14 Supplementary cash flow information

### Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statement of cash flows at March 31, 2021 was as follows:

	Millions of yen	Millions of U.S. dollars
Cash and due from banks	¥2,580,736	\$23,311
Foreign currency deposits with banks	(10,729)	(97)
Cash and cash equivalents	¥2,570,007	\$23,214

### Significant non-cash transactions

Hirogin Lease Co., Ltd. was excluded from the scope of equity method and included in the scope of consolidation from the year ended March 31, 2021 since it became a wholly-owned subsidiary of the Company. The amount of increase in assets and liabilities as a result of inclusion of the company in the scope of consolidation was as follows:

	Millions of yen	Millions of U.S. dollars
Total assets	¥78,273	\$707
Total liabilities	77,501	700

## 15 Lease transactions

### Finance Leases

Tangible fixed assets in lease assets mainly consisted of

branches. The depreciation method of lease assets is shown in "3. Significant accounting policies."

### Operating leases

Future minimum lease payments on operating leases which were not cancelable at March 31, 2021 were as follows:

As lessee:

Not applicable

As lessor:

	Millions of yen	Millions of U.S. dollars
Due within 1 year	¥429	\$4
Due after 1 year	469	4
Total	¥898	\$8

## 16 Derivative transactions

### Derivative transactions to which hedge accounting is not applied:

Contracted amount (including notional principal amount), fair value and unrealized gains or losses of financial derivatives at March 31, 2021 were as follows:

#### Interest related:

		Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
Type		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥160,315	¥152,941	¥3,226	¥3,226
	Receive variable, pay fixed	160,315	152,941	(1,715)	(1,715)
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	1,733	1,733	(0)	2
	Buy	1,733	1,733	0	(2)
Total		—	—	¥1,510	¥1,510

		Millions of U.S. dollars			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$1,448	\$1,381	\$29	\$29
	Receive variable, pay fixed	1,448	1,381	(15)	(15)
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	16	16	(0)	0
	Buy	16	16	0	(0)
Total		—	—	\$14	\$14

Notes: 1. The unrealized gains or losses on interest rate swaps, interest rate options and other contracts are recognized in the consolidated statement of income.

2. Fair value of transactions listed on exchanges is calculated using the closing prices on the Tokyo Financial Exchange and others. Fair value of OTC transactions is calculated using the discounted present value and option pricing models.

#### Currency related:

		Millions of yen			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	¥689,807	¥548,078	¥ 77	¥ 248
	Forward foreign exchange contracts:				
	Sell	79,335	20,791	(1,524)	(1,524)
	Buy	70,561	20,019	2,123	2,123
	Currency options:				
	Sell	207,726	98,596	(4,703)	511
	Buy	207,726	98,596	4,703	237
	Total	¥ —	¥ —	¥ 676	¥1,596

		Millions of U.S. dollars			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	\$6,231	\$4,951	\$ 1	\$ 2
	Forward foreign exchange contracts:				
	Sell	717	188	(14)	(14)
	Buy	637	181	19	19
	Currency options:				
	Sell	1,876	891	(42)	5
	Buy	1,876	891	42	2
	Total	\$ —	\$ —	\$ 6	\$14

Notes: 1. The unrealized gains or losses on currency swaps, forward foreign exchange contracts and currency options are recognized in the consolidated statement of income.  
2. Fair value is calculated using the discounted present value method and option pricing models.

#### Others:

		Millions of yen			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Earthquake derivatives:				
	Sell	¥6,950	¥ —	¥(101)	¥ —
	Buy	7,050	—	102	—
	Total	¥ —	¥ —	¥ 0	¥ —

		Millions of U.S. dollars			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Earthquake derivative:				
	Sell	\$63	\$—	\$ (1)	\$—
	Buy	64	—	1	—
	Total	\$ —	\$—	\$ 0	\$—

\* Transactions above whose fair values are not readily determinable are stated at cost.

#### Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2021 were as follows:

#### Interest related:

			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		¥ 20,000	¥ 20,000	¥ 197
	Receive variable, pay fixed		197,561	197,561	(1,721)
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		45,403	45,403	Note 3
	Other contracts:	Loans and bills discounted			
	Buy		—	—	
	Total		¥ —	¥ —	¥(1,523)

			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		\$ 181	\$ 181	\$ 2
	Receive variable, pay fixed		1,784	1,784	(16)
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		410	410	Note 3
	Other contracts:	Loans and bills discounted			
	Buy		—	—	
	Total		\$ —	\$ —	\$(14)

Notes: 1. As for interest rate swaps shown above, deferred hedge accounting is applied in accordance with JICPA Industry Audit Committee Practical Guideline No. 24.  
2. Fair value of transactions listed on exchanges is calculated using the closing prices on the Tokyo Financial Exchange and others. Fair value of OTC transactions is calculated using the discounted present value, option pricing models and prices obtained from the counterparty financial institutions.  
3. Interest rate swaps which meet specific matching criteria are accounted for as a component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in "21. Financial instruments and related disclosures."

## Currency related:

			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥105,512	¥105,512	¥(4,818)
	Forward foreign exchange contracts		230,875	—	(4,631)
	Total		¥ —	¥ —	¥(9,449)

Method of hedge accounting	Type	Main hedge items	Millions of U.S. dollars		
			Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	\$ 953	\$953	\$(44)
	Forward foreign exchange contracts		2,085	—	(42)
	Total		\$ —	\$ —	\$(85)

Notes: 1. The Bank has applied the deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25).  
2. Fair value has been measured on the basis of the calculation of discounted or present value.

## 17 Employees' severance and retirement benefits

### 1. Overview of retirement benefit plans

The Bank adopts funded or unfunded defined benefit plans and defined contribution plans in order to provide for the employees' retirement benefits. Under the defined benefit pension plans, all of which are funded, lump-sum or annuity payments are provided to employees based on their job position and length of service. Under the lump-sum retirement benefit plans, all of which are funded as a result of the establishment of the retirement benefit trust, lump-sum payments are provided to employees as retirement benefits based on their job position and length of service.

Other consolidated subsidiaries adopt lump-sum payment plans, all of which are unfunded.

### 2. Defined benefit plans

#### Changes in projected benefit obligation during the period

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Projected benefit obligation at beginning of the year	¥42,534	\$384
Service costs during the year	1,142	10
Interest cost on projected benefit obligation	15	0
Actuarial differences incurred	534	5
Benefits paid	(2,567)	(23)
Increase due to change in scope of consolidation	623	6
Other	107	1
Projected benefit obligation at end of the year	¥42,390	\$383

#### Changes in plan assets during the period

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Plan assets at beginning of the year	¥113,344	\$1,024
Expected return on plan assets	4,533	41
Actuarial differences incurred	10,768	97
Contribution by the business owner	869	8
Benefits paid	(2,034)	(18)
Other	103	1
Plan assets at end of the year	¥127,585	\$1,152

#### The adjustment of the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit assets

At March 31, 2021	Millions of yen	Millions of U.S. dollars
Funded projected benefit obligation	¥ 41,720	\$ 377
Plan assets	(127,585)	(1,152)
	(85,864)	(776)
Unfunded projected benefit obligation	670	6
Net on consolidated balance sheets	¥ (85,194)	\$ (770)

At March 31, 2021	Millions of yen	Millions of U.S. dollars
Net defined benefit liability	¥ 670	\$ 6
Net defined benefit asset	(85,864)	(776)
Net on consolidated balance sheets	¥(85,194)	\$(770)

### Components of severance and retirement benefit expenses

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Service costs—benefits earned during the year	¥ 1,142	\$ 10
Interest cost on projected benefit obligation	15	0
Expected return on plan assets	(4,533)	(41)
Amortization of actuarial differences	(1,154)	(10)
Severance and retirement benefit expenses calculated by simplified method	4	0
Severance and retirement benefit expenses	¥ (4,525)	\$ (41)

### Components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect)

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Actuarial differences	¥9,079	\$82

### Components of remeasurements of accumulated defined benefit plans in accumulated other comprehensive income (before tax)

At March 31, 2021	Millions of yen	Millions of U.S. dollars
Unrecognized actuarial differences	¥(26,592)	\$ (240)

### Matters concerning plan assets:

#### Percentage of total plan assets by major category at March 31, 2021 is as follows:

Debt securities	1.8%
Equity securities	74.8
Cash and due from banks	0.1
Other	23.3
Plan assets at end of the year	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans (65.4% in 2021) and the retirement benefit trust established for lump-sum payment plans (13.2% in 2021).

In order to determine the long-term expected return on plan assets, the Group takes into consideration the current and anticipated allocation of plan assets and long-term rate of return on a diverse set of assets that comprise the plan assets.

### Major assumptions for actuarial computation for the year ended March 31, 2021 are as follows:

Discount rate	0.2%
Rates of expected return on plan assets	4.0%
Expected salary increase rate	3.0%

### Defined contribution pension plan

The amount required to be contributed to the defined contribution pension plan of the Company's consolidated subsidiaries was ¥293 million (\$3 million) for the year ended March 31, 2021.

## 18 Income taxes

Income taxes in the consolidated statement of income consist of corporation tax, inhabitant tax and enterprise tax.

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

	Millions of yen	Millions of U.S. dollars
<b>Deferred tax assets:</b>		
Reserve for possible loan losses	¥ 17,183	\$ 155
Write-down of securities	700	6
Depreciation	1,542	14
Other	5,019	45
Subtotal of deferred tax assets	24,445	221
Valuation allowance for tax loss carryforwards	—	—
Valuation allowance for total temporary differences deductible in future periods	(1,271)	(11)
Subtotal of valuation allowance	(1,271)	(11)
Total deferred tax assets	23,173	209
<b>Deferred tax liabilities:</b>		
Net defined benefit assets	(19,207)	(173)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(691)	(6)
Net unrealized holding gains on available-for-sale securities	(11,375)	(103)
Total deferred tax liabilities	(31,274)	(282)
Net deferred tax liabilities	¥ (8,101)	\$ (73)

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the year ended March 31, 2021 has been omitted, since the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

## 19 Segment information

The reportable segment of the Group consists solely of banking. As other business are immaterial, separate segment information is omitted for the year ended March 31, 2021.

### Income by service

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Lending	¥ 58,832	\$ 531
Investment in securities	22,219	201
Fees and commissions	28,852	261
Other	5,573	50
Total	¥115,478	\$1,043

## 20 Related party transactions

Information about related party transactions for the year ended March 31, 2021 is omitted since they are immaterial.

## 21 Financial instruments and related disclosures

### (1) Policy for financial instruments

The Group conducts financial services such as financial instruments transactions, credit guarantees, leasing and credit card services, with banking as their core activity. Among these businesses, core banking business include fund procurement through deposit-taking and fund management through loans and investment security portfolios. The financial assets and liabilities of the Group are subject to asset liability management ("ALM," comprehensive management of assets and liabilities) in such a way as to prevent adverse impact from interest rate, foreign exchange and market value fluctuation.

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

Loans and bills discounted are primarily provided to domestic institutional and individual customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of stocks, bonds and investment trusts held by the Group for the purposes of holding to maturity, pure investment, as well as for the development of regional society and the enhancement of corporate value over the medium to long term.

They are exposed to risk of fluctuation in interest rates and prices in the bond/stock markets and in addition, credit risk arising from downgrading of the issuer's credit rating. Borrowed money, corporate bonds and commercial papers are exposed to liquidity risk, the risk that the Group is unable to meet its obligations as they fall due.

The Group enters into the following derivative transactions, such as currency swaps and forward foreign exchange contracts to meet the financial needs of customers and interest rate swaps for the purpose of optimizing ALM. As part of optimizing ALM, the Group uses hedge accounting, specifying derivatives such as interest rate swaps as hedging instruments, and loans as hedged items.

### (3) Risk management for financial instruments

#### Credit risk management

Credit risk is the risk of sustaining losses due to reduction or loss of value of assets due to deteriorating credit circumstances at a borrower.

The Group controls credit risk appropriately in accordance with the "Group Credit Risk Management Rule" which provides the basic policy for credit risk management.

In addition, the Company has in place "internal rating systems" and "self-assessment systems" to objectively identify the credit risk associated with loans, etc., monitors the credit risk management status of the Group companies and credit concentration risk of the whole Group, accurately assesses the credit risk of individual debtors and portfolios, and provides guidance and advice to the Group companies as necessary.

#### Market risk management

##### (i) Market risk management system

Market risk is the risk that the Group might suffer from losses on the value of assets arising from the fluctuations in interest rates, prices of securities, foreign exchange rates and other various market risk factors.

The Group controls market risk appropriately in accordance with the "Group Market Risk Management Rule" which provides the basic policy for market risk management.

Furthermore, the Group controls market risk including interest rates by working to improve and strengthen ALM involving not only securities, but also deposits and loans, so as to stabilize earnings.

The Group, in order to strictly implement market risk management of the whole Group, limits the risk position, defines hedging policies as well as reporting and consultation rules in case of a decline in the asset value, and has in place a system for responding to the changes in the market promptly and stabilizing earnings. The status of compliance with the amount of limits is controlled on a daily basis along with position amounts, risk volume, profit and loss status, and other main data.

In addition, as a measure to comply with fair value accounting, the Group implements strict accounting treatments based on the classification by holding purpose and reflects the fluctuations of market prices appropriately in the financial statements.

With regard to trading accounts (for securities and off-balance-sheet transactions that target short-term gains on sales or purchases, and trading at the behest of customers), the Bank has set up designated trading accounts to strengthen the management of these accounts by conducting transparent accounting procedures based on fair value.

## (ii) Quantitative information relating to market risk

### (a) Financial products for trading purposes

The Group holds securities and derivative transactions including interest-rate and currency swaps for trading purpose.

To measure the amount of market risk, the Group primarily adopts VaR (Value at Risk) using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: one day).

As of March 31, 2021, the entire VaR of the Group was ¥4 million (\$0 million).

### (b) Financial products held for other than trading purpose

The Group holds various products such as loans, securities, deposits, corporate bonds, and derivatives for other than trading purpose.

To measure the amount of market risk associated with these products, the Group primarily adopts the VaR method using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: six months for strategic equity investments, three months for securities other than strategic equity investments, and one year for others).

The total VaR as of March 31, 2021 was ¥62,744 million (\$567 million).

### (c) VaR adequacy

The relationship between the VaR calculated with the model and actual gains and losses data is periodically back-tested. The Group has confirmed that the calculating model used for these measurements captures market risk with the necessary degree of accuracy.

However, because VaR is a method of measuring the amount of market risk in terms of the probability of a certain event happening based on past statistical variation, it cannot be used for assessing risk in a market environment characterized by abnormal change.

## Management of liquidity risks related to fund procurement

Liquidity risk is the risk of incurring losses due to a decline in cash flow or being obliged to procure funds at interest rates that are markedly higher than usual due to an unexpected outflow of cash.

The Group controls liquidity risk appropriately in accordance with the "Group Liquidity Risk Management Rule" which

provides the basic policy for liquidity risk management.

The Group controls liquid coverage ratio (LCR) to prepare for cash outflows in times of short-term stress. Moreover, to mitigate long-term fund procurement risks, the Bank manages the gap between low-liquidity loans and stable procurement.

The Group has a structure to conduct liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

## (4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used.

Since the calculations of the reasonably calculated prices are implemented under certain conditions and assumptions, the result of calculations would differ if such calculations are made under different conditions and assumptions.

Fair values of financial instruments at March 31, 2021 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥ 2,580,736	¥ 2,580,736	¥ —
(2) Call loans and bills purchased	942	942	—
(3) Monetary claims bought	7,533	7,533	—
(4) Trading assets*2			
Trading securities	1,305	1,305	—
(5) Money held in trust	45,727	45,727	—
(6) Securities:			
Available-for-sale securities	1,467,796	1,467,796	—
(7) Loans and bills discounted	6,480,841		
Reserve for possible loan losses*1	(38,677)		
Net	6,442,163	6,577,881	135,717
Total assets	¥10,546,207	¥10,681,924	¥135,717
(1) Deposits	¥ 8,344,597	¥ 8,344,885	¥ 287
(2) Negotiable certificates of deposit	325,478	325,480	2
(3) Payables under repurchase agreements	255,685	255,685	—
(4) Deposits received for bonds lending/borrowing transactions	382,445	382,445	—
(5) Borrowed money	1,024,872	1,025,974	1,101
Total liabilities	¥10,333,079	¥10,334,471	¥ 1,391
Derivative instruments*1, 3:			
Hedge accounting is not applied	¥ 2,172	¥ 2,172	¥ —
Hedge accounting is applied*4	(10,973)	(10,973)	—
Total derivative instruments	¥ (8,800)	¥ (8,800)	¥ —



	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks	\$23,311	\$23,311	\$ —
(2) Call loans and bills purchased	9	9	—
(3) Monetary claims bought	68	68	—
(4) Trading assets <sup>*2</sup>			
Trading securities	12	12	—
(5) Money held in trust	413	413	—
(6) Securities:			
Available-for-sale securities	13,258	13,258	—
(7) Loans and bills discounted	58,539		
Reserve for possible loan losses <sup>*1</sup>	(349)		
Net	58,190	59,415	1,226
Total assets	\$95,260	\$96,486	\$ 1,226
(1) Deposits	\$75,373	\$75,376	\$ 3
(2) Negotiable certificates of deposit	2,940	2,940	0
(3) Payables under repurchase agreements	2,310	2,310	—
(4) Deposits received for bonds lending/ borrowing transactions	3,454	3,454	—
(5) Borrowed money	9,257	9,267	10
Total liabilities	\$93,335	\$93,347	\$ 13
Derivative instruments <sup>*1, *3</sup> :			
Hedge accounting is not applied	\$ 20	\$ 20	\$ —
Hedge accounting is applied <sup>*4</sup>	(99)	(99)	—
Total derivative instruments	\$ (79)	\$ (79)	\$ —

\*1. The amounts only include the general reserve for possible loan losses and the specific reserve for possible loan losses provided to "Loans and bills discounted." Reserve for possible loan losses provided in "Derivative instruments" is directly deducted from the carrying amounts due to immateriality.

\*2. Derivative instruments are not included in trading assets.

\*3. Derivative instruments recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

\*4. These instruments are interest rate swaps designated as hedging instruments to offset market fluctuations of loans, etc., which are hedged items, or to fix cash flows, and deferral hedge accounting is applied in principal. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, September 29, 2020) is applied to these hedging relationships.

## (Note 1) Valuation methodology for financial instruments

### Assets

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

The carrying amounts of due from banks with no maturities approximate fair values because they have no maturity. For due from banks with maturities, the carrying amounts approximate fair value because most of them have short maturities.

#### (2) Call loans and bills purchased

The carrying amounts of call loans and bills purchased approximate fair values because most of these instruments have short maturities.

#### (3) Monetary claims bought

Out of monetary claims bought, trust beneficiary rights, that are divided by quality such as subordinated or preferred and owned by multiple holders, are measured at the quoted price from the counterpart financial institutions. For other monetary claims bought, the carrying amounts are considered as the fair value, as most of these instruments have short maturities and the fair values approximate the carrying amounts.

#### (4) Trading assets

The fair values of trading securities are measured at observable market prices or quoted price from counterpart financial institutions.

#### (5) Money held in trust

Of money held in trust, the fair values of securities managed as trust assets are determined by the method noted in (6) below. The fair values of securities, which have an external rating, are determined by discounting the aggregated amount of the principal and interest at the average interest rate by external rating for each period. For other money held in trust, the carrying amounts are considered as the fair value, as the components of trust assets consist of deposits with no maturities and the fair values approximate the carrying amounts.

#### (6) Securities

The fair values of marketable equity securities are measured at market prices. The fair values of bonds are measured at market prices or quoted price from counterpart financial institutions.

The fair values of investment trusts are measured at the published benchmark price or quoted price from counterpart financial institutions.

The value reasonably estimated for such bonds was calculated by discounting the estimated future cash flows at the rate derived from yields of Japanese government bonds. The yields of Japanese government bonds and volatility are major variables in pricing.

#### (7) Loans and bills discounted

The fair values of loans and bills discounted are determined by discounting expected cash flows at the rates that would be applied for the new same contract for each type of loan product, interest, period of time and internal ratings-based classification.

For loans to obligors "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," since the reserve is provided based

on amounts expected to be collected through the disposal of collateral or execution of guarantees, the net carrying amount as of the consolidated balance sheet date is the reasonable estimate of the fair value of those loans.

For loans without any repayment due dates, the carrying amounts are considered as the fair values, as the fair values approximate the carrying amounts from the viewpoints of estimated payment terms and interest rate conditions, etc.

## Liabilities

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

The fair values of demand deposits are recognized as the payment at the date of the consolidated balance sheets. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for the same, new contracts.

### (3) Payables under repurchase agreements and (4) Deposits received for bonds lending/borrowing transactions

The fair values of these items are considered as the carrying amounts, as the contract terms are short and the fair values approximate the carrying amounts.

### (5) Borrowed money

The fair values of borrowed money are determined by discounting the contractual cash flows at the rate that would be applied for the same, new contracts. For borrowed money with short contract terms, the carrying amounts are considered as the fair values, as the fair values approximate the carrying amounts.

### Derivative instruments

The fair values of derivative instruments are measured at the market prices or determined using the discounted cash flow method or option pricing models.

(Note 2) Financial instruments whose fair value cannot be reliably determined at March 31, 2021  
These financial instruments are not included in "Available-for-sale securities" under (6) Securities in the table.

	Carrying amount	
	Millions of yen	Millions of U.S. dollars
Equity securities without readily available market price*1, 2	¥ 5,250	\$ 47
Other	6,781	61
Total	¥12,032	\$109

\*1. Equity securities without readily available market prices are out of the scope of fair value disclosure because their fair value cannot be reliably determined.

\*2. Impairment loss on equity securities without readily available market prices was ¥35 million (\$0 million) for the year ended March 31, 2021.

(Note 3) Maturity analysis for financial assets with contractual maturities

At March 31, 2021	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	¥2,500,698	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	942	—	—	—	—	—
Monetary claims bought	7,533	—	—	—	—	—
Money held in trust	45,727	—	—	—	—	—
Securities	59,171	106,661	159,253	162,904	321,808	464,271
Available-for-sale:	59,171	106,661	159,253	162,904	321,808	464,271
National government bonds	30,000	24,000	5,000	—	174,000	187,200
Local government bonds	5,590	9,360	53,000	36,924	61,295	5,982
Corporate bonds	8,426	33,410	64,562	11,225	15,373	131,562
Others	15,155	39,890	36,691	114,755	71,138	139,526
Loans and bills discounted*	650,361	632,381	755,327	550,239	844,215	2,205,508
Total	¥3,264,435	¥739,042	¥914,580	¥713,143	¥1,166,023	¥2,669,779

At March 31, 2021	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	\$22,588	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	9	—	—	—	—	—
Monetary claims bought	68	—	—	—	—	—
Money held in trust	413	—	—	—	—	—
Securities	534	963	1,438	1,471	2,907	4,194
Available-for-sale:	534	963	1,438	1,471	2,907	4,194
National government bonds	271	217	45	—	1,572	1,691
Local government bonds	50	85	479	334	554	54
Corporate bonds	76	302	583	101	139	1,188
Others	137	360	331	1,037	643	1,260
Loans and bills discounted*	5,874	5,712	6,823	4,970	7,625	19,921
Total	\$29,486	\$6,675	\$8,261	\$6,442	\$10,532	\$24,115

\* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers and loans to “possibly bankrupt” borrowers amounting to ¥60,917 million (\$550 million), is not included in the above table as of March 31, 2021. Loans that do not have contractual maturity, amounting to ¥781,890 million (\$7,063 million), are not included either.

#### (Note 4) Maturity analysis for interest-bearing liabilities at March 31, 2021

At March 31, 2021	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	¥8,125,170	¥183,149	¥ 24,568	¥ 5,724	¥ 5,984	¥ —
Negotiable certificates of deposit	325,423	55	—	—	—	—
Payables under repurchase agreements	255,685	—	—	—	—	—
Payables under securities lending transactions	382,445	—	—	—	—	—
Borrowed money	479,604	346,121	153,766	18,400	4,638	22,339
Total	¥9,568,329	¥529,326	¥178,335	¥24,125	¥10,623	¥22,339

At March 31, 2021	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	\$73,391	\$1,654	\$ 222	\$ 52	\$54	\$ —
Negotiable certificates of deposit	2,939	0	—	—	—	—
Payables under repurchase agreements	2,310	—	—	—	—	—
Payables under securities lending transactions	3,454	—	—	—	—	—
Borrowed money	4,332	3,126	1,389	166	42	202
Total	\$86,427	\$4,781	\$1,611	\$218	\$96	\$202

\* Deposits on demand are included in “Less than 1 year.”

## 22 Stock options

1. No stock option expense was recorded for the year ended March 31, 2021.

2. Outline, size and changes of stock options in the year ended March 31, 2021

### (1) Outline of stock options

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 15,800	Common stock: 16,750	Common stock: 38,100
Date of rights granted	July 28, 2010	July 27, 2011	July 27, 2012
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 28, 2040	From October 1, 2020 to July 27, 2041	From October 1, 2020 to July 27, 2042
	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 22,650	Common stock: 25,650	Common stock: 18,000
Date of rights granted	July 25, 2013	July 30, 2014	July 31, 2015
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 25, 2043	From October 1, 2020 to July 30, 2044	From October 1, 2020 to July 31, 2045
	Hirogin Holdings, Inc. 7th stock options		
Persons to whom stock options are granted	Directors of the Bank: 2		
Type and number of shares	Common stock: 34,500		
Date of rights granted	July 29, 2016		
Condition for vesting	Not applicable		
Eligible service period	Not applicable		
Period for exercise of stock options	From October 1, 2020 to July 29, 2046		

Notes: 1. As the Company was incorporated through a sole-share transfer of the Bank, the Company's stock acquisition rights were granted to the holders of stock acquisition rights issued by the Bank.

2. The number of stock options is converted to the number of shares.

3. Date of rights granted refers to the initial date of rights granted by the Bank.

### (2) Size and changes of stock options

a. Number of stock options (converted to number of shares) for the year ended March 31, 2021

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options	Hirogin Holdings, Inc. 7th stock options
Non-vested:							
Outstanding on April 1, 2020	—	—	—	—	—	—	—
Granted	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Forfeited	—	—	—	—	—	—	—
Vested	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Outstanding on March 31, 2021	—	—	—	—	—	—	—
Vested:							
Outstanding on April 1, 2020	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding on March 31, 2021	—	—	—	—	—	—	—

b. Price information for the year ended March 31, 2021

	Hirogin Holdings, Inc. 1st stock options		Hirogin Holdings, Inc. 2nd stock options		Hirogin Holdings, Inc. 3rd stock options		Hirogin Holdings, Inc. 4th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥1	\$0.00	¥1	\$0.00	¥1	\$0.00	¥1	\$0.00
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	5.89	644	5.82	446	4.03	820	7.41

	Hirogin Holdings, Inc. 5th stock options		Hirogin Holdings, Inc. 6th stock options		Hirogin Holdings, Inc. 7th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥1	\$0.00	¥1	\$0.00	¥1	\$0.00
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	8.26	1,346	12.16	654	5.91

(3) Method of estimating number of stock options vested

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

**23 Other comprehensive income**

Reclassification adjustments and the related tax effects concerning other comprehensive income for the year ended March 31, 2021 were as follows:

	Millions of yen	Millions of U.S. dollars
Net unrealized holding gains on available-for-sale securities:		
Amount arising during the period	¥26,012	\$235
Reclassification adjustments	(8,177)	(74)
Before adjustments for tax effect	17,834	161
Amount of tax effect	(5,512)	(50)
Net unrealized holding gains on available-for-sale securities	12,322	111
Net deferred gains on hedging instruments, net of tax:		
Amount arising during the period	3,122	28
Reclassification adjustments	1,350	12
Before adjustments for tax effect	4,473	40
Amount of tax effect	(1,386)	(13)
Net deferred gains on hedging instruments, net of tax	3,086	28
Remeasurements of defined benefit plans:		
Amount arising during the period	10,233	92
Reclassification adjustments	(1,154)	(10)
Before adjustments for tax effect	9,079	82
Amount of tax effect	(2,814)	(25)
Remeasurements of defined benefit plans	6,264	57
Share of other comprehensive income of an affiliated company accounted for using the equity method:		
Amount arising during the period	(4)	(0)
Reclassification adjustments	—	—
Share of other comprehensive income of an affiliated company accounted for using the equity method	(4)	(0)
Total other comprehensive income	¥21,668	\$196

**24 Business combinations**

**(Transaction under common control)**

**1. Outline of transaction**

**(1) Name and business of combined companies**

The Hiroshima Bank, Ltd., a wholly-owned subsidiary company resulting from a share transfer (banking business)

**(2) Date of business combination**

October 1, 2020

**(3) Legal form of business combination**

Incorporation of a holding company through a sole share transfer

**(4) Name of company after business combination**

Hirogin Holdings, Inc., a wholly owning parent company incorporated in a share transfer

**(5) Others**

The Company was established for the purpose of contributing to the creation of a prosperous future for the regional community, as a regional comprehensive services group that meets all the needs of customers, with a focus on finance, by further strengthening group governance as well as further expanding the business axis and enhancing group synergy.

The Company acquired all shares in Hirogin Securities Co., Ltd., Shimanami Servicer Co., Ltd., Hirogin Capital Partners Co., Ltd. and Hirogin Lease Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank on October 1, 2020, and these four companies became wholly-owned subsidiaries of the Company.

**2. Outline of accounting treatment applied**

This transaction is treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019), as well as the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

**(Business combination through acquisition)**

The Company acquired shares in Hirogin IT Solutions Co., Ltd. on January 4, 2021 based on the share transfer agreement entered into with Mighty Net Co. on October 1, 2020. As a result, Hirogin IT Solutions Co., Ltd. became a subsidiary of the Company.

**1. Outline of transaction****(1) Name and business of the acquired company and its business**

Name of acquired company: Hirogin IT Solutions Co., Ltd.  
Business of acquired company: IT-related business

**(2) Major reason for business acquisition**

To support local companies in introducing information technology in their business and to aim for sustainable growth of the Group

**(3) Date of business combination**

January 4, 2021 (deemed acquisition date: March 31, 2021)

**(4) Legal form of business combination**

Share acquisition to make the company a subsidiary

**(5) Name of company after business combination**

No change

**(6) Ratio of voting rights acquired**

80%

**(7) Basis for acquiring the company**

It is based on the fact that the Company acquired shares in consideration for cash.

**2. Performances of the acquired company included in the consolidated financial statements**

It is not applicable since March 31, 2021 is regarded as the deemed acquisition date.

**3. Matters concerning calculation of acquisition cost****(1) Acquisition cost of the acquired company and breakdown by type of consideration**

This information is not disclosed due to the conclusion of a confidential agreement between the parties concerned. The acquisition cost is determined considering the outcome of calculation of the share value by a third party and is therefore considered as a fair value.

**(2) Main acquisition-related costs and amount thereof**

Due diligence costs, etc.: ¥10 million (\$0 million)

**4. Allocation of acquisition costs****(1) Assets acquired and liabilities assumed at the date of business combination are as follows:**

	Millions of yen	Millions of U.S. dollars
Current assets	¥1,350	\$12
Non-current assets	653	6
Total assets	¥2,004	\$18
Current liabilities	¥721	\$ 7
Non-current liabilities	674	6
Total liabilities	¥1,395	\$13

**(2) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization**

Amount of goodwill incurred: ¥233 million (\$2 million)

Reasons for the goodwill incurred: Goodwill was incurred as the acquisition cost of the acquired company exceeded its net asset value at the time of acquisition.

Method and period of amortization: Goodwill is amortized on a straight-line basis over five years.

## 5. Comparative information about net income and loss

Information on the effect of the business combination on the consolidated statement of income for the year ended March 31, 2021, on the assumption that the business combination was completed at the beginning of the year ended March 31, 2021, is omitted since the acquired company was incorporated on January 4, 2021.

### (Acquisition of treasury stock by an affiliated company accounted for by the equity method)

Hirogin Lease Co., Ltd., which used to be an affiliated company accounted by using the equity method, acquired its own shares on March 1, 2021, and became a wholly-owned subsidiary of the Company.

#### 1. Outline of transaction

##### (1) Name of the acquired company and its business

Name of acquired company: Hirogin Lease Co., Ltd.

Business of acquired company: Leasing business, installment sales business, lending business

##### (2) Major reason for business acquisition

To strengthen alliance with the acquired company and provide high value-added solutions to the equipment needs of customers.

##### (3) Date of business combination

March 1, 2021 (deemed acquisition date: March 31, 2021)

##### (4) Legal form of business combination

Changes in the ratio of voting rights as a results of the acquisition of own shares by the affiliated company accounted for by the equity method.

##### (5) Name of company after business combination

No change

##### (6) Ratio of voting rights acquired

Ratio of voting rights held immediately before the business acquisition: 20%

Ratio of voting rights acquired at the date of business combination: 80%

Ratio of voting rights after the business combination: 100%

##### (7) Basis for acquiring the company

For the Company to acquire majority shares in the acquired company.

#### 2. Performance period of the acquired company included in the consolidated financial statements

Operating results of the acquired company from April 1, 2020 through March 31, 2021 are recorded as share of profit of an affiliated company accounted for by the equity method since March 31, 2021 is regarded as the deemed acquisition date.

#### 3. Matters concerning calculation of acquisition costs

##### (1) Acquisition cost of the acquired company

The fair value of shares in the acquired company held before the date of business combination was ¥1,179 million (\$11 million).

##### (2) Difference between the acquisition cost of the acquired company and total amount of acquisition cost for each transaction of acquisition

Gain on step acquisition: ¥86 million (\$1 million)

#### 4. Allocation of acquisition costs

##### (1) Assets acquired and liabilities assumed at the date of business combination are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥75,513	\$682
Non-current assets	2,760	25
Total assets	¥78,273	\$707
Current liabilities	¥75,126	\$679
Non-current liabilities	2,374	21
Total liabilities	¥77,501	\$700

##### (2) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

Amount of goodwill incurred: ¥442 million (\$4 million)

Reasons for the goodwill incurred: Goodwill was incurred as the acquisition cost of the acquired company exceeded its net asset value at the time of acquisition.

Method and period of amortization: Goodwill is amortized on a straight-line basis over five years.

## 5. Comparative information about net income and loss

Information on the effect of the business combination on the consolidated statement of income for the year ended March 31, 2021, on the assumption that the business combination was completed at the beginning of the year ended March 31, 2021, is omitted since the effect is considered to be minimal.



## 25 Per share information

Per share information at March 31, 2021 and for the year then ended is as follows

	Yen	U.S. dollar
Net assets per share	¥1,664.01	\$15.03
Net income per share	69.26	0.63
Diluted net income per share	69.22	0.63

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen	Millions of U.S. dollars
Net assets	¥516,880	\$4,669
Amounts to be deducted from net assets	248	2
(Of which, stock acquisition rights)	(126)	(1)
(Of which, non-controlling interests)	(121)	(1)
Net assets at March 31 attributable to common stock	¥516,632	\$4,667

	Number of shares (in thousands)
Number of shares of common stock at end of the year which was used to compute net assets per share	310,473

2. Net income per share and diluted net income per share is computed based on the following information:

	Millions of yen	Millions of U.S. dollars
Net income per share:		
Net income attributable to owners of the parent	¥21,574	\$195
Net income not attributable to common shareholders	—	—
Net income attributable to owners of the parent of common stock	¥21,574	\$195

	Number of shares (in thousands)
Average number of shares of common stock outstanding during the year	311,472

	Millions of yen	Millions of U.S. dollars
Diluted net income per share:		
Adjustment to net income attributable to owners of the parent	¥—	\$—

	Number of shares (in thousands)
Number of shares of common stock that increased during the year	176
(Of which, stock acquisition rights)	176

3. The Company's shares held by The Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account 76131) are accounted for as treasury stock in the consolidated financial statements and, thus, such shares are not included in "Number of shares of common stock at end of the year which was used to compute net assets per share" and "Average number of shares of common stock outstanding during the year."

The number of shares of the treasury stock at March 31, 2021 and the average number of shares of the treasury stock during the year were 1,895 thousand shares and 870 thousand shares, respectively.

4. The average number of shares of common stock during the year is computed using the average number of shares of the Bank for the period from April 1, 2020 through September 30, 2020 and using the average number of shares of the Company for the period from October 1, 2020 through March 31, 2021, since the Company was incorporated through a sole-share transfer on October 1, 2020.

## 26 Significant subsequent events

### (Incorporation of a subsidiary)

The Company resolved to incorporate a subsidiary wholly owned by the Company at the board of directors meeting held on December 18, 2020 and it was incorporated on April 1, 2021.

#### 1. Purpose of incorporation

The Company has been actively engaged in regional revitalization and development efforts under the priority theme of "Active commitment to regional revitalization" in the mid-term plan (prepared by the Bank).

Under such circumstances, many issues have manifested in the region, such as a social population decline and shortage of successors of small and medium size enterprises, etc., and these are structural issues facing the region that must be provided with solutions.

The Group intends to promote its consulting business towards realizing regional revitalization and deepen its ties with the local governments and other related parties through the newly incorporated subsidiary engaged in consulting business. It will also actively involve itself in "city development" and strengthen its efforts to solve the fundamental issues faced by the region.

## 2. Outline of the subsidiary

(1) Name	Hirogin Area Design Co., Ltd.
(2) Business description	Consulting business
(3) Date of incorporation	April 1, 2021
(4) Stated capital	¥100 million (\$1 million)
(5) Stockholder	Hirogin Holdings, Inc. (owns all shares of the subsidiary)

### **(Incorporation of a subsidiary)**

The Company resolved to incorporate a subsidiary wholly owned by the Company at the board of directors meeting held on January 28, 2021 and it was incorporated on April 1, 2021.

#### 1. Purpose of incorporation

The Group has been committed to the enhancement of consulting services as a business model emphasizing feasibility study of businesses.

Under such circumstances, the top concerns of owners of small and medium size enterprises in the region are those

related to human resources and labor issues, such as the securing of human resources and workstyle reform, etc., and considering the social environment with a population decline, the spread and prolongation of the COVID-19 pandemic, etc., needs for solutions to these issues are expected to increase going forward.

The Group intends to develop human resource and labor related consulting business and strengthen its efforts to solve the issues faced by the small and medium size enterprises in the region through the newly incorporated subsidiary engaged in consulting business.

## 2. Outline of the subsidiary

(1) Name	Hirogin Human Resources Co., Ltd.
(2) Business description	Consulting business
(3) Date of incorporation	April 1, 2021
(4) Stated capital	¥100 million (\$1 million)
(5) Stockholder	Hirogin Holdings, Inc. (owns all shares of the subsidiary)

# Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.  
As of March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars (Note 1)
	2020	2021	2021
<b>ASSETS</b>			
Cash and due from banks	¥1,471,326	¥2,579,575	\$23,300
Call loans and bills purchased	6,711	942	9
Monetary claims bought	6,313	6,133	55
Trading assets	6,235	6,501	59
Money held in trust	171	30,127	272
Securities	1,136,265	1,486,384	13,426
Loans and bills discounted	6,479,709	6,540,880	59,081
Foreign exchanges	34,990	15,463	140
Other assets	106,427	107,467	971
Tangible fixed assets	92,974	108,515	980
Intangible fixed assets	9,119	8,427	76
Prepaid pension cost	53,340	59,272	535
Deferred tax assets	4,965	—	—
Customers' liabilities for acceptances and guarantees	35,232	35,207	318
Reserve for possible loan losses	(31,848)	(38,881)	(351)
<b>Total assets</b>	<b>¥9,411,933</b>	<b>¥10,946,017</b>	<b>\$98,871</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Deposits	¥7,709,050	¥ 8,699,667	\$78,580
Call money	100,000	—	—
Payables under repurchase agreements	79,420	255,685	2,310
Deposits received for bonds lending/borrowing transactions	321,008	382,445	3,454
Trading liabilities	3,814	3,607	33
Borrowed money	639,493	1,023,250	9,243
Foreign exchanges	3,502	1,985	18
Due to trust account	32	47	0
Other liabilities	41,541	58,559	529
Reserve for reimbursement of deposits	2,530	1,745	16
Reserve for point loyalty programs	94	93	1
Reserve for stock payments	547	599	5
Reserve for dismantling costs for fixed assets	1,177	768	7
Deferred tax liabilities	—	1,326	12
Deferred tax liabilities for land revaluation reserve	13,605	13,605	123
Acceptances and guarantees	35,232	35,207	318
<b>Total liabilities</b>	<b>¥8,951,052</b>	<b>¥10,478,596</b>	<b>\$94,649</b>
<b>Net Assets:</b>			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 493
Issued – 312,633,171 shares in 2020 and 312,370,921 shares in 2021			
Capital surplus	30,739	30,634	277
Retained earnings	338,614	329,081	2,972
Common stock in treasury	(984)	—	—
<b>Total stockholders' equity</b>	<b>¥ 422,943</b>	<b>¥ 414,289</b>	<b>\$ 3,742</b>
Net unrealized holding gains on available-for-sale securities	¥ 15,005	¥27,288	\$246
Net deferred losses on hedging instruments	(5,025)	(1,938)	(18)
Land revaluation reserve	27,781	27,781	251
<b>Total valuation and translation adjustments</b>	<b>¥ 37,762</b>	<b>¥53,131</b>	<b>\$480</b>
Stock acquisition rights	176	—	—
<b>Total net assets</b>	<b>¥ 460,881</b>	<b>¥ 467,420</b>	<b>\$ 4,222</b>
<b>Total liabilities and net assets</b>	<b>¥9,411,933</b>	<b>¥10,946,017</b>	<b>\$98,871</b>

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

# Non-Consolidated Statements of Income

THE HIROSHIMA BANK, LTD.  
Years ended March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars (Note 1)
	2020	2021	2021
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥ 62,266	¥ 58,614	\$ 529
Interest and dividends on securities	12,765	13,770	124
Other interest income	1,630	2,385	22
Trust fees	189	128	1
Fees and commissions	23,760	24,366	220
Trading income	750	809	7
Other operating income	9,352	5,521	50
Other income	9,533	5,775	52
Total income	¥ 121,120	¥ 111,372	\$ 1,006
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	¥ 1,935	¥ 1,292	\$ 12
Interest on borrowings and rediscounts	3,004	1,087	10
Other interest expenses	3,418	2,170	20
Fees and commissions	10,855	10,517	95
Other operating expenses	4,933	797	7
General and administrative expenses	52,138	52,605	475
Other expenses	10,706	11,878	107
Total expenses	¥ 86,992	¥ 80,348	\$ 726
<b>Income before income taxes</b>	¥ 34,127	¥ 31,024	\$ 280
Income taxes:			
Current income taxes	¥7,934	¥9,223	\$ 83
Deferred income taxes	2,031	(592)	(5)
Total income taxes	¥9,966	¥8,630	\$ 78
<b>Net income</b>	¥ 24,161	¥ 22,393	\$ 202

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## Major Shareholders

(As of March 31, 2021)

Shareholders	Number of shares (Thousand)	Ratio of the number of shares owned to the total number of shares issued (excluding treasury stock) (%)
Master Trust Bank of Japan, T.	18,711	5.99
Custody Bank of Japan, T.	16,663	5.33
Meiji Yasuda Life Insurance	9,504	3.04
Sompo Japan Insurance	7,500	2.40
CP Chemical Inc.	7,463	2.38
Nippon Life Ins.	6,042	1.93
Sumitomo Life Ins.	6,038	1.93
Chugoku Electric Power	6,004	1.92
Hirogin Holdings For Employee Stock Ownership Plans	5,561	1.78
Bank of Fukuoka	5,500	1.76

\*1 Numbers of shares less than one thousand have been omitted.

\*2 Percentage of shares issued is rounded down at the second decimal place.

## Stock Information

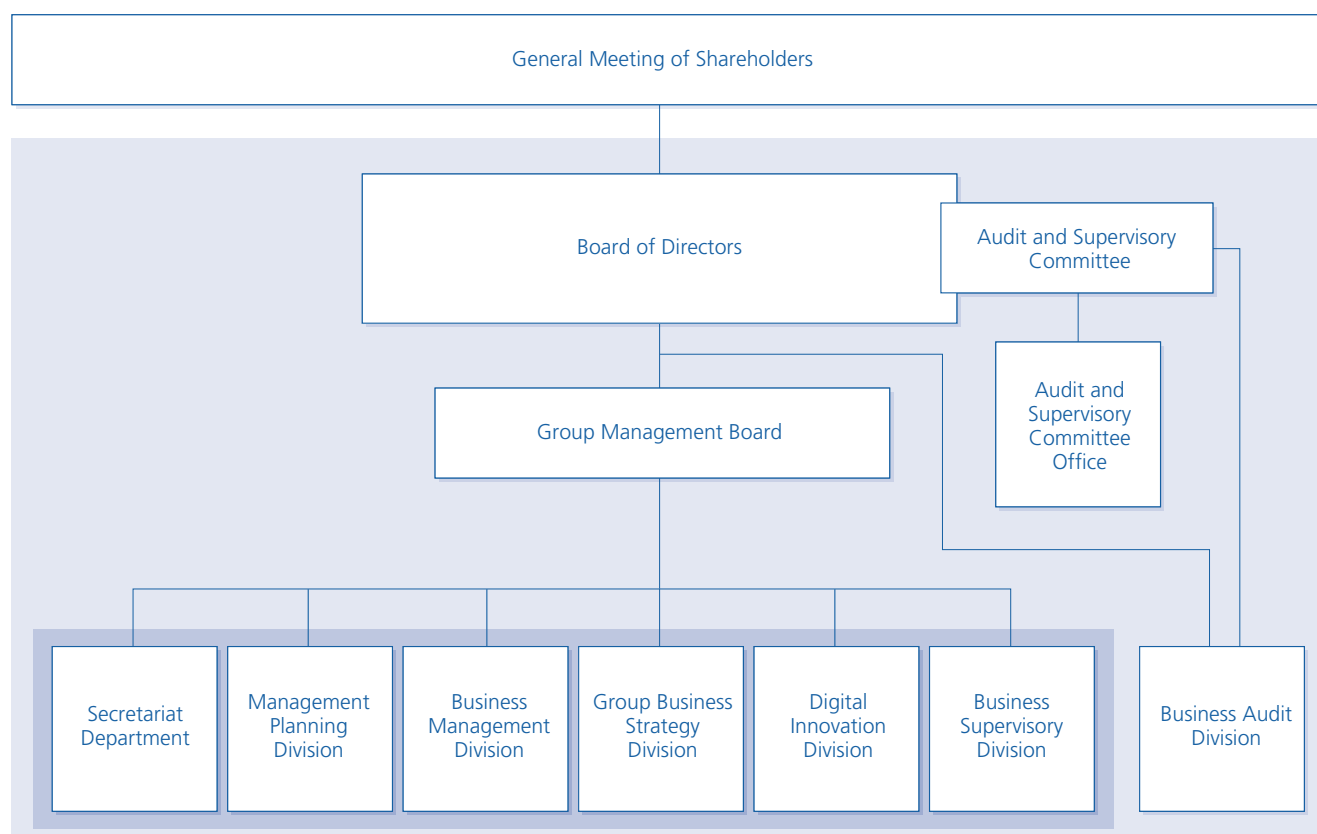
(As of March 31, 2021)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	312,369 thousand
Number of Shareholders	70,571

## Organization

HIROGIN HOLDINGS

(As of March 31, 2021)



# Organization

HIROSHIMA BANK  
(As of March 31, 2021)

