

ANNUAL REPORT 2021

Year Ended March 31, 2021



As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since its establishment in November 1941.

I would like to take this opportunity to thank you for your continued support and patronage of the Toho Bank Group. In addition, we express our sincerest condolences to those who have been affected by the novel coronavirus pandemic.

While Fukushima Prefecture, Toho Bank's principal base of operation, is steadily taking steps toward reconstruction and growth after a decade from the Great East Japan Earthquake through the development of the Fukushima Innovation Coast Framework and other initiatives, there are still many challenges to face, such as lingering reputational damage and effects of the prolonged novel coronavirus pandemic.

In addition, it is no exaggeration to say that the environment surrounding regional financial institutions such as ours is entering an age of major change. Amid the declining birthrate and aging population, we are facing prolonged negative interest rate policies, rapid advancement of digitalization, as well as intensified competition caused by new entrants from different industries.

Under these circumstances, the Bank will celebrate its 80th anniversary this November. I would like to extend our heartfelt gratitude to our customers, the people of the region, shareholders, and those who have come before us for their support. To return your kindness, all executives and employees are committed to work as one to fulfil our duties as a regional financial institution.

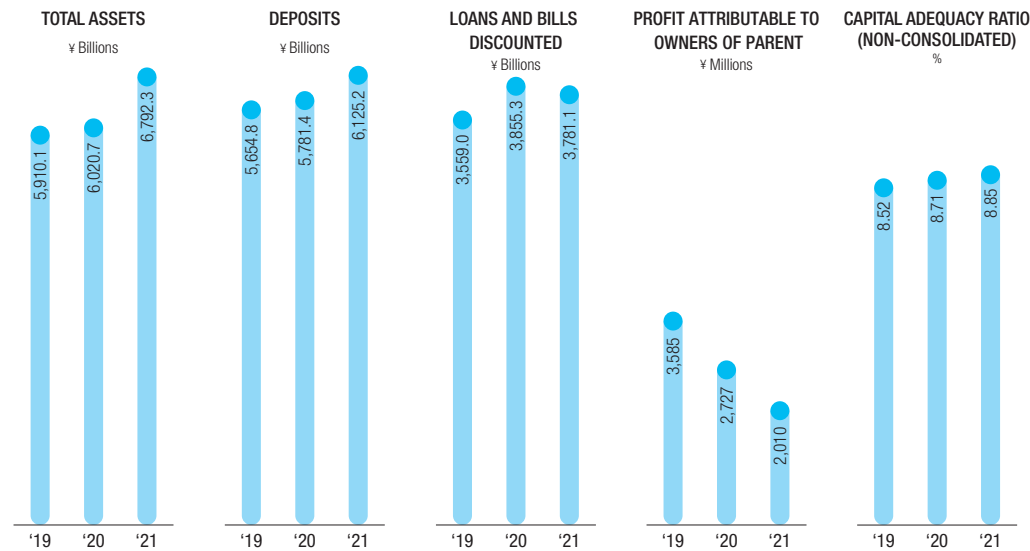
The Bank has established its new long-term vision to be "a company that contributes to the regional community—transcending the framework of financial services." Furthermore, in order to realize this long-term vision, we have established a new medium-term management plan, "Toho 'Kagayaki'* Plan." We will make all-out efforts to realize this plan under the three basic policies: "enabling the region and customers to shine," "enabling employees to shine," and "enabling the Bank to shine."

The Bank will continue to grow further as "a company that contributes to the regional community" in order to aid the reconstruction and sustainable growth of the region, and we sincerely thank you for your continued support and patronage.

We are aggressively addressing our customers' increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a senior long-term credit rating of "A" from Japan Credit Rating Agency, Ltd. (JCR), one of Japan's representative rating agencies.

As of March 31, 2021, Toho Bank had total net assets of ¥191.3 billion (US\$1,728 million) and total assets of ¥6,792.3 billion (US\$61,352 million) (both figures on a consolidated basis), 2,010 employees, and a business network composed of 122 branches.

* "Kagayaki" means "shine" in Japanese.



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◆ Message from the President

Business Development and Results ◉

[Proactive Contribution to Realizing Full Participation in the Region]

In June 2020, the total balance of deposits at the Bank exceeded ¥6 trillion for the first time. The Bank has been committed to fulfilling its role as a financial intermediary for the region by supporting the recovery from the Great East Japan Earthquake, supporting business partners affected by Typhoon Hagibis in 2019 and the 2021 Fukushima Earthquake, as well as making available rapid and flexible funding for customers suffering from the impact of the novel coronavirus pandemic. In this way, the Bank has worked to justify the trust and meet the expectations of its customers.

[Initiatives to support business partners severely affected by the novel coronavirus pandemic]

In a bank-wide drive to support customers as much as possible, the Bank has launched the “After Corona, With Corona” initiative with the Credit Department and the Corporate Consulting Department, and is developing and implementing measures to resolve business issues, drawing on the expertise of Group companies and experts in various fields.

Also, as a measure to contribute to the local community as well as meet customers’ financial needs, the Bank has focused on the issuance and underwriting of donation-type privately placed bonds (Note 1) and contributed a portion of the issuance fees to local schools, governments and other bodies. In December 2020, in response to calls from many customers wishing to support medical, welfare and other facilities working to combat the coronavirus pandemic, we launched the Toho Privately Placed Bonds to Support Medical Welfare. As of March 31, 2021, the total number of donation-type privately placed bond placements was 253, with a total value of ¥28.5 billion (total donation amount of approximately ¥63 million). Of this, we underwrote nine deals for the Toho Privately Placed Bonds to Support Medical Welfare in the fiscal year ended March 31, 2021, supporting local medical institutions and healthcare workers using donations of approximately ¥2.8 million.

(Notes)1. Donation-type privately placed bonds are for corporate customers who meet certain financial criteria and approve the purpose of the donation. The Bank contributes a portion of fees received from the customers to local schools and other facilities.

[Promotion of Sales Strategies that Put the Region and Customers First]

As measures for customers operating businesses, the Bank proactively worked to solve business challenges faced by customers in areas such as business succession, M&A (corporate mergers and acquisitions), recruitment of talent and business matching, through expanded efforts in “Sales Based on Proposing Management Issues.”

In addition, as part of our commitment in the renewable energy sector, which Fukushima Prefecture has positioned as a pillar of reconstruction, we made proactive efforts arranging project finance for large-scale projects related to solar, wind and biomass power generation. As a result, the total balance of loans outstanding as of March 31, 2021 exceeded ¥150.0 billion. Looking ahead, we will continue to step up our initiatives in the area of green energy, and help solve other environmental issues such as reduction of CO₂ emissions.

Regarding our initiatives for our retail customers, as we enter the era of the 100-year lifespan, we will promote customer-oriented operation (fiduciary duty), and provide a broad range of support for asset formation, management and succession needs through collaboration among our banking, securities and trust businesses.

Customers are particularly concerned with ensuring smooth asset succession and inheritance measures. We have received many inquiries related to services with trust functions, and have received around 1,000 applications for trust products including testamentary and gift tax trusts. To further strengthen such initiatives, we launched in January 2021 the Kazoku no Kizuna Trust (Note 2) intended to meet the fund management needs associated with nursing care or dementia of customers.

(Note)2. A trust product for customers who require nursing care or are suffering from dementia, and provides the following three functions: “preparation function,” which enables family members to act on behalf of the customer to withdraw funds required for nursing care, medical care or other welfare facility costs, “monitoring function,” which enables family members to track account withdrawals, and “be-quest function,” which enables transfer of money to a family member when the need of inheritance occurs to the customer.

[Alliance strategies]

To establish a sound management structure that can thrive in a changing business environment, the Bank has been committed to boosting productivity by radically streamlining operations and strengthening alliance strategies. In response to the rapid advancement of digitalization, the Bank established



President
Minoru Sato

the Digital Strategy/Business Process Reform Department in June 2020 to oversee and coordinate the Bank’s overall digital strategy and business overhaul initiatives. Under this structure, it has expanded digital services for customers and overhauled operations across organizational divisions. In April 2020, the Loan Business Center was established within the Operations Support Department. By centralizing the administrative work including procedures for providing loans and contract document preparation at the headquarters, the Bank aims to reduce the administrative burdens at its branches.

As part of our alliance strategy, we have become a member of the TSUBASA Alliance (Note 3). While maintaining its independence within the framework of the regional banks’ wide-area alliance, which does not involve management integration, the Bank is promoting alliances in wide ranging areas, such as the unification of core systems and the establishment of shared fintech platforms. With the aim of centralizing operations and roles common to each of the banks, TSUBASA ALLIANCE Co., Ltd. was established in July 2020 via joint investment by the participating banks. As a specific measure, an Anti-Money Laundering (AML) Center was established in October 2020 within the company to carry out duties related to the prevention of money-laundering and provision of financing to terrorist organizations. The Center has brought together the skills and expertise of the participating banks and has worked to sophisticate its money-laundering management structure in response to international requirements.

(Note)3. The ten member banks of the TSUBASA Alliance are as follows: Toho Bank, Chiba Bank, Daishi Hokuetsu Bank, Chugoku Bank, Iyo Bank, North Pacific Bank, Musashino Bank, Shiga Bank, Bank of The Ryukyus, and Gunma Bank.

[Developing Human Resources to Handle Regional and Customer Growth]

In order to nurture a diverse range of human resources, the Bank has in place a well-developed training program centered on TOHO University, which is systematized as an internal university. Through this, we have improved employees’ skills and provided support for their career planning. Amid the coronavirus pandemic in the fiscal year under review, the Bank organized training sessions and seminars using video and online conferencing systems, and broadened its home-based learning program through the expansion of e-learning to improve the environment for fostering new talent and encourage employees to develop themselves at their own initiative.

The Bank also actively dispatched personnel to business partner locations so as to help resolve talent shortages and other issues in the region, and conducted personnel exchange to cultivate a diverse pool of human resources.

[Creating Lively Workplaces Through Drastic Work Style Reforms]

The Bank has implemented various measures aimed at improving job satisfaction and enhancing the productivity of employees by promoting Drastic Work Style Reform. Specifically, the Bank has been promoting health and productivity management, which puts the physical and mental health of employees and their families first, and has been certified as a Certified Health & Productivity Management Outstanding Organization (White 500) (Note 4) for the fourth consecutive year, as a result of its active measures to prevent illness, build a healthy body and create a sound working environment based on the Toho Health Declaration.

(Note)4. A certification given to corporations that put into practice outstanding initiatives under the Certified Health & Productivity Management Outstanding Organizations Recognition Program organized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

The Bank has in place a workplace environment in which all employees with children, regardless of gender, can take childcare leave so as to enable a flexible work style according to the life stage of each employee. In September 2020, the Bank established the career support leave system (Note 5) to foster a more diverse workforce by, for example, encouraging employees to acquire qualifications. We also promoted reform of work styles and measures to improve productivity by establishing the Koriyama Satellite Office (Note 6) and taking other measures to improve the remote working environment.

(Note)5. A system that enables employees to take leave while continuing their career, so that they can focus on the acquisition of qualifications or studying abroad to raise their skills, or focus on important life events such as efforts to conceive.

(Note)6. An office with the Bank's internal network environment and an online conferencing system, with access to Bank computers, etc., where employees can carry out their work away from their assigned departments.

SDGs/ESG Initiatives

The Bank is further promoting SDGs and ESG initiatives to contribute to the sustainable growth of the regional community with the establishment of the Toho SDGs Declaration and ESG Initiatives Policy.

[Measures to Resolve Environmental Issues]

In February 2020, the Bank became the first financial institution in the Tohoku region to support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and has disclosed information related to climate change. In May 2020, in a measure to contribute to the creation of a sustainable society, the Bank published its Credit Policy, which sets out its approach to investment and lending in specific sectors that are considered to have a major impact on society and the environment.

The Bank also proactively invests in the area of renewable energy and ESG bonds (Note 7) to support measures that seek to resolve social problems such as environmental issues.

(Note)7. Bonds that aim to help solve social issues, such as green bonds, the proceeds of which are used for environment-related businesses; social bonds, the proceeds of which are used for social contribution businesses; and sustainability bonds, the proceeds of which are used for environmental and social contribution.

[Initiatives for Social Contribution]

As a measure to promote regional revitalization, the Bank has supported local business partners impacted by the novel coronavirus pandemic by holding Toho Marché, an event where employees and officers of the Bank purchase locally made products. In this way, the Bank has made all-out efforts to support the regional economy.

To protect elderly customers from fraudulent withdrawals using cash cards and other acts of fraud, the Bank lowered the maximum withdrawal limit for cash cards in October 2020 based on certain conditions, and took measures to eradicate victims of financial crimes by organizing seminars for customers on preventing communications fraud and other types of fraud.

As a result of these efforts, the business results and business volume for the fiscal year ended March 31, 2021, are described as below.

Summary of Business Results

As shown above, the Bank as a regional financial institution has been fully committed to solving the issues of the region and customers and supporting the creation of more prosperous living, such as by supporting the recovery from the Great East Japan Earthquake and customers impacted by the novel coronavirus pandemic.

However, a sense of uncertainty about the future remains due to the prolongation of the pandemic, with economic activity in certain sectors and enterprises being restrained and economic recovery of Fukushima Prefecture slowing. Against this backdrop, in order to continue to provide the utmost support to customers utilizing our financial intermediary function as a regional financial institution, we conducted loss appropriations to strengthen our operating structure, including providing sufficient provisions for the current credit risk.

As a result of the above, business operations and performance in the fiscal year ended March 31, 2021 were as follows.

[Overview of Non-consolidated Accounts for the Fiscal Year Ended March 31, 2021]

Non-consolidated ordinary income decreased by ¥6,027 million from the previous fiscal year to ¥49,969 million, due mainly to decreases in interest on securities and gain on sales of securities, amid a financial environment with prolonged negative interest rates.

Non-consolidated ordinary expenses rose ¥3,463 million from the previous fiscal year to ¥55,571 million, due mainly to an increase in credit-related costs.

As a result, non-consolidated ordinary loss amounted to ¥5,602 million (non-consolidated ordinary profit of ¥3,888 million in the previous fiscal year).

Non-consolidated net loss amounted to ¥5,531 million (non-consolidated net income of ¥2,554 million in the previous fiscal year), due mainly to the recording of impairment loss on fixed assets in relation to the Bank's decision to reorganize its branch network in view of future digitalization initiatives, in addition to the recording of non-consolidated ordinary loss.

The non-consolidated capital adequacy ratio based on domestic standards at the end of the fiscal year under review was 8.85%, an increase of 0.14 percentage points from the end of the previous fiscal year, due to a decrease in risk-weighted assets among loans.

[Overview of Consolidated Accounts for the Fiscal Year Ended March 31, 2021]

Ordinary income decreased by ¥5,174 million from the previous fiscal year to ¥58,275 million, due mainly to decreases in interest on securities and gain on sales of securities, amid a financial environment with prolonged negative interest rates.

Ordinary expenses increased by ¥3,290 million from the previous fiscal year to ¥62,363 million, due mainly to an increase in credit-related costs.

As a result, ordinary loss amounted to ¥4,087 million (ordinary profit of ¥4,376 million in the previous fiscal year).

Loss attributable to owners of parent amounted to ¥4,664 million (profit attributable to owners of the parent of ¥2,727 million in the previous fiscal year), due mainly to the recording of impairment loss on fixed assets in relation to the Bank's decision to reorganize its branch network in view of future digitalization initiatives, in addition to the recording of ordinary loss.

The consolidated capital adequacy ratio based on domestic standards at the end of the fiscal year under review was 9.28%, an increase of 0.31 percentage points from the end of the previous fiscal year, due to a decrease in risk assets among loans, etc.

Matters to Address

The Bank would like to take this opportunity to once again sincerely apologize to its shareholders, customers and the people of the region for the trouble and concern caused by the discovery of multiple misconducts in the fiscal year under review. As a financial institution which plays an important role in society and is required to maintain high ethical standards with trust as its priority, all executives and employees of the Bank alike take this incident very seriously and are committed as one to further enhancing and strengthening compliance with laws and regulations and internal management systems, in order to restore trust and eradicate misconduct.

Fukushima Prefecture, the Bank's base of operation, continues to suffer from the advancement of a low birthrate and an aging population, and even though a decade has passed since the Great East Japan Earthquake and recovery has entered a new phase, the prefecture still suffers from reputational damage related to the disaster. On top of this, many customers in the region have been affected by the coronavirus pandemic. Against this backdrop, the Bank will continue to work to resolve issues facing the local community and do its utmost to support the region. It will contribute to the development of the regional economy by "strengthening support for customers affected by the coronavirus pandemic and actively fulfilling its role as a financial intermediary," "strengthening consultation capabilities for corporate and retail customers" and "supporting management improvement through the "After Corona and With Corona" initiative. At the same time, all executives and employees of the Bank will work to enhance and strengthen risk management systems to cope with credit, market and other risk, and also strive to turn its business performance around.

As many services and operations become digitalized also in the banking sector, we are steadily proceeding with the introduction of the TSUBASA Core Banking System, the platform that supports digitalization, so as to better meet customer needs.

August 2021

佐藤 稔
M. Sato

Minoru Sato

President

◆ Consolidated Balance Sheets

As of March 31, 2021 and 2020

Millions of Yen
 Thousands of
 U.S. Dollars (Note 3)

	2021	2020	2021
Assets:			
Cash and due from banks (Notes 15 and 20).....	¥2,341,116	¥1,619,581	\$21,146,385
Monetary claims bought.....	11,964	12,596	108,073
Trading account securities (Notes 20 and 21).....	17	16	157
Money held in trust (Note 22).....	10,750	7,450	97,100
Securities (Notes 6, 9, 20 and 21).....	492,165	359,468	4,445,535
Loans and bills discounted (Notes 4, 7, 20 and 26).....	3,781,132	3,855,393	34,153,487
Foreign exchanges.....	1,565	1,203	14,143
Lease receivables and investment assets (Note 19).....	13,009	12,403	117,505
Other assets (Notes 6, 20 and 23).....	107,840	112,540	974,078
Tangible fixed assets (Note 8).....	34,566	37,795	312,229
Intangible fixed assets.....	6,550	5,414	59,166
Deferred tax assets (Note 16).....	10,706	9,720	96,707
Customers' liabilities for acceptances and guarantees (Note 5).....	9,238	5,582	83,448
Allowance for loan losses (Note 20).....	(28,286)	(18,414)	(255,501)
Total assets	¥6,792,337	¥6,020,752	\$61,352,520
Liabilities:			
Deposits (Notes 6 and 20).....	¥6,125,251	¥5,781,468	\$55,326,992
Borrowed money (Notes 20 and 28).....	423,268	2,806	3,823,221
Foreign exchanges.....	225	153	2,039
Borrowed money from trust account (Note 10).....	3,539	969	31,970
Other liabilities (Notes 20, 23 and 28).....	32,518	28,225	293,727
Net defined benefit liability (Note 17).....	3,058	6,331	27,624
Provision for reimbursement of deposits.....	538	659	4,861
Provision for contingent loss.....	315	284	2,846
Provision for customer point program.....	193	166	1,749
Reserve under special laws.....	0	0	4
Deferred tax liabilities (Note 16).....	436	299	3,944
Deferred tax liabilities for land revaluation (Note 16).....	2,365	2,821	21,367
Acceptances and guarantees (Note 5).....	9,238	5,582	83,448
Total liabilities	6,600,950	5,829,766	59,623,799
Commitments and contingent liabilities (Note 7)			
Net Assets (Note 14):			
Capital stock.....	23,519	23,519	212,440
Capital surplus.....	13,653	13,653	123,326
Retained earnings.....	147,089	152,453	1,328,603
Treasury stock.....	(145)	(145)	(1,316)
Shareholders' equity.....	184,116	189,480	1,663,052
Valuation difference on available-for-sale securities (Note 21).....	8,821	4,874	79,682
Revaluation reserve for land (Note 2(f)).....	(119)	441	(1,082)
Remeasurements of defined benefit plans (Note 17).....	(1,431)	(3,810)	(12,931)
Total accumulated other comprehensive income.....	7,270	1,505	65,668
Total net assets (Note 18).....	191,386	190,985	1,728,721
Total liabilities and net assets	¥6,792,337	¥6,020,752	\$61,352,520

See notes to consolidated financial statements.

◆ Consolidated Statements of Income

For the years ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥27,710	¥28,149	\$250,302
Interest and dividends on securities	3,131	5,280	28,288
Other interest income	1,204	990	10,877
Fees and commissions income	14,940	15,058	134,951
Other operating income	9,252	11,827	83,574
Other income (Note 12)	2,111	2,390	19,071
Total income	58,351	63,698	527,065
Expenses:			
Interest expenses:			
Interest on deposits	369	633	3,334
Interest on borrowings and rediscounts	(11)	41	(99)
Other interest expenses	1	1	11
Fees and commissions expenses	5,281	5,463	47,704
Other operating expenses	6,202	6,402	56,023
General and administrative expenses (Note 11)	35,622	36,631	321,765
Other expenses (Note 13)	17,218	10,555	155,530
Total expenses	64,684	59,729	584,269
Profit (loss) before income taxes	(6,333)	3,968	(57,203)
Income taxes (Note 16):			
Current	2,380	1,718	21,504
Deferred	(4,049)	(476)	(36,573)
Total	(1,668)	1,241	(15,069)
Profit (loss)	(4,664)	2,727	(42,134)
Profit (loss) attributable to owners of parent (Note 18)	¥ (4,664)	¥ 2,727	\$ (42,134)

See notes to consolidated financial statements.

◆ Consolidated Statements of Comprehensive Income

For the years ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2021	2020	2021
Profit (loss)	¥(4,664)	¥ 2,727	\$(42,134)
Other comprehensive income (Note 24):			
Valuation difference on available-for-sale securities	3,947	(5,003)	35,656
Remeasurements of defined benefit plans, net of tax (Note 17)	2,378	150	21,482
Total other comprehensive income	6,325	(4,852)	57,139
Comprehensive income	¥ 1,661	¥(2,124)	\$ 15,004
Total comprehensive income attributable to:			
Owners of parent	¥ 1,661	¥(2,124)	\$ 15,004
	¥ 1,661	¥(2,124)	\$ 15,004

See notes to consolidated financial statements.

◆ Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2019	¥23,519	¥13,653	¥151,640	¥(145)	¥188,667
Changes of items during the year.....					
Dividends from retained earnings.....			(2,016)		(2,016)
Profit attributable to owners of parent			2,727		2,727
Acquisition of treasury stock.....				(0)	(0)
Disposal of treasury stock					—
Reversal of land revaluation excess, net of tax			101		101
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	813	(0)	813
BALANCE, April 1, 2020	¥23,519	¥13,653	¥152,453	¥(145)	¥189,480
Changes of items during the year					
Dividends from retained earnings.....			(1,260)		(1,260)
Loss attributable to owners of parent			(4,664)		(4,664)
Acquisition of treasury stock.....				(0)	(0)
Disposal of treasury stock		(0)	(0)	0	0
Reversal of land revaluation excess, net of tax			561		561
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	(0)	(5,363)	(0)	(5,363)
BALANCE, March 31, 2021	¥23,519	¥13,653	¥147,089	¥(145)	¥184,116

	Millions of Yen				
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
BALANCE, April 1, 2019	¥9,877	¥ 543	¥(3,960)	¥6,460	¥195,127
Changes of items during the year.....					
Dividends from retained earnings.....					(2,016)
Profit attributable to owners of parent					2,727
Acquisition of treasury stock.....					(0)
Disposal of treasury stock					—
Reversal of land revaluation excess, net of tax					101
Net changes of items other than stockholders' equity during year	(5,003)	(101)	150	(4,954)	(4,954)
Total changes of items during the year	(5,003)	(101)	150	(4,954)	(4,141)
BALANCE, April 1, 2020	¥4,874	¥ 441	¥(3,810)	¥1,505	¥190,985
Changes of items during the year					
Dividends from retained earnings.....					(1,260)
Loss attributable to owners of parent					(4,664)
Acquisition of treasury stock.....					(0)
Disposal of treasury stock					0
Reversal of land revaluation excess, net of tax					561
Net changes of items other than stockholders' equity during year	3,947	(561)	2,378	5,764	5,764
Total changes of items during the year	3,947	(561)	2,378	5,764	400
BALANCE, March 31, 2021	¥8,821	¥(119)	¥(1,431)	¥7,270	¥191,386

Thousands of U.S. Dollars (Note 3)

Shareholders' equity

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2020	\$212,440	\$123,326	\$1,377,051	\$(1,316)	\$1,711,501
Changes of items during the year					
Dividends from retained earnings.....			(11,383)		(11,383)
Loss attributable to owners of parent			(42,134)		(42,134)
Acquisition of treasury stock.....				(0)	(0)
Disposal of treasury stock		(0)	(0)	0	0
Reversal of land revaluation excess, net of tax			5,069		5,069
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	(0)	(48,448)	(0)	(48,449)
BALANCE, March 31, 2021	\$212,440	\$123,326	\$1,328,603	\$(1,316)	\$1,663,052

Thousands of U.S. Dollars (Note 3)

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
BALANCE, April 1, 2020	\$ 44,026	\$ 3,987	\$(34,414)	\$ 13,599	\$1,725,100
Changes of items during the year					
Dividends from retained earnings.....					(11,383)
Loss attributable to owners of parent					(42,134)
Acquisition of treasury stock.....					(0)
Disposal of treasury stock					0
Reversal of land revaluation excess, net of tax					5,069
Net changes of items other than stockholders' equity during year	35,656	(5,069)	21,482	52,069	52,069
Total changes of items during the year	35,656	(5,069)	21,482	52,069	3,620
BALANCE, March 31, 2021	\$ 79,682	\$(1,082)	\$(12,931)	\$ 65,668	\$1,728,721

◆ Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and 2020

Millions of Yen

Thousands of
U.S. Dollars (Note 3)

	2021	2020	2021
Cash flows from operating activities			
Profit (loss) before income taxes	¥ (6,333)	¥ 3,968	\$ (57,203)
Depreciation expense	2,528	2,678	22,842
Impairment loss	2,206	505	19,929
Increase in allowance for loan losses	9,872	2,489	89,172
Decrease in net defined benefit liability	(3,272)	(402)	(29,562)
Decrease in provision for reimbursement of deposits	(120)	(82)	(1,092)
Increase (decrease) in provision for contingent loss	30	(82)	277
Increase in provision for customer point program	27	5	247
Interest income	(32,047)	(34,421)	(289,468)
Interest expenses	359	675	3,245
(Gain) loss on securities	2,436	(1,914)	22,011
Gain on money held in trust	(1)	(1)	(17)
(Gain) loss on foreign exchange	(2)	2	(24)
(Gain) loss on sale of fixed assets	(26)	46	(241)
Net (increase) decrease in trading account securities	(1)	5	(11)
Net (increase) decrease in loans and bills discounted	74,261	(296,377)	670,772
Net increase in deposits	467,876	127,901	4,226,145
Net decrease in negotiable certificates of deposit	(124,093)	(1,245)	(1,120,887)
Net increase in borrowed money (excluding subordinated borrowings)	420,462	802	3,797,872
Net (increase) decrease in due from banks other than BOJ	(359)	9,778	(3,243)
Net decrease in call loans and bills bought	632	924	5,709
Net decrease in call money and bills sold	—	(3,329)	—
Net decrease in payables under securities lending transactions	—	(7,477)	—
Net increase in foreign exchange assets	(362)	(177)	(3,273)
Net increase in foreign exchange liabilities	72	25	657
Net increase in lease receivables and investment assets	(605)	(1,933)	(5,469)
Net increase in borrowed money from trust account	2,570	931	23,217
Interest received	32,349	34,661	292,197
Interest paid	(503)	(767)	(4,547)
All other operating activities	8,741	(7,628)	78,955
Sub-total	856,697	(170,442)	7,738,210
Income taxes paid, net	(684)	(3,517)	(6,185)
Net cash provided by (used in) operating activities	856,012	(173,959)	7,732,024
Cash flows from investing activities			
Purchase of equity and other securities	(231,237)	(147,487)	(2,088,677)
Proceeds from sales of equity and other securities	31,122	180,442	281,117
Proceeds from maturities of securities	72,427	171,317	654,211
Increase in money held in trust	(6,100)	(2,150)	(55,098)
Decrease in money held in trust	2,800	1,650	25,291
Expenditures for tangible fixed assets	(1,287)	(963)	(11,632)
Proceeds from sales of tangible fixed assets	697	32	6,302
Expenditures for intangible fixed assets	(1,987)	(3,100)	(17,955)
Net cash provided by (used in) investing activities	(133,565)	199,741	(1,206,441)
Cash flows from financing activities			
Dividends paid	(1,260)	(2,016)	(11,383)
Repayment of lease obligations	(13)	(12)	(122)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	—	0
Net cash used in financing activities	(1,273)	(2,029)	(11,506)
Effect of exchange rate changes in cash and cash equivalents	2	(2)	24
Net increase in cash and cash equivalents	721,176	23,750	6,514,101
Cash and cash equivalents at beginning of fiscal year	1,618,732	1,594,982	14,621,378
Cash and cash equivalents at end of fiscal year (Note 15)	¥2,339,909	¥1,618,732	\$21,135,480

See notes to consolidated financial statements.

◆ Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by the Group in accordance with accounting principles generally accepted in Japan which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan.

For the convenience of readers outside Japan, certain items presented in the Japanese original financial statements have been reclassified and rearranged. In addition, certain prior year amounts have been reclassified for consistency with the current year presentation.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(1) Scope of consolidation

The number of consolidated subsidiaries and unconsolidated subsidiaries as of March 31, 2021 and 2020 is as follows:

	2021	2020
Number of consolidated subsidiaries:	7	7
Number of unconsolidated subsidiaries:.....	2	2

The unconsolidated subsidiaries are excluded from the scope of consolidation since their exclusions do not preclude reasonable judgment on the Group's financial position and financial performance in terms of their assets, net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiaries and affiliates not accounted for by the equity method as of March 31, 2021 and 2020 is as follows:

	2021	2020
Number of affiliates accounted for by the equity method.....	1	1
Number of unconsolidated subsidiaries not accounted for by the equity method.....	2	2
Number of affiliates not accounted for by the equity method.....	—	1

The unconsolidated subsidiaries not accounted for by the equity method are excluded from the scope of equity method since their exclusions do not have material effects on the consolidated financial statements in terms of their net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

The affiliate not accounted for by the equity method was dissolved in the fiscal year ended March 31, 2021.

(3) Closing date of the consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are in principle stated at fair value at the end of the year or, if the fair value is considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect. For foreign currency-denominated bonds under available-for-sale securities denominated in foreign currencies, of the fair value in foreign currency translated at the year-end exchange rate, the valuation difference due to the change in fair value in foreign currency (valuation difference in foreign currency translated at the spot exchange rate at year-end) is presented as valuation difference, while the remaining difference is presented as other operating income or expenses.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except leased assets) is computed under the straight-line method. The estimated useful lives of assets are as follows:

Buildings: 6–50 years
Others: 3–20 years

(2) Depreciation of intangible fixed assets (except leased assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of 5–7 years, as set out by the Group.

(3) Depreciation of leased assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

In accordance with the Act on Revaluation of Land enacted on March 31, 1998 (the "Act"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation."

The amount of excess of the revalued carrying amount over the fair value of the lands revalued as of March 31, 2021 and 2020 pursuant to Article 10 of the Act was ¥4,196 million and ¥6,952 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided as described below.

For loans to borrowers which are classified as substantially bankrupt (hereafter referred to as "effectively bankrupt") or which are bankrupt in the formal legal sense (hereafter referred to as "bankrupt"), a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible (hereafter referred to as “potentially bankrupt”), a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For loans to potentially bankrupt and for restructured loans, if the remaining amount after deducting the estimated recoverable amount through collateral or guarantees from loans exceeds a specific amount, and the cash flow from the collection of the principal and the interest can be reasonably estimated, the discounted cash flow method is applied to calculate allowance for loan losses. Under this method, the amount of allowance for loan losses is determined as the difference between the book value of the loan and the present value of future cash flows, which are discounted by the contractual interest rate prior to the restructuring of the loan.

For other loans, a reserve is provided based on the Bank’s historical loan loss experience.

The above procedures for providing reserves follow the Bank’s internally established rules for self-assessment of the quality of all the Bank’s loan assets, which have been audited by the Audit Department.

The allowance for loan losses of consolidated subsidiaries is made as follows: for general loans, a reserve is provided in the amount deemed necessary based on historical loan loss experience and for doubtful loans and other specified loans, a reserve is provided based on the individual collectability of specific claims.

(h) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(i) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(j) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward points which are granted when they use co-branded credit cards issued by the Group.

(k) Reserve under special laws

The reserve under special laws is provided by a consolidated subsidiary which engages in the securities business. The reserve is calculated in accordance with the provisions set forth in Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business, etc., to compensate for a loss incurred in an accident in relation to agency transactions of exchange derivatives.

(l) Method for accounting for retirement benefits

The retirement benefit obligation is attributed to each period on a benefit formula basis. Amortization of prior service cost and actuarial gain or loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years from the year when incurred which is within the average remaining service period of active employees.

Actuarial gain or loss is amortized using the straight-line method over a period of 10 years from the year following the year when incurred which is within the average remaining service period of active employees.

For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries apply the simplified method (the “simplified method”) where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

(m) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date. In addition, assets and liabilities of certain consolidated subsidiaries are translated at the exchange rates prevailing at the respective balance sheet dates of these subsidiaries.

(n) Leases

(Lessor)

Finance lease transactions that do not transfer ownership with commencement dates prior to the fiscal years beginning on April 1, 2008, are accounted for in accordance with “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30, 2007) and Paragraph 81 of “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, March 25, 2011). Lease investment assets at the initial year of application of this accounting standard are valued at their appropriate book value of tangible fixed assets (net of accumulated depreciation) as of March 31, 2008.

In addition, the total amount equivalent to interest over the remaining term after the application of this accounting standard is allocated over the lease terms by the straight-line method.

(o) Income and expenses

Income and expenses associated with finance lease transactions are recognized as revenue and cost of sales when the lease fee is receivable.

(p) Method of hedge accounting

(1) Interest rate risks

Deferred hedge accounting is adopted for hedges carried out to control interest rate risk arising from financial assets and liabilities, as stipulated in “Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry” (Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guidelines No. 24, October 8, 2020). Regarding the hedge which is intended to offset the effects of market fluctuations, hedge effectiveness between hedged items (such as deposits and loans and bills discounted) and hedging instruments (such as interest rate swaps) are assessed individually. Hedge effectiveness is considered to be high as the major terms between designated hedged items and hedging instruments are almost the same, thus substituting for evaluation of hedge effectiveness. The effectiveness is also assessed by verifying the correlation of the interest rates.

The Bank applies the special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets (the “special treatment”) and liabilities whereby interest is recognized on an accrual basis.

(2) Currency risks

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

In addition, in order to hedge the risk of currency fluctuations arising from available-for-sale securities denominated in foreign currencies (excluding bonds), the securities subject to hedging are designated in advance, and on the condition that a spot or future liability exists to cover the acquisition cost denominated in foreign currency for the respective securities, fair value hedge is applied as comprehensive hedge.

(q) Statements of cash flows

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

(r) Consumption taxes

National and local consumption taxes of the Bank and its consolidated subsidiaries are accounted for using the tax-excluded method whereby transactions are recorded exclusive of those consumption taxes.

(s) Accounting treatment of interim revenue distribution from securities investment trusts

Interim revenue distribution from securities investment trusts (including gains or losses arising at cancellation or redemption) are recorded as interest and dividends on securities. However, in case the interim revenue distribution results in a net loss, the amount is recorded as other operating expenses.

(t) Significant accounting estimates

(1) The Bank recorded an allowance for loan losses of ¥28,286 million in the consolidated balance sheets as of the fiscal year ended March 31, 2021.

(2) Information to facilitate understanding of details of the significant accounting estimates relating to identified items

(i) Method for calculation

The method for calculating allowance for loan losses is described in “2. Summary of Significant Accounting Policies, (g) Allowance for loan losses.”

(ii) Key assumptions

A key assumption made is the “outlook for the future performance of the borrowers in determining borrower category.” The outlook is determined based on an individual evaluation of each borrower’s ability to earn income, considering its financial condition, cash flows, sustainability of its business in light of the characteristics of the segment/industry, rationale and feasibility of its management improvement plan, support from financial institutions and other aspects.

Due to the spread of the novel coronavirus pandemic, the Japanese government has reissued the “Declaration of a State of Emergency,” causing certain industries to experience suppressed economic activity. Going forward, the “Emergency Economic Measures to Cope with COVID-19” and other initiatives are expected to stimulate both consumption and investments. Based on the real GDP outlook of the Government and the Bank of Japan, the Bank expects that the economy will take a path to recovery from the year ending March 31, 2022 onward, with no changes to the assumption previously made. However, the future performance outlook reflects the assumption that companies in certain industries will continue to experience suppressed economic activity.

(iii) Impact on the consolidated financial statements for the following year

Any changes in the assumptions used in the initial estimates due to changes in the performance of individual borrowers or further spread of the novel coronavirus pandemic may significantly impact allowance for loan losses in the consolidated financial statements for the following year.

(u) New accounting pronouncements

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 21, 2020)

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

(1) Overview

This is a comprehensive standard on revenue recognition. Revenue will be recognized based on the following 5 steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

(2) Application date

The Bank will apply these accounting standards from the beginning of the year ending March 31, 2022.

(3) The impact from the adoption of the accounting standards

By adopting “Accounting Standard for Revenue Recognition,” the cumulative impact will be reflected on the net assets at the beginning of the fiscal year ending March 31, 2022, and the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022 is expected to decrease by ¥237 million.

“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 improve the comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereafter, “Accounting Standards for Fair Value Measurement, etc.”) have been developed. The Accounting Standards for Fair Value Measurement, etc. is 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 to disclose in notes the details of financial instruments by level of fair value and others.

(2) Application date

The Bank will apply these accounting standards from the beginning of the year ending March 31, 2022.

(3) The impact from the adoption of the accounting standards

The Bank is currently assessing the impact of these standards on the consolidated financial statements.

(v) Changes in presentation

The Bank adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) starting from the consolidated financial statements for the fiscal year ended March 31, 2021, and therefore provided notes to significant accounting estimates in the consolidated financial statements.

However, the note does not include information for the previous fiscal year in accordance with the transitional treatment stated in the proviso in Paragraph 11 of the standard.

(w) Additional information

The Bank adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020) starting from the consolidated financial statements for the fiscal year ended March 31, 2021, and therefore discloses the accounting principles and treatments when the guidance from related accounting standards is not clear.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥110.71 = U.S. \$1.00, the exchange rate prevailing on March 31, 2021. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2021 and 2020 included the following loans:

March 31	Millions of Yen	
	2021	2020
Loans to borrowers in bankruptcy.....	¥ 4,178	¥ 4,883
Delinquent loans	37,369	23,798
Loans past due 3 months or more.....	407	402
Restructured loans	2,929	4,600
Total.....	¥44,885	¥33,685

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Order for Enforcement of the Corporation Tax Act.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans are loans, other than loans to borrowers in bankruptcy, delinquent loans or loans past due 3 months or more, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥2,519 million and ¥4,936 million as of March 31, 2021 and 2020, respectively.

5. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account "Customers' liabilities for acceptances and guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

6. Pledged Assets

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

March 31	Millions of Yen	
	2021	2020
Pledged assets:		
Securities	¥ 36,308	¥26,355
Loans and bills discounted.....	764,032	—
Total pledged assets.....	¥800,341	¥26,355
Liabilities covered by pledged assets:		
Deposits	¥ 51,243	¥46,768
Borrowed money	420,400	—
Total liabilities covered by pledged assets	¥471,643	¥46,768

In addition to the above, Other assets in the amount of ¥85,304 million and ¥85,282 million were pledged as collateral in connection with exchange settlements and derivatives, etc. as of March 31, 2021 and 2020, respectively.

Security deposits in the amount of ¥909 million and ¥942 million, and cash collateral for financial products transactions in the amount of ¥2,493 million and ¥1,863 million, were included in Other assets as of March 31, 2021 and 2020 respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiaries are required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiaries. The unused amount related to such facilities/contracts stood at ¥908,999 million and ¥936,840 million as of March 31, 2021 and 2020, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥851,612 million and ¥851,498 million as of March 31, 2021 and 2020, respectively.

Most of these agreements expire without the clients having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiaries demand collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiaries regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets was ¥51,855 million and ¥52,569 million, and advanced depreciation on Tangible fixed assets was ¥1,015 million and ¥1,015 million as of March 31, 2021 and 2020, respectively.

9. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act totaled ¥75,088 million and ¥77,691 million as of March 31, 2021 and 2020, respectively.

10. Borrowed Money from Trust Account

Borrowed money from trust account totaled ¥3,539 million and ¥969 million as of March 31, 2021 and 2020, respectively.

11. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2021 and 2020 principally consisted of the following:

March 31	Millions of Yen	
	2021	2020
Salaries and allowances	¥14,709	¥15,371
Net pension cost.....	1,355	1,154

12. Other Income

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

March 31	Millions of Yen	
	2021	2020
Gain on sales of stocks and other securities	¥801	¥1,070
Gain on recoveries of written off loans.....	3	1
Subsidy income	2	3
Gain on disposal of fixed assets	73	2
Relocation compensation for land expropriation	—	243

13. Other Expenses

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

March 31	Millions of Yen	
	2021	2020
Loss on disposal of fixed assets	¥ 112	¥ 147
Loss on impairment of fixed assets	2,206	505
Provision of allowance for loan losses	11,256	7,452
Provision to reserve for financial product transactions	0	0
Write-off of loans	47	45
Loss on devaluation of equity securities	483	1,121
Loss on sales of equity securities	2,312	389

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the years ended March 31, 2021 and 2020:

Area	Purpose of use	Type	Losses	
			2021	2020
Fukushima Area	Branch premises	Land	¥1,418	¥223
		Building	341	180
		Other tangible fixed assets	33	26
		Software	7	—
		Other intangible fixed assets	13	5
	Idle assets	Building	—	48
		Other tangible fixed assets	58	16
Outside Fukushima Area	Branch premises	Land	148	—
		Building	160	4
		Other tangible fixed assets	24	—
			¥2,206	¥505

The Bank uses for recognition of loss on impairment the estimated unrecoverable amount in its branch premises, company housings and idle assets, grouped based on individual branch unit (however, group of branches where the connection between income and expenditure is mutually complementary are identified as a group unit), which is the smallest unit of grouping used in revenue management.

In addition, each idle asset is treated as independent unit.

The recoverable amount of an asset group is calculated based on net realizable value. The net realizable value is principally based on real estate appraisals where net realizable value of immaterial real estate is determined by deducting the estimated costs of disposal from the amount calculated based on the index appropriately reflecting the market price such as land tax assessment.

14. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2021 and 2020 were summarized as follows:

	(Thousand Shares)			
	Number of Shares as of April 1, 2020	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2021
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	442	0	0	443

(*) Increase by 0 thousand shares and decrease by 0 thousand shares in the number of Treasury stock is due to acquisition of odd-lot shares and additional purchase of odd-lot shares.

(Thousand Shares)

	Number of Shares as of April 1, 2019	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2020
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	442	0	—	442

(*) Increase in the number of Treasury stock by 0 thousand shares is a result of acquisition of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2021 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2020	Common Stock	504	¥2.00	March 31, 2020	June 25, 2020
Board of Directors on November 13, 2020	Common Stock	756	¥3.00	September 30, 2020	December 4, 2020

Detailed information about cash dividends paid during the year ended March 31, 2020 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 21, 2019	Common Stock	1,008	¥4.00	March 31, 2019	June 24, 2019
Board of Directors on November 8, 2019	Common Stock	1,008	¥4.00	September 30, 2019	December 5, 2019

Dividends with record dates on or before March 31, 2021 and effective dates on or after April 1, 2021 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 23, 2021	Common Stock	504	Retained Earnings	¥2.00	March 31, 2021	June 24, 2021

Dividends with record dates on or before March 31, 2020 and effective dates on or after April 1, 2020 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2020	Common Stock	504	Retained Earnings	¥2.00	March 31, 2020	June 25, 2020

15. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets as of March 31, 2021 and 2020, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

March 31	Millions of Yen	
	2021	2020
Cash and due from banks	¥2,341,116	¥1,619,581
Ordinary due from banks	(509)	(408)
Other	(697)	(439)
Cash and cash equivalents	¥2,339,909	¥1,618,732

16. Deferred Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were summarized as follows:

March 31	Millions of Yen	
	2021	2020
Deferred tax assets:		
Allowance for loan losses.....	¥ 7,326	¥ 4,313
Net defined benefit liability.....	3,680	4,480
Valuation difference on available-for-sale securities.....	2	18
Depreciation	938	884
Revaluation reserve for land.....	1,689	1,839
Others	4,277	3,661
Subtotal deferred tax assets.....	17,915	15,197
Valuation allowance for future deductible temporary difference	(3,720)	(3,540)
Subtotal valuation allowance	(3,720)	(3,540)
Total deferred tax assets.....	14,194	11,656
Deferred tax liabilities:		
Valuation difference on available-for-sale securities.....	(3,894)	(2,190)
Revaluation reserve for land.....	(2,365)	(2,821)
Others	(29)	(45)
Total deferred tax liabilities.....	(6,290)	(5,057)
Net deferred tax assets (liabilities)	¥ 7,904	¥ 6,598

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet as of March 31, 2021 and 2020.

March 31	Millions of Yen	
	2021	2020
Deferred tax assets	¥10,706	¥9,720
Deferred tax liabilities	436	299
Deferred tax liabilities for land revaluation	2,365	2,821

The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2021. Differences between the statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2020 is 5% or less of the statutory tax rate, therefore description is omitted.

Year ended March 31	2021
Statutory tax rate.....	30.1%
Non-deductible expenses.....	(0.7)
Elimination of dividends received from consolidated subsidiaries ...	(7.8)
Non-taxable income	9.0
Per capita inhabitant taxes.....	(0.6)
Valuation allowance.....	(2.9)
Others	(0.8)
Effective tax rate	26.3%

17. Retirement Benefits

The Bank and its consolidated subsidiaries have a corporate pension fund plan and a lump-sum retirement payment plan (transferred from the welfare pension fund system on October 1, 2004) as defined benefit plans. For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries have adopted the simplified method where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

Retirement benefits in the corporate pension fund plan and the lump-sum retirement payment plan are calculated based on points.

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans.

The Bank has set up retirement benefit trusts for lump-sum retirement payment plan from the end of year ended March 31, 2015.

A. Defined benefit plans (including those of the consolidated subsidiaries applying the simplified method)

(i) Change in retirement benefit obligation

March 31	Millions of Yen	
	2021	2020
Balance at beginning of the year	¥37,679	¥39,134
Service cost.....	862	904
Interest cost.....	221	206
Actuarial (gain) loss	361	(1,074)
Benefit paid	(1,397)	(1,492)
Others	(4)	0
Balance at end of the year	¥37,723	¥37,679

(ii) Change in plan assets

March 31	Millions of Yen	
	2021	2020
Balance at beginning of the year	¥31,348	¥32,401
Expected return on plan assets	626	648
Actuarial gain (loss)	2,777	(1,635)
Employer contributions	703	716
Benefit paid	(904)	(858)
Others	113	76
Balance at end of the year	¥34,665	¥31,348

(iii) Retirement benefit obligation and plan assets at end of the year and reconciliation to net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

March 31	Millions of Yen	
	2021	2020
Funded retirement benefit obligation	¥ 37,595	¥ 37,559
Plan assets.....	(34,665)	(31,348)
	2,930	6,211
Unfunded retirement benefit obligation	128	119
Amount of liability, net of asset, recognized in consolidated balance sheet.....	3,058	6,331
Net defined benefit liability.....	3,058	6,331
Amount of liability, net of asset, recognized in consolidated balance sheet.....	¥ 3,058	¥ 6,331

(iv) Net pension cost and its breakdown

March 31	Millions of Yen	
	2021	2020
Service cost.....	¥ 862	¥ 904
Interest cost	221	206
Expected return on plan assets	(626)	(648)
Amortization of actuarial loss	986	776
Others	(88)	(84)
Net pension cost	¥1,355	¥1,154

(v) Remeasurements of defined benefit plans in other comprehensive income

The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2021	2020
Actuarial gain (loss)	¥3,402	¥215
Total.....	¥3,402	¥215

(vi) Remeasurements of defined benefit plans in accumulated other comprehensive income

The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2021	2020
Unrecognized actuarial gain	¥2,048	¥5,450
Total	¥2,048	¥5,450

(vii) Plan assets

(a) Percentage by major category of plans assets was as follows:

	2021	2020
General account of life insurance companies	35%	31%
Bonds	24%	33%
Equities	28%	19%
Cash and due from banks	2%	6%
Others	11%	11%
Total	100%	100%

Retirement benefit trusts established for lump-sum retirement payment plan account for 26% and 27% of total plan assets for the years ended March 31, 2021 and 2020, respectively.

(b) Basis of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Group considers the current and projected plan asset allocations, as well as current and future long-term rate of returns expected from various categories of the plan assets.

(viii) Actuarial assumptions

Actuarial assumptions as of March 31, 2021 and 2020 were as follows:

	2021	2020
Discount rate	0.1%–1.0%	0.0%–0.7%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate of corporate pension fund plan	1.0%–2.2%	1.0%–2.2%
Expected salary increase rate of lump-sum retirement payment plan	1.0%–3.6%	1.0%–3.6%

B. Defined contribution pension plans

Contributions to be paid to defined contribution pension plans were ¥162 million and ¥162 million for the years ended March 31, 2021 and 2020, respectively.

18. Per Share Information

Net assets per share as of March 31, 2021 and 2020 and basic earnings (loss) per share for the years ended March 31, 2021 and 2020 were as follows:

As of March 31	Yen	
	2021	2020
Net assets per share	¥759.30	¥757.70
Basic earnings (loss) per share	(18.50)	10.82

Note 1: The bases for the computation of net assets per share are set out below.

As of or year ended March 31	Millions of Yen / Thousands of Shares	
	2021	2020
Total net assets	¥191,386	¥190,985
Net assets related to common stock	191,386	190,985
Number of common stock used to calculate net assets per share	252,056	252,057

Note 2: The bases for the computation of basic earnings (loss) per share are set out below.

Year ended March 31	Millions of Yen / Thousands of Shares	
	2021	2020
Profit (loss) attributable to owners of parent	¥ (4,664)	¥ 2,727
Profit (loss) attributable to common shareholders of parent	(4,664)	2,727
Weighted average number of common stock during the year	252,056	252,057

19. Leases Transactions

(Lessee)

(a) Finance lease transactions not subject to transfer of ownership

(1) Description of leased assets

Fixed assets used as branch premises and vehicles.

(2) Depreciation method for the leased assets

Depreciation method for the leased assets is described in “2. Summary of Significant Accounting Policies, (e) Depreciation of fixed assets.”

(Lessor)

(a) Breakdown of lease investment assets

As of March 31	Millions of Yen	
	2021	2020
Lease receivables	¥13,984	¥13,491
Residual value	388	274
Equivalent amount of maintenance cost	(451)	(457)
Unearned interest income	(912)	(904)
Lease investment assets	¥13,009	¥12,403

The scheduled collection of lease receivables related to lease investment assets subsequent to March 31, 2021 and 2020

As of March 31	Millions of Yen	
	2021	2020
Due within 1 year or less	¥ 4,152	¥ 3,717
Due in 1 year to 2 years	3,519	3,300
Due in 2 years to 3 years	2,756	2,701
Due in 3 years to 4 years	1,811	1,942
Due in 4 years to 5 years	967	1,029
Due after 5 years	776	799
Total	¥13,984	¥13,491

20. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. In addition, the Group engages in interest rate-, currency-, and bond- related transactions as derivative transactions which include transactions for the purpose of hedging and transactions for the purpose other than hedging.

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

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals

pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as a part of its ALM operations to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM policies are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. As of March 31, 2021, and 2020, the Group's market risk quantity (estimated loss) in total is ¥27,763 million and ¥28,040 million, respectively. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts a backtest to compare the actual income to VaR calculated by the model in order to verify the model. As a result of the backtest conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments

The fair value of financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of these amounts is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2021 and 2020 for each financial instrument category were provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

March 31, 2021	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and due from banks.....	¥2,341,116	¥2,341,116	¥ —
(2) Trading account securities	17	17	—
(3) Securities:			
Available-for-sale securities	462,070	462,070	—
(4) Loans and bills discounted.....	3,781,132		
Allowance for loan losses (*1)	(28,049)		
	3,753,083	3,797,257	44,174
Total assets	¥6,556,287	¥6,600,462	¥44,174
(1) Deposits	¥5,784,477	¥5,784,517	¥ 39
(2) Negotiable certificates of deposits	340,774	340,774	0
(3) Borrowed money	423,268	423,268	—
Total liabilities	¥6,548,520	¥6,548,560	¥ 39
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ 1,824	¥ 1,824	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ 1,824	¥ 1,824	¥ —

March 31, 2020	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and due from banks.....	¥1,619,581	¥1,619,581	¥ —
(2) Trading account securities	16	16	—
(3) Securities:			
Available-for-sale securities	331,172	331,172	—
(4) Loans and bills discounted.....	3,855,393		
Allowance for loan losses (*1)	(18,174)		
	3,837,219	3,883,256	46,037
Total assets	¥5,787,989	¥5,834,026	¥46,037
(1) Deposits	¥5,316,600	¥5,316,630	¥ 29
(2) Negotiable certificates of deposits	464,867	464,867	0
Total liabilities	¥5,781,468	¥5,781,498	¥ 29
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ 2,352	¥ 2,352	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ 2,352	¥ 2,352	¥ —

- (*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.
- (*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.
Net credit/debit arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date. In addition, those that are due within one year are stated at the book value, which approximates fair value.

(2) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(3) Securities

Equity shares are stated at prices quoted in applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

(4) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments. For loans extended to bankrupt, effectively bankrupt, potentially bankrupt and other such borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no stated maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

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

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others, deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

(3) Borrowed money

As they are due within one year, they are stated at the book value, which approximates fair value.

Derivative transactions

Interest rate swaps, currency swaps, foreign exchange forward contracts and currency options are stated at the prices at exchanges or at prices computed from their discounted present values, among others. The acquisition price is recorded as the fair value of earthquake derivatives.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (3) Available-for-sale securities."

March 31	Millions of Yen	
	2021	2020
(i) Non-listed shares (*1) (*2).....	¥ 2,012	¥ 2,042
(ii) Investments in associations (*3).....	28,081	26,253
Total.....	¥30,094	¥28,295

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.

(*2) Impairment loss on non-listed shares in the amount of ¥33 million and ¥12 million were posted for the years ended March 31, 2021 and 2020, respectively.

(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, as the fair values of such assets, including unlisted shares, are extremely difficult to determine.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2021 and 2020

March 31, 2021	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥2,286,895	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:.....	68,770	69,959	32,402	18,399	131,258	38,235
Available-for-sale securities with maturity	68,770	69,959	32,402	18,399	131,258	38,235
National government bonds thereof.....	36,171	1,046	2,040	—	76,148	20,745
Local government bonds thereof.....	4,358	7,829	6,792	7,790	28,770	8,268
Corporate bonds thereof	21,864	60,310	20,873	5,175	4,312	8,938
Loans (*).	1,225,563	538,046	454,916	310,456	377,296	783,900
Total.....	¥3,581,228	¥608,006	¥487,318	¥328,855	¥508,554	¥822,136

(*1) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥41,548 million, loans with no stated maturities of ¥49,404 million were not included.

March 31, 2020	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥1,570,467	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:.....	39,083	96,165	49,921	17,331	21,381	9,026
Available-for-sale securities with maturity	39,083	96,165	49,921	17,331	21,381	9,026
National government bonds thereof.....	—	36,595	3,078	—	—	8,054
Local government bonds thereof.....	11,450	7,842	4,396	6,104	10,063	—
Corporate bonds thereof	19,475	44,901	40,587	5,854	6,164	—
Loans (*).	1,364,045	608,236	497,817	338,660	370,767	592,041
Total.....	¥2,973,595	¥704,402	¥547,739	¥355,992	¥392,148	¥601,067

(*1) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥28,682 million, loans with no stated maturities of ¥55,142 million were not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2021 and 2020

March 31, 2021	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits (*).	¥5,614,547	¥143,512	¥26,414	¥2	¥—	¥—
Negotiable certificates of deposit	340,743	30	—	—	—	—
Borrowed money.....	421,266	1,492	510	—	—	—
Total.....	¥6,376,556	¥145,035	¥26,925	¥2	¥—	¥—

(*1) Demand deposits are disclosed under "Due within 1 year or less."

March 31, 2020	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits (*).	¥5,139,943	¥148,605	¥28,035	¥7	¥8	¥—
Negotiable certificates of deposit	464,837	30	—	—	—	—
Total.....	¥5,604,780	¥148,635	¥28,035	¥7	¥8	¥—

(*1) Demand deposits are disclosed under "Due within 1 year or less."

21. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

March 31	Millions of Yen	
	2021	2020
Realized gain included in earnings.....	¥0	¥0

(b) Held-to-maturity securities

None

(c) Available-for-sale securities

March 31, 2021	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 25,019	¥ 10,667	¥14,351
Bonds:	156,716	155,666	1,050
National government.....	36,171	36,001	170
Local government.....	25,990	25,714	275
Corporate.....	94,554	93,950	603
Other.....	39,602	37,162	2,440
Sub-total	221,338	203,496	17,841
Securities with their carrying amount below their acquisition cost:			
Corporate stock	10,096	11,876	(1,780)
Bonds:	164,723	165,926	(1,203)
National government.....	99,981	100,777	(795)
Local government.....	37,819	37,984	(165)
Corporate.....	26,922	27,164	(242)
Other.....	65,912	68,335	(2,422)
Sub-total	240,732	246,138	(5,406)
Total	¥462,070	¥449,635	¥12,434

March 31, 2020	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 20,156	¥ 10,921	¥9,235
Bonds:	174,969	173,048	1,921
National government.....	36,595	36,004	590
Local government.....	35,871	35,429	441
Corporate.....	102,503	101,614	889
Other.....	24,584	23,217	1,367
Sub-total	219,711	207,187	12,524
Securities with their carrying amount below their acquisition cost:			
Corporate stock	10,322	13,520	(3,197)
Bonds:	29,597	29,910	(313)
National government.....	11,132	11,356	(223)
Local government.....	3,985	4,000	(14)
Corporate.....	14,479	14,553	(74)
Other.....	71,541	73,691	(2,150)
Sub-total	111,461	117,122	(5,660)
Total	¥331,172	¥324,309	¥6,863

(d) Available-for-sale securities sold

March 31, 2021	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock.....	¥ 2,787	¥ 800	¥ 203
Bonds:.....	1,102	2	—
Corporate.....	1,102	2	—
Other.....	25,392	370	2,198
Total.....	¥29,282	¥1,173	¥2,402

March 31, 2020	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock.....	¥ 3,042	¥ 835	¥313
Bonds:.....	108,941	2,460	49
National government.....	108,790	2,459	49
Corporate.....	150	0	—
Other.....	69,959	1,593	129
Total.....	¥181,943	¥4,888	¥492

(e) Securities for which the holding-purpose category has changed

None

(f) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

Impairment loss in the amount of ¥786 million (Corporate stock of ¥450 million and Corporate bonds of ¥335 million) was posted for the year ended March 31, 2021.

Impairment loss in the amount of ¥1,326 million (Corporate stock of ¥1,072 million, Corporate bonds of ¥159 million and Others of ¥93 million) was posted for the year ended March 31, 2020.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated year, or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair values.

(g) Valuation difference on available-for-sale securities

March 31, 2021	Millions of Yen
Unrealized gain before income tax effect.....	¥12,572
Available-for-sale securities.....	12,572
Less: deferred tax liabilities	3,750
Unrealized gain before adjustment.....	8,821
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	—
Valuation difference on available-for-sale securities.....	¥ 8,821

March 31, 2020	Millions of Yen
Unrealized gain before income tax effect.....	¥6,905
Available-for-sale securities.....	6,905
Less: deferred tax liabilities	2,031
Unrealized gain before adjustment.....	4,874
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	—
Valuation difference on available-for-sale securities.....	¥4,874

(h) Investments in unconsolidated subsidiaries and affiliates

Securities in the Assets section included investments in unconsolidated subsidiaries and affiliates of ¥1,308 million and ¥1,404 million as of March 31, 2021 and 2020, respectively.

22. Money held in trust

Money held in trust as of March 31, 2021 and 2020 consisted of the following:

(a) Money held in trust for trading purpose

None

(b) Money held in trust for held-to-maturity

None

(c) Other money held in trust

March 31	Millions of Yen	
	2021	2020
Carrying amount	¥10,750	¥7,450
Acquisition cost.....	10,750	7,450
Net unrealized gain/(loss).....	—	—
Gross unrealized gain	—	—
Gross unrealized loss.....	—	—

23. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31	Millions of Yen					
	2021		2020			
	Contract Amounts	Fair Value	Contract Amounts	Fair Value		
	Total	Over 1 Year	Total	Over 1 Year		
Over-the-counter transactions:						
Interest-rate swaps:						
Receivable fixed/payable floating	¥132,768	¥127,644	¥5,039	¥88,922	¥86,052	¥5,491
Receivable floating/payable fixed	132,768	127,644	(2,873)	88,922	86,052	(3,772)
Receivable floating/payable floating	—	—	—	—	—	—
		¥2,165				¥1,719

Currency derivatives

March 31	Millions of Yen					
	2021		2020			
	Contract Amounts	Fair Value	Contract Amounts	Fair Value		
	Total	Over 1 Year	Total	Over 1 Year		
Over-the-counter transactions:						
Currency swap	¥23,294	¥21,521	¥26	¥21,812	¥21,812	¥30
Forward exchange contracts:						
Sold	44,571	21,906	(350)	32,077	9,312	(180)
Bought	22,994	21,807	(5)	11,499	9,312	782
Currency option:						
Sold	2,231	—	(52)	916	—	(9)
Bought	2,231	—	52	916	—	9
			¥(329)			¥633

Others

March 31	Millions of Yen					
	2021		2020			
	Contract Amounts	Fair Value	Contract Amounts	Fair Value		
	Total	Over 1 Year	Total	Over 1 Year		
Over-the-counter transactions:						
Earthquake derivatives						
Sold	2,670	—	(38)	2,695	—	(38)
Bought	2,670	—	38	2,695	—	38
			—			—

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

Not applicable.

Currency derivatives

Not applicable.

24. Other Comprehensive Income

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

March 31	Millions of Yen	
	2021	2020
Valuation difference on available-for-sale securities:		
Losses recognized during the year	¥3,442	¥(3,548)
Reclassification adjustment to net income	2,224	(3,579)
Amount before tax effect	5,666	(7,128)
Tax effect	(1,719)	2,125
Valuation difference on available-for-sale securities	3,947	(5,003)
Remeasurements of defined benefit plans:		
Losses recognized during the year	2,416	(561)
Reclassification adjustment to net income	986	776
Amount before tax effect	3,402	215
Tax effect	(1,024)	(64)
Remeasurements of defined benefit plans	2,378	150
Total other comprehensive income	¥6,325	¥(4,852)

25. Segment Information

(a) Segment information

1. Outline of reportable segments

The reportable segments of the Group are those units for which discrete financial information can be obtained and which are regularly examined by the Board of Directors in order to decide how to allocate management resources and to evaluate the operating results.

The Group, comprised of the Bank and its seven subsidiaries, provides financing services with a focus on banking, leasing, credit card and credit guaranteeing.

The Bank had been categorized under the reportable segment "Banking" and "Credit guaranteeing," however from the fiscal year ended March 31, 2021, as the quantitative importance of "Securities" and "Leasing" which was previously included in "Other" increased, they are categorized as reportable segments.

"Banking" consists of deposit business, lending business, foreign exchange business and their associated businesses.

"Securities" primarily consists of securities business.

"Leasing" consists of leasing of equipment and installment sales.

"Credit guaranteeing" consists of credit guaranteeing business as a finance associated business.

2. Calculation method for the amount of ordinary income, segment profit or loss, assets, liabilities and other items by the reportable segment

Accounting treatment for reportable segments is consistent with those described in "2. Summary of Significant Accounting Policies."

Segment profit is based on ordinary profit.

Ordinary income from internal transactions is based on transaction prices between third parties.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

Year ended March 31, 2021	Millions of Yen						Total	Adjustments	Consolidated
	Reportable segment				Other				
	Banking	Securities	Leasing	Credit guaranteeing					
Ordinary income:									
From external customers.....	¥ 48,860	¥1,673	¥ 5,830	¥ 757	¥ 1,223	¥ 58,346	¥ (70)	¥ 58,275	
From internal transactions...	1,108	(1)	572	968	1,371	4,018	(4,018)	—	
Total	¥ 49,969	¥1,672	¥ 6,402	¥ 1,726	¥ 2,594	¥ 62,364	¥ (4,088)	¥ 58,275	
Segment profit (loss).....	¥ (5,602)	¥ 583	¥ 466	¥ 1,308	¥ 751	¥ (2,491)	¥ (1,595)	¥ (4,087)	
Segment assets.....	¥6,777,840	¥7,457	¥17,822	¥11,175	¥10,607	¥6,824,903	¥(32,566)	¥6,792,337	
Segment liabilities.....	¥6,595,256	¥4,287	¥13,844	¥ 6,622	¥ 4,180	¥6,624,192	¥(23,241)	¥6,600,950	
Other:									
Depreciation expense.....	¥ 2,270	28	116	¥ 0	¥ 55	¥ 2,471	¥ 57	¥ 2,528	
Interest income.....	32,776	1	262	206	506	33,753	(1,706)	32,047	
Interest expense.....	351	—	41	—	0	394	(34)	359	
Increase in tangible and intangible fixed assets...	3,138	2	51	—	1	3,193	82	3,275	

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of credit card business.

3. Adjustments are as follows:

(a) Adjustments in segment profit (loss) of ¥(1,595) million include elimination of intersegment transactions.

(b) Adjustments in segment assets of ¥(32,566) million include elimination of intersegment transactions.

(c) Adjustments in segment liabilities of ¥(23,241) million include elimination of intersegment transactions.

(d) Adjustments in depreciation expense of ¥57 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.

(e) Adjustments in interest income of ¥(1,706) million are elimination of intersegment transactions.

(f) Adjustments in interest expense of ¥(34) million are elimination of intersegment transactions.

(g) Adjustments in increase in tangible and intangible fixed assets of ¥82 million are the acquisition cost of the leased assets acquired in leasing segment under the contract with other segments.

4. Segment profit (loss) is calculated by adjusting the ordinary profit in the consolidated statements of income.

Year ended March 31, 2020	Millions of Yen						
	Reportable segment				Other	Total	Adjustments Consolidated
	Banking	Securities	Leasing	Credit guaranteeing			
Ordinary income:							
From external customers.....	¥ 55,035	¥ 1,093	¥ 5,409	¥ 720	¥ 1,191	¥ 63,449	¥ 0
From internal transactions ...	961	(0)	576	1,026	1,367	3,932	(3,932)
Total	¥ 55,996	¥ 1,092	¥ 5,985	¥ 1,747	¥ 2,559	¥ 67,381	¥ (3,931)
Segment profit.....	¥ 3,888	¥ 82	¥ 449	¥ 893	¥ 520	¥ 5,833	¥ (1,456)
Segment assets.....	¥ 6,010,132	¥ 4,198	¥ 17,345	¥ 10,898	¥ 9,895	¥ 6,052,470	¥ (31,718)
Segment liabilities.....	¥ 5,824,416	¥ 1,523	¥ 13,388	¥ 6,565	¥ 3,851	¥ 5,849,745	¥ (19,978)
Other:							
Depreciation expense	¥ 2,414	¥ 29	¥ 106	¥ 1	¥ 50	¥ 2,601	¥ 76
Interest income	35,041	0	224	202	463	35,932	(1,511)
Interest expense.....	667	0	40	—	0	709	(33)
Increase in tangible and intangible fixed assets...	3,764	3	57	—	221	4,047	53

- Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.
2. "Other" is a business segment that is not included in the reportable segment, which consists of credit card business.
3. Adjustments are as follows:
- Adjustments in segment profit of ¥(1,456) million include elimination of intersegment transactions of ¥(1,449) million.
 - Adjustments in segment assets of ¥(31,718) million include elimination of intersegment transactions.
 - Adjustments in segment liabilities of ¥(19,978) million include elimination of intersegment transactions.
 - Adjustments in depreciation expense of ¥76 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.
 - Adjustments in interest income of ¥(1,511) million are elimination of intersegment transactions.
 - Adjustments in interest expense of ¥(33) million are elimination of intersegment transactions.
 - Adjustments in increase in tangible and intangible fixed assets of ¥53 million are the acquisition cost of the leased assets acquired in leasing segment under the contract with other segments.
4. Segment profit is calculated by adjusting the ordinary profit in the consolidated statements of income.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2021 and 2020 was as follows:

Year ended March 31, 2021	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥ 27,700	¥ 4,304	¥ 14,940	¥ 11,330	¥ 58,275

Year ended March 31, 2020	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥ 28,105	¥ 10,168	¥ 15,058	¥ 10,117	¥ 63,449

Note: Ordinary income is stated in lieu of sales of general enterprises.

2. Geographical information

(i) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2021 and 2020, therefore geographical income information is not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2021 and 2020, therefore geographical tangible fixed assets information is not disclosed.

3. Major customer information

Ordinary income from no customer exceeded 10% of total income on the consolidated statements of income for the years ended March 31, 2021 and 2020, therefore major customer information is not disclosed.

(c) Information on impairment of fixed assets for each reportable segment:

Year ended March 31, 2021	Millions of Yen					
	Reportable segment				Other	Total
	Banking	Securities	Leasing	Credit guaranteeing		
Impairment loss	¥ 2,205	¥ —	¥ 0	¥ —	¥ —	¥ 2,206

Year ended March 31, 2020	Millions of Yen					
	Reportable segment				Other	Total
	Banking	Securities	Leasing	Credit guaranteeing		
Impairment loss	¥ 498	¥ 6	¥ —	¥ —	¥ —	¥ 505

(d) Information on amortization of goodwill and its remaining balance for each reportable segment:

None

(e) Information related to gain on negative goodwill for each reportable segment:

None

26. Related Party Transactions

Related party transactions for the year ended March 31, 2021

(a) Transactions between the Bank and related parties

Type	Name	Location	Capital stock (¥million)	Nature of business or occupation	Voting share ownership (%)
Executive officer and close family members	Nobuaki Takamiya	—	¥ —	Company employee	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2021 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥6	Loans and bills discounted	¥30	

Notes: 1. Mr. Nobuaki Takamiya is a son in law of the Bank's Managing Executive Officer, Hideho Suto.

2. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transactions for the year ended March 31, 2020

(a) Transactions between the Bank and related parties

Type	Name	Location	Capital stock (¥million)	Nature of business or occupation	Voting share ownership (%)
Executive officer and close family members	Chikako Muramatsu	—	¥—	Company employee	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2020 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥1	Loans and bills discounted	¥10	

Notes: 1. Ms. Chikako Muramatsu is the sister in law of the Bank's Managing Director, Hideho Suto.

2. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

27. Subsequent Events

None

28. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2020 (Millions of Yen)	Balance as of March 31, 2021 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥2,806	¥423,268	0.002	—
Loans payable	2,806	423,268	0.002	From April 2021 to February 2026
Lease obligation:				
Due within 1 year or less	13	13	—	
Due after 1 year	344	330	—	June 2048

Notes: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2021.

2. The average interest rates of lease obligations are not stated because lease obligations are recorded in the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease fee.

3. The repayment schedule of loans payable and lease obligation for five years subsequent to March 31, 2021, is summarized as follows:

	Millions of Yen				
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Loans payable	¥421,266	¥806	¥686	¥370	¥140
Lease obligation	¥ 13	¥ 13	¥ 13	¥ 13	¥ 13

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of borrowing and similar instruments includes only "Borrowed money" and "Other liabilities" in "Liabilities" of the consolidated balance sheets.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the year ended March 31, 2021 are equal to or less than one percent of the total of liabilities and net assets as of then.

Independent Auditor's Report

The Board of Directors
The Toho Bank , Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Toho Bank and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

Classification of the borrower category to calculate the allowance for loan losses	
Description of Key Audit Matter	Auditor's Response
The Group is a regional financial institution primarily based in Fukushima Prefecture and its loan operation is the core function of the banking business. The collectability of loans and other receivables recorded by the Group is subject to uncertainties such as the impact of fluctuation in economic conditions in Japan	We performed the following audit procedures, among others: -We assessed the internal controls over the process of the Group's allowance for loan losses, including the determination of borrower category and credit rating, and the

and Fukushima Prefecture on the business conditions of borrowers, fluctuations in economic environments such as real estate prices, interest rates and stock prices, and the restriction that the nuclear power plant accident may impose on the economic activities and the extent of reputation damage caused by rumors. Therefore, the Group may incur additional reserves for possible losses on loans due to an increase in non-performing loans. Also, the impact of the spread of the novel coronavirus disease on economic activities is uncertain. Consequently, the Group calculates and records the allowance for loan losses. The Group has recorded Provision of allowance for loan losses of 11,256 million yen as stated in Note 13, "Other Expenses" by considering the impact of the spread of the novel coronavirus disease on economic activities in some industries and companies, and the Allowance for loan losses of 28,286 million yen in the consolidated balance sheet as of March 31, 2021. The accounting policy regarding the Allowance for loan losses is described in (g) "Allowance for loan losses" and (t) "Significant accounting estimates" in Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements.

The allowance for loan losses is calculated in accordance with the Group's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. The calculation process includes the determination of the borrower category, which is determined by evaluating the borrower's repayment capacity based on the borrower's repayment status, financial conditions, business performance and current forecasts, as well as the estimate of the amount recoverable by collateral and guarantee. Especially, the rationality and feasibility of business improvement plans that embody these improvement prospects in the future play a major factor in determining the borrower category for borrowers whose repayment status, financial conditions or business

accuracy and completeness of the borrowers' information used.

-We selected a sample of borrowers in terms of the type of business, repayment status, financial conditions or the degree of deterioration of business performance, restrictions on economic activities due to the nuclear power plant accident, the extent of reputation damage caused by rumors, and the degree of impact of the novel coronavirus disease, as well as the quantitative impact of the transition of the borrower category on the amount recorded in the allowance for loan losses.

-In order to understand the current status of repayment, financial conditions and business performance of the borrowers, we inspected the information used by the Group to perform the self-assessment of asset quality related procedures, such as, explanatory materials on the borrower's business content, etc., borrowing and repayment schedules, investigation materials to understand the actual financial condition, financial statements, trial balances, etc. We also inquired of the Credit department as deemed necessary.

-In order to examine the rationality and feasibility of business improvement plans that embody the borrower's repayment status, financial conditions, and future outlook of business performance, we performed trend analysis from past results, evaluated the accuracy of estimates based on the degree of achievement of business improvement plans in past fiscal years and compared borrower's financial results with available external information such as performance trends of sector peer companies and industry trends analysis by analysts for major profit or loss items such as net sales, cost of sales, and selling, general and administrative expenses. Also, we inquired the rationality and feasibility of business improvement plans of the management, the officer in charge of credit and the Credit department.

performance has deteriorated. The rationality and feasibility of business improvement plans are subject to changes in the business environment surrounding the borrowers, economic activity restrictions due to nuclear power plant accident and the extent of reputation damage caused by rumors, the impact of the novel coronavirus disease and the success or failure of the borrower's business strategy and hence are highly dependent on the uncertainty of estimates and involve significant management judgment.

Based on the above, we have determined the classification of the borrower category with respect to borrowers whose repayment status, financial conditions, or business performance has deteriorated as a key audit matter due to significance of the balance and significant estimates, uncertainty and judgement involved.

-To assess the impact of economic activity restrictions and reputational damage caused by the nuclear power plant accident on borrowers' repayment capacity, we inquired of the officer in charge of credit and the Credit department. Also, we obtained external evidences regarding the receipt of nuclear damage compensation by borrowers to inspect the borrower's status of the receipt of this compensation.

-In order to evaluate the impact of the novel coronavirus disease on borrowers, we inspected the assumptions made by the Group regarding the impact of the novel coronavirus disease on the borrowers and also inquired of the Credit department the results of the Group's study about the impact of the novel coronavirus disease on the borrower's business environment and business conditions based on these assumptions.

-In order to inspect the borrower category transition around the end of the fiscal year, we inspected the borrowers' financial statements, trial balances and minutes of meetings with borrowers to understand change in the environment and business conditions of borrowers and discussed with the officer in charge of credit and the Credit department.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 18, 2021

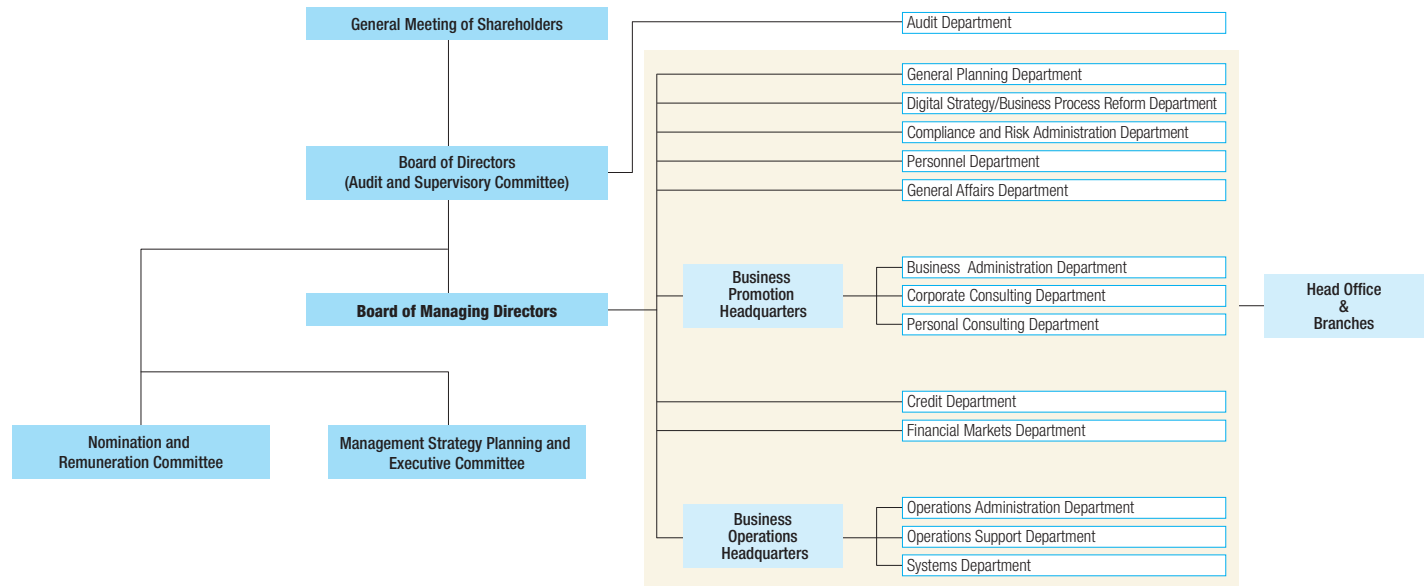
Kiyohiko Takashima
Designated Engagement Partner
Certified Public Accountant

Toru Nakagiri
Designated Engagement Partner
Certified Public Accountant

◆ Board of Directors and Auditors

President:	Senior Managing Directors:	Managing Directors:	Directors Audit and Supervisory Committee Member:	Outside Directors (Audit and Supervisory Committee Member, Part-time):
Minoru Sato	Hideho Suto	Michio Sakai Kiichi Yokoyama Shigeki Nanaumi	Masayuki Sakaji Takayuki Ishii	Takashi Fujiwara Asao Aono Hayao Watanabe Satoshi Nagano

◆ Organization



◆ Network

SUBSIDIARIES AND AFFILIATES

Name	Line of Business	Established in	Capital (Millions of yen)	Bank's Share in Capital (%)
Toho Securities Co., Ltd.	Securities	2015	3,000	100
The Toho Lease Co., Ltd.	Leasing	1985	60	50.0
The Toho Card Co., Ltd.	Credit card	1985	30	50.0
The Toho Credit Service Co., Ltd.	Credit card	1990	30	50.0
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	110	50.0
The Toho Information System Co., Ltd.	Calculation operations and Developing software	1983	60	39.6
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100

HEADQUARTERS

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(As of June 30, 2021)



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