

Consolidated Financial Statements

The Shikoku Bank, Ltd.

31st March, 2020 and 2021

Independent Auditor's Report

The Board of Directors
The Shikoku Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Shikoku Bank, Ltd. (the Bank) and its consolidated subsidiaries (collectively, 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.

We identified the following matter as a Key Audit Matter in the audit of the consolidated financial statements of the current period.

- **Classification of debtors as the basis for determining the reserve for loan losses**

Description of Key audit matter

The Group is engaged in banking business mainly in the Shikoku region, primarily in Kochi Prefecture and its lending business is the core business activity. One of the strategic goals of the Group is to provide consulting services to contribute to the development of the region. To support the growth of debtors, the Group focuses on lending to small and medium sized enterprises based on the evaluation of business potential and the Group is also actively engaged in providing funding support related to the COVID-19.



Building a better
working world

The collectability of loans and bills discounted recorded by the Group is affected by changes in economic trends in Japan and overseas, changes in the financial and economic environment such as the price of real estate, interest rates and stock prices, and the business circumstances of debtors. As a result, there is a possibility of default by debtors. Furthermore, there is a possibility that bad debts may occur and the stagnation of social and economic activities due to the COVID-19 may affect the performance of debtors.

As such, the Group calculates the amount of expected loans that won't be collected and records them as a reserve for possible loan losses.

The Bank's carrying amount of reserve for possible loan losses on a non-consolidated basis amounted to ¥13,279 million, out of the ¥13,985 million recorded in the Group's consolidated balance sheet. The detail method of calculation of the reserve for possible loan losses is described in Section h "Reserve for Possible Loan Losses" of Note 1 to the consolidated financial statements, "Summary of Significant Accounting Policies" and Note 2 to the consolidated financial statements, "Significant Accounting Estimates".

The reserve for possible loan losses is calculated in accordance with the Group's predetermined guidelines for self-assessment and write-offs and reserves. The calculation process includes the determination of the debtor classification which is determined by assessing the relevant debtor's ability to repay loans based on its repayment status, financial position, business performance etc., and prospects thereof. The Group treats "outlook for the future performance of the borrowers in determining the borrower classification" as a key assumption and determines the borrower's classification by evaluating individual borrowers' ability to earn profit, etc.

In particular, when assessing the appropriate classification of a debtor whose repayment status, financial position, or business performance is deteriorating, factors such as the reasonableness and feasibility or the prospect of formulation of the business improvement plan etc., which embodies the prospects for improvement in the future, can be important in making the relevant judgments.

Since the reasonableness and feasibility or the prospect of formulation of the business improvement plans etc. are affected by changes in the business environment surrounding the debtor and the success or failure of the debtor's business strategy, they are of high estimate uncertainty and highly dependent on the judgement of the Group's management.

In addition, the impact of the COVID-19 pandemic has continued in certain industries and business performance has not yet recovered in certain industries in spite of economic measures by the national and local governments etc. and support by financial institutions. Therefore, it can be said that the rationality and feasibility of future business improvement plans, etc., or the prospect of formulating them are of higher estimate uncertainty and more dependent on the judgment of the Group's management than in the past.

Accordingly, we have identified classification of debtors as a basis for determining the reserve for loan losses, particularly with respect to debtors demonstrating a deterioration in repayment status, financial position or business performance, as a Key Audit Matter.

How the matter was addressed in our audit

In considering the appropriateness of the classification of debtors, our audit procedures consisted primarily of the following:

- We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Group's debtor classification process. The controls tested included but were not limited to controls over the determination of the debtor classification and the credit ratings as well as controls over the accuracy and completeness of the underlying information about debtors.
- We selected a sample of debtors by taking into account the type of business, the repayment status, financial position and the degree of deterioration in their business performance to test Management's classification of debtors. We also considered monetary impact of the changes in debtor classification on the recorded amount of the reserve for possible loan losses. In consideration of the effect of the COVID-19 pandemic, we selected additionally a simple of debtors from large balance debtors in specific industries in Kochi Prefecture, which is the main operating region of the Group.
- We evaluated data regarding sampled debtors' recent repayment status, financial position, and business performance, by inspecting a set of materials related to the Group's self- assessment, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of actual financial position, debtor's financial statements, and the trial balance. In addition, we made inquiries of the department in charge of the credit screening as necessary to confirm our understanding.
- In order to examine the reasonableness and feasibility of business improvement plans etc., that embody the outlook for repayment status, financial position, and business performance, we analyzed the trends from past results of the major profit and loss items such as sales, cost of sales, selling, general and administrative expenses of debtors, and evaluated whether the debtor had historically achieved its previous business improvement plans. Where necessary, we compared these profit loss items with relevant market and industry information, such as performance trends of other companies in the same industry and industry trends. We also made inquiries of officers in charge of credit screening, and personnel from departments in charge of credit screening.
- With regard to borrowers whose business performance has deteriorated due to the impact of the COVID-19 pandemic and who are considering revisions to their existing business improvement plans etc. or who are delaying the formulation of such plans, in order to examine the possibility of revising formulating business improvement plans, we evaluated the current repayment capacity by inspecting the funding schedules of debtors. In addition, we discussed with the Director in charge of credit screening and the division in charge of management support the provision of support and consulting functions to debtors who are planning to formulate business improvement plans in view of the environment during and after the -COVID-19 pandemic.

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 6 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

大 村 真 敏



Masatoshi Omura
Designated Engagement Partner
Certified Public Accountant

伊 木 真 乃



Mayumi Ikai
Designated Engagement Partner
Certified Public Accountant

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	At 31st March,		
	2020	2021	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 6)
Assets			
Cash and due from banks (<i>Notes 15 and 26</i>)	¥ 239,362	¥ 335,619	\$ 3,031,522
Call loans and bills purchased (<i>Note 15</i>)	832	—	—
Debt purchased (<i>Note 15</i>)	14,560	12,402	112,023
Trading account securities (<i>Notes 15 and 16</i>)	5	8	73
Money held in trust (<i>Note 15</i>)	1,000	1,964	17,747
Securities (<i>Notes 8, 13, 15 and 16</i>)	818,246	967,291	8,737,161
Loans and bills discounted (<i>Notes 7, 9 and 15</i>)	1,784,830	1,877,078	16,954,911
Foreign exchange (<i>Note 15</i>)	9,886	9,891	89,345
Other assets (<i>Note 8</i>)	96,763	95,395	861,670
Tangible fixed assets (<i>Notes 10 and 11</i>)	36,652	35,453	320,234
Intangible fixed assets	2,496	1,962	17,731
Net defined benefit asset (<i>Note 18</i>)	114	2,440	22,041
Deferred income tax assets (<i>Note 21</i>)	1,780	18	168
Customers' liabilities for acceptances and guarantees	5,303	5,403	48,807
Reserve for possible loan losses	(13,991)	(13,985)	(126,328)
Total assets	¥2,997,845	¥3,330,943	\$30,087,105
Liabilities			
Deposits (<i>Notes 8 and 15</i>)	¥2,676,181	¥2,904,376	\$26,234,097
Call money and bills sold (<i>Note 15</i>)	17,630	18,820	170,000
Payables under securities lending transactions (<i>Notes 8 and 15</i>)	55,751	61,636	556,740
Borrowed money (<i>Notes 8, 12 and 15</i>)	52,649	133,702	1,207,684
Foreign exchange (<i>Note 15</i>)	42	20	185
Other liabilities	46,923	38,315	346,091
Net defined benefit liability (<i>Note 18</i>)	71	75	684
Reserve for retirement benefits for directors and corporate auditors	5	5	48
Reserve for reimbursement of deposits	873	665	6,015
Reserve for point loyalty programs	59	65	590
Deferred income tax liability (<i>Note 21</i>)	40	5,110	46,164
Deferred income tax liability for land revaluation excess (<i>Note 10</i>)	4,310	4,205	37,991
Acceptances and guarantees	5,303	5,403	48,807
Total liabilities	2,859,841	3,172,405	28,655,096
Net assets (<i>Note 14</i>)			
Common stock	25,000	25,000	225,815
Capital surplus	9,699	9,699	87,613
Retained earnings	87,811	93,369	843,374
Treasury stock, at cost	(891)	(1,518)	(13,715)
Total shareholders' equity	121,619	126,551	1,143,087
Unrealized gains on securities (<i>Note 16</i>)	14,413	26,858	242,599
Net deferred hedge losses	(5,618)	(3,770)	(34,054)
Land revaluation excess (<i>Note 10</i>)	9,024	8,785	79,358
Remeasurements of defined benefit plans (<i>Note 18</i>)	(1,670)	(99)	(900)
Total accumulated other comprehensive income	16,149	31,774	287,003
Stock acquisition rights (<i>Note 20</i>)	100	77	699
Non-controlling interests	133	135	1,220
Total net assets	138,003	158,537	1,432,009
Total liabilities and net assets	¥2,997,845	¥3,330,943	\$30,087,105

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended 31 st March,		
	2020	2021	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 6)
Income			
Interest and dividend income:			
Interest on loans and discounts	¥19,648	¥19,374	\$175,002
Interest and dividends on securities	8,721	8,538	77,123
Other interest income	141	197	1,782
Trust fees	0	0	3
Fees and commissions	7,227	7,430	67,118
Other operating income	2,919	1,450	13,103
Other income	4,344	4,667	42,160
Total income	43,002	41,659	376,291
Expenses			
Interest expense:			
Interest on deposits	525	335	3,032
Interest on call money and borrowings	761	290	2,622
Other interest expense	1,401	789	7,133
Fees and commissions	2,367	2,351	21,239
Other operating expenses	1,393	2,006	18,123
General and administrative expenses (Note 20)	24,039	24,066	217,383
Other expenses (Note 25)	10,040	2,479	22,395
Total expenses	40,528	32,319	291,927
Profit before income taxes	2,474	9,339	84,364
Income taxes (Note 21):			
Current	1,797	2,767	24,994
Deferred	(2,423)	(71)	(648)
	(626)	2,695	24,346
Profit	3,100	6,644	60,018
Profit attributable to non-controlling interests	4	2	24
Profit attributable to shareholders of The Shikoku Bank, Ltd.	¥ 3,096	¥ 6,641	\$ 59,994
	(Yen)		(U.S. dollars)
Per share amounts (Note 24)			
Basic earnings per share	¥72.92	¥156.80	\$1.42
Diluted earnings per share	¥72.77	¥156.53	\$1.41

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended 31 st March,		
	2020	2021	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 6)
Profit	¥3,100	¥6,644	\$60,018
Other comprehensive income (Note 27):	(11,894)	15,863	143,288
Unrealized gains (losses) on securities	(10,813)	12,206	110,252
Net deferred hedge gains (losses)	(422)	1,848	16,698
Remeasurements of defined benefit plans (Note 18)	(660)	1,570	14,186
Share of other comprehensive income of companies accounted for by equity method	1	238	2,152
Comprehensive income	¥(8,794)	¥22,508	\$203,306
Total comprehensive income attributable to:			
Shareholders of The Shikoku Bank, Ltd.	¥(8,798)	¥22,505	\$203,282
Non-controlling interests	4	2	24

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
(Millions of yen)					
Balance at 1st April, 2019	¥25,000	¥9,699	¥86,144	¥(952)	¥119,892
Changes during the year					
Cash dividends	-	-	(1,277)	-	(1,277)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	3,096	-	3,096
Acquisition of treasury stock	-	-	-	(0)	(0)
Disposition of treasury stock	-	-	(26)	61	35
Reversal of land revaluation excess	-	-	(125)	-	(125)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	1,667	60	1,727
Balance at 31st March, 2020	<u>¥25,000</u>	<u>¥9,699</u>	<u>¥87,811</u>	<u>¥(891)</u>	<u>¥121,619</u>

	Accumulated other comprehensive income							
	Unrealized gains on securities	Net deferred hedge losses	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
(Millions of yen)								
Balance at 1st April, 2019	¥25,225	¥(5,196)	¥8,899	¥(1,009)	¥27,918	¥100	¥130	¥148,041
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(1,277)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	-	-	-	-	-	3,096
Acquisition of treasury stock	-	-	-	-	-	-	-	(0)
Disposition of treasury stock	-	-	-	-	-	-	-	35
Reversal of land revaluation excess	-	-	-	-	-	-	-	(125)
Net changes in items other than shareholders' equity	(10,811)	(422)	125	(660)	(11,769)	-	3	(11,765)
Total changes during the year	<u>(10,811)</u>	<u>(422)</u>	<u>125</u>	<u>(660)</u>	<u>(11,769)</u>	<u>-</u>	<u>3</u>	<u>(10,038)</u>
Balance at 31st March, 2020	<u>¥14,413</u>	<u>¥(5,618)</u>	<u>¥9,024</u>	<u>¥(1,670)</u>	<u>¥16,149</u>	<u>¥100</u>	<u>¥133</u>	<u>¥138,003</u>

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
(Millions of yen)					
Balance at 1st April, 2020	¥25,000	¥9,699	¥87,811	¥(891)	¥121,619
Changes during the year					
Cash dividends	-	-	(1,278)	-	(1,278)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	6,641	-	6,641
Acquisition of treasury stock	-	-	-	(724)	(724)
Disposition of treasury stock	-	-	(43)	97	53
Reversal of land revaluation excess	-	-	238	-	238
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	5,558	(626)	4,931
Balance at 31st March, 2021	¥25,000	¥9,699	¥93,369	¥(1,518)	¥126,551

	Accumulated other comprehensive income							
	Unrealized gains on securities	Net deferred hedge losses	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
(Millions of yen)								
Balance at 1st April, 2020	¥14,413	¥(5,618)	¥9,024	¥(1,670)	¥16,149	¥100	¥133	¥138,003
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(1,278)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	-	-	-	-	-	6,641
Acquisition of treasury stock	-	-	-	-	-	-	-	(724)
Disposition of treasury stock	-	-	-	-	-	-	-	53
Reversal of land revaluation excess	-	-	-	-	-	-	-	238
Net changes in items other than shareholders' equity	12,444	1,848	(238)	1,570	15,624	(22)	1	15,603
Total changes during the year	12,444	1,848	(238)	1,570	15,624	(22)	1	20,534
Balance at 31st March, 2021	¥26,858	¥(3,770)	¥8,785	¥(99)	¥31,774	¥77	¥135	¥158,537

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity			
(Thousands of U.S. dollars) (Note 6)								
Balance at 1st April, 2020	\$225,815	\$87,613	\$793,169	\$(8,052)	\$1,098,545			
Changes during the year								
Cash dividends	-	-	(11,550)	-	(11,550)			
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	59,994	-	59,994			
Acquisition of treasury stock	-	-	-	(6,545)	(6,545)			
Disposition of treasury stock	-	-	(397)	882	485			
Reversal of land revaluation excess	-	-	2,158	-	2,158			
Net changes in items other than shareholders' equity	-	-	-	-	-			
Total changes during the year	-	-	50,205	(5,663)	44,542			
Balance at 31st March, 2021	<u>\$225,815</u>	<u>\$87,613</u>	<u>\$843,374</u>	<u>\$(13,715)</u>	<u>\$1,143,087</u>			
 Accumulated other comprehensive income								
	Unrealized gains on securities	Net deferred hedge losses	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
(Thousands of U.S. dollars) (Note 6)								
Balance at 1st April, 2020	\$130,195	\$(50,752)	\$81,516	\$(15,086)	\$145,873	\$906	\$1,205	\$1,246,529
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(11,550)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	-	-	-	-	-	59,994
Acquisition of treasury stock	-	-	-	-	-	-	-	(6,545)
Disposition of treasury stock	-	-	-	-	-	-	-	485
Reversal of land revaluation excess	-	-	-	-	-	-	-	2,158
Net changes in items other than shareholders' equity	112,404	16,698	(2,158)	14,186	141,130	(207)	15	140,938
Total changes during the year	<u>112,404</u>	<u>16,698</u>	<u>(2,158)</u>	<u>14,186</u>	<u>141,130</u>	<u>(207)</u>	<u>15</u>	<u>185,480</u>
Balance at 31st March, 2021	<u>\$242,599</u>	<u>\$(34,054)</u>	<u>\$79,358</u>	<u>\$(900)</u>	<u>\$287,003</u>	<u>\$699</u>	<u>\$1,220</u>	<u>\$1,432,009</u>

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended 31st March,		
	2020 (Millions of yen)	2021 (Millions of yen)	2021 (Thousands of U.S. dollars) (Note 6)
Cash flows from operating activities			
Profit before income taxes	¥ 2,474	¥ 9,339	\$ 84,364
Adjustments to reconcile profit before income taxes to net cash used in operating activities:			
Depreciation	2,396	2,262	20,440
Impairment loss	599	227	2,059
Equity in earnings of unconsolidated subsidiaries and affiliates	(114)	(110)	(1,000)
Reserve for possible loan losses	(5,025)	(5)	(49)
Net defined benefit asset	193	(2,325)	(21,008)
Net defined benefit liability	1	4	39
Reserve for retirement benefits for directors and corporate auditors	0	0	2
Reserve for reimbursement of deposits	(255)	(207)	(1,872)
Reserve for point loyalty programs	7	5	51
Accrued interest and dividend income	(28,511)	(28,110)	(253,907)
Accrued interest expenses	2,687	1,415	12,787
(Gains) losses on investment securities – net	528	(1,697)	(15,330)
(Gains) losses on money held in trust	(99)	(170)	(1,539)
Foreign exchange (gains) losses – net	(5)	(1)	(13)
(Gains) losses on disposal of fixed assets	23	(85)	(771)
Net (increase) decrease in loans	(10,638)	(92,247)	(833,237)
Net increase (decrease) in deposits	(44,838)	228,195	2,061,199
Net increase (decrease) in borrowed money (exclusive of subordinated loans)	(29,182)	81,053	732,125
Net (increase) decrease in due from banks (exclusive of the Bank of Japan)	(5,150)	(2,597)	(23,465)
Net (increase) decrease in call loans and others	2,297	2,990	27,014
Net (increase) decrease in trading account securities	0	(2)	(27)
Net increase (decrease) in call money and others	15,299	1,190	10,751
Net increase (decrease) in payables under securities lending transactions	(23,592)	5,885	53,161
Net (increase) decrease in foreign exchange (assets)	(1,170)	(4)	(40)
Net increase (decrease) in foreign exchange (liabilities)	38	(22)	(199)
Interest and dividends received	28,560	27,203	245,721
Interest paid	(2,883)	(1,663)	(15,023)
Other – net	2,240	(4,345)	(39,254)
Subtotal	(94,116)	226,178	2,042,979
Income taxes paid	(1,435)	(1,928)	(17,422)
Net cash provided by (used in) operating activities	(95,552)	224,249	2,025,557
Cash flows from investing activities			
Purchases of securities	(254,119)	(329,834)	(2,979,268)
Proceeds from sales of securities	107,203	158,108	1,428,134
Proceeds from redemption of securities	132,295	45,050	406,926
Payments for money held in trust	–	(1,000)	(9,033)
Purchases of tangible fixed assets	(851)	(728)	(6,583)
Proceeds from sales of tangible fixed assets	205	549	4,966
Purchases of intangible fixed assets	(537)	(442)	(3,997)
Payments for asset retirement obligations	(4)	(9)	(88)
Net cash used in investing activities	(15,809)	(128,306)	(1,158,943)
Cash flows from financing activities			
Dividends paid	(1,277)	(1,278)	(11,551)
Dividends paid to non-controlling interests	(1)	(1)	(9)
Purchases of treasury stock	(0)	(724)	(6,545)
Proceeds from sales of treasury stock	35	30	278
Repayment of lease obligations	(341)	(310)	(2,809)
Net cash used in financing activities	(1,586)	(2,284)	(20,636)
Effect of currency rate changes on cash and cash equivalents	5	1	13
Net increase (decrease) in cash and cash equivalents	(112,943)	93,659	845,991
Cash and cash equivalents at beginning of year	346,928	233,985	2,113,498
Cash and cash equivalents at end of year (Note 26)	¥233,985	¥327,645	\$ 2,959,489

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Shikoku Bank, Ltd. (the “Bank”) and consolidated subsidiaries (collectively the “Group”) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Financial Instruments and Exchange Law, the Banking Law of Japan and other applicable rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Law for the convenience of readers outside Japan.

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its following four significant subsidiaries.

The Shigin Agency Company Limited
The Shikoku Guarantee Company Limited
The Shigin Computer Service Company Limited
Shigin Regional Economic Research Institute Incorporated

One unconsolidated subsidiary is excluded from the scope of consolidation because it is deemed that they have insignificant effects on the consolidated financial statements in terms of total assets, ordinary income, profit, and retained earnings when excluded from the scope of consolidation. All material intercompany balances and transactions are eliminated in consolidation. Difference between the cost of investments in the consolidated subsidiaries and the corresponding net assets at the acquisition date of the equity is charged to income as incurred.

The Shigin Leasing Company Limited is accounted for by the equity method and is included in securities in the balance sheets.

One subsidiary and three affiliates, of which two are limited partnerships, are not accounted for by the equity method and carried at cost since profit and retained earnings of these subsidiaries and affiliates are not significant and would not have a material impact on the consolidated financial statements of the Bank.

1. Summary of Significant Accounting Policies (continued)

c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the year end and cost is determined by the moving average method.

d. Securities

Securities other than trading account securities are classified into three categories: held-to-maturity bonds, equity of unconsolidated subsidiaries and affiliates, or available-for-sale securities. Held-to-maturity bonds are carried at amortized cost. Equity of unconsolidated subsidiaries and affiliates is stated at cost determined by the moving average method except for those accounted for by the equity method. Available-for-sale securities are generally carried at fair value with unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of shareholders' equity; however, available-for-sale securities for which fair value cannot be reliably determinable are carried at cost. Cost of securities sold is mainly determined by the moving average method.

Securities managed as assets held in trust in unconsolidated money trusts whose primary purpose is investments in securities are carried at fair value.

e. Derivatives

Derivatives are stated at fair value.

f. Method of Depreciation and Amortization

(i) Tangible fixed assets (Except for leased assets)

The Bank's tangible fixed assets, including improvements, are stated at cost less accumulated depreciation. Depreciation is mainly computed by the declining-balance method based on the estimated useful lives of the respective assets, except for buildings(excluding facilities attached to buildings) acquired on or after 1st April, 1998 as well as facilities attached to buildings and structures acquired on and after 1st April, 2016 which are depreciated by the straight-line method.

The estimated useful lives principally applied are as follows:

Buildings	19 years to 50 years
Other	5 years to 15 years

1. Summary of Significant Accounting Policies (continued)

f. Method of Depreciation and Amortization (continued)

(ii) Intangible fixed assets (Except for leased assets)

Cost of intangible fixed assets obtained or developed for internal use is capitalized and amortized using the straight-line method over the estimated useful lives of five years.

(iii) Leased assets

Leased assets in tangible fixed assets capitalized under finance leases that do not transfer ownership are depreciated to a residual value of zero by the straight-line method over the contract term.

g. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date.

As regards translation differences related to bonds among available-for-sale securities denominated in foreign currencies, those related to changes in fair value in original foreign currencies are treated as valuation differences, and the remainder is treated as gains or losses from foreign exchange transactions.

h. Reserve for Possible Loan Losses

The reserve for possible loan losses is provided in accordance with the internal policies and guidelines for write-offs and reserves for possible loan losses.

The reserve for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in a legal sense is provided at 100% of the amount remaining after write-offs and deduction of expected collection from the disposal of collateral and from guarantees.

In addition, a reserve is provided for loans to borrowers who, although not actually bankrupt in a legal sense, are experiencing serious financial difficulties and whose failure is imminent. In such cases, the reserve is provided at the amount deemed necessary based on the borrower's capability of repayment after deduction of expected collection from the disposal of collateral and from guarantees.

A reserve is also provided for certain large loans who have restructured loans or loans past due for three months or more at the amount of difference between the book value and the estimated future cash flows discounted by the original contractual interest rates if the future cash flows from the repayment of principal and interest is reasonably estimated.

For all other loans, a reserve is provided as estimated loss amounts mainly for future one year or three years, which is calculated using an estimated loss ratio obtained from an average of the actual default ratios for a certain period in the past based on actual defaults for the past one year or three years.

1. Summary of Significant Accounting Policies (continued)

h. Reserve for Possible Loan Losses (continued)

The above classification of borrowers and the calculation of the provision for the possible loan losses are based on the result of self-assessment of asset, which is a comprehensive review process of Bank's asset quality performed by the relevant department in accordance with the internal guidelines for self-assessment and is independently reviewed by the internal audit unit.

For loans to bankrupt and substantially bankrupt borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the disposal of collateral and from guarantees, are written off. The amounts written off for the years ended 31st March, 2020 and 2021 were ¥17,042 million and ¥16,515 million (U.S.\$149,177 thousand), respectively.

Reserve for possible loan losses of the consolidated subsidiaries are provided at the amount deemed necessary for general receivables based on the past credit loss history, and at the amount deemed uncollectable for certain types of receivables such as doubtful receivables based on assessments of individual receivables.

i. Reserve for Retirement Benefits for Directors and Corporate Auditors of the Bank's Consolidated Subsidiaries

Reserve for retirement benefits for directors and corporate auditors of its consolidated subsidiaries is provided at the amount which would be required to be paid in accordance with the internal rules if they retired at the balance sheet date.

j. Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided at an estimate of the future payments for the reimbursement claims from the customers whose deposit accounts had been derecognized and credited from liability to income.

k. Reserve for Point Loyalty Programs

Reserve for point loyalty programs is provided for accumulation of credit card points granted to customers under the Bank's point loyalty program, based on the estimated amounts equivalent to expected future usage of the points.

l. Retirement Benefit Plans

The benefit formula method is used to attribute expected benefits to the periods through the end of the fiscal year in calculating projected benefit obligation.

Prior service cost is amortized by the straight-line method over a certain period (10 years) that is shorter than the average remaining service years of the eligible employees.

Actuarial gain or loss is amortized from the next year of its occurrence primarily by the straight-line method over a certain period (10 years) that is shorter than the average remaining service years of the eligible employees.

1. Summary of Significant Accounting Policies (continued)

l. Retirement Benefit Plans (continued)

Consolidated subsidiaries apply the simplified method, which assumes the projected benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, in computing net defined benefit liability and severance benefit expenses.

m. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax basis of the assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the year when the temporary differences are expected to reverse.

n. Earnings per Share

Earnings per share was computed based on the profit attributable to common shareholders of The Shikoku Bank, Ltd. and the average number of shares of common stock outstanding during the year.

o. Hedge Accounting

(i) Hedges of interest rate risk

The Bank adopts the deferred method of hedge accounting for interest rate risk arising from financial assets and liabilities. The Bank identifies hedging relationship on an individual transaction basis by designating hedging interest rate swaps as hedges of certain loans and securities in accordance with its policy for securities and other transactions.

The Bank centralizes management of hedged items and corresponding hedging instruments and assesses hedge effectiveness by examining whether interest rate risk of the relevant hedged items are offset by the relevant hedging transactions or not.

(ii) Hedges of foreign exchange risk

The Bank adopts the standard treatment under the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Committee Practical Guidelines No. 25 “Accounting and Auditing Treatment for Accounting for Foreign Currency Transaction in Banking Industry,” issued on 8th October, 2020, for foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies. Under that treatment, the Bank applies the deferred method of hedge accounting. The Bank enters into currency swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at inception of the hedge and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of the hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedged items exceeds the foreign currency position of the hedging instruments that offsets foreign exchange risk of the foreign currency-denominated monetary claims designated as the hedged items.

1. Summary of Significant Accounting Policies (continued)

p. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consists of cash and deposits with the Bank of Japan included in “Cash and due from banks” on the consolidated balance sheets.

q. Accounting Policies and Procedures Adopted When Requirements Under the Relating Accounting Standards Are Not Clearly Defined

Gains or losses on cancellation and redemption of investment trusts (excluding listed investment trusts) are recorded in “Interest and dividends on securities” in the case of gains, and in “Losses on redemption of bonds” in “Other operating expenses” in the case of losses, for each investment trust issue.

Gains on cancellation and redemption of investment trusts (excluding listed investment trusts) of ¥958 million and ¥725 million (U.S.\$6,551 thousand) were recorded in “Interest and dividends on securities” and losses on cancellation and redemption of investment trusts (excluding listed investment trusts) of ¥734 million and ¥897 million (U.S.\$8,107 thousand) were recorded in “Losses on redemption of bonds” for the years ended 31st March, 2020 and 2021, respectively.

2. Significant Accounting Estimates

Reserve for Possible Loan Losses

(1) Carrying amount in the current year financial statements

The Bank’s carrying amount of reserve for possible loan losses as of 31st March, 2021 was ¥13,279 million (U.S.\$119,952 thousand).

(2) Information on the nature of significant accounting estimates for identified items

(i) Method of calculation

The Bank conducts self-assessment, which is a process where financial institutions examine their own assets individually and classify them according to the degree of risk of uncollection or risk of impairment of value, and records reserve for possible loan losses in accordance with predetermined guidelines for write-offs and provisions. See Note 1 “h. Reserve for Possible Loan Losses for specific details by borrower classification”.

(ii) Key assumptions

A key assumption is made for the “outlook for the future performance of the borrowers in determining the borrower classification.” The outlook is determined upon individually evaluating each borrower’s ability to earn income and other factors. Depending on the borrower, the rationale and feasibility of the business improvement plan, which details the prospects for future improvement, or the prospect of its formulation, may be a more important factor in the judgment.

2. Significant Accounting Estimates (continued)

(ii) Key assumptions (continued)

With regard to the effect of novel coronavirus disease (COVID-19), based on the assumption that it will continue for a certain period of time, while certain industries are expected to be seriously affected for the time being, the Bank assumes that a significant amount of credit-related expenses will not be incurred due to economic measures by the national and local governments, supports from financial institutions, etc..

(iii) Effects on the next year financial statements

If the assumption used in the initial estimates changes due to changes in the performance of individual borrowers or other factors, this may have a significant impact on the reserve for possible loan losses in the next year financial statements.

In addition, COVID-19 will have extensive effects on the economy and business activities, and it is difficult to anticipate how widely it will spread and when it will be contained. Accordingly, COVID-19 may have material impacts on the financial results of the Group, such as unexpected increase in credit-related expenses, etc.

3. Accounting Standards Issued But Not Yet Effective

“Revised Accounting Standard for Revenue Recognition” (the Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, issued on 31st March, 2020)

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

(1) Summary

ASBJ developed a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract

Step 2: Identify the performance obligations under the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations

Step 5: Recognize revenue when performance obligations are satisfied or as they are satisfied

(2) Effective date

The Group expects to adopt the new standard and guidance effective the beginning of the year ending 31st March, 2022.

(3) Effects of adopting the standard and guidance

The Group is in the process of assessing the effects of adopting the new standard and guidance.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on 4th July, 2019)

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

3. Accounting Standards Issued But Not Yet Effective (continued)

“Revised Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on 4th July, 2019)

“Revised Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on 4th July, 2019)

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

(1) Summary

“Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter “Accounting Standard for Fair Value Measurement, etc.”) have been developed to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards, and the guidance on the method of fair value measurement, etc. has been established. The Accounting Standard for Fair Value Measurement, etc. is applied to the following items:

- Financial instruments as prescribed in the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes as prescribed in the “Accounting Standard for Measurement of Inventories”

Further, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and note items have been established, including the breakdown by level of fair value of financial instruments.

(2) Effective date

The Group expects to adopt the new standards and guidances effective the beginning of the year ending 31st March, 2022.

(3) Effects of adopting the standard and guidance

The Group is in the process of assessing the effects of adopting the new standards and guidances.

4. Changes in Presentation

The Group adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued on 31st March, 2020) starting from the financial statements as of 31st March, 2021, and provided a note on significant accounting estimates in these financial statements.

However, the note does not include information for the prior year in accordance with the transitional treatment set out in the provison in Paragraph 11 of the Accounting Standard.

5. Additional Information

The Group adopted “Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on 31st March, 2020) starting from the financial statements as of 31st March, 2021, and disclosed accounting policies and procedures adopted when requirements under the relating accounting standards are not clearly defined.

6. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, omitting amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements do not necessarily add up to the sum of the respective account balances.

The U.S. dollar amounts included in the accompanying consolidated financial statements represent the arithmetic results of translating yen into U.S. dollars at ¥110.71 = U.S.\$1.00, the approximate exchange rate in effect on 31st March, 2021. The inclusion of the U.S. dollar amounts is solely for convenience and is not intended to imply that assets and liabilities originating in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

7. Loans and Bills Discounted

- (1) Loans and bills discounted at 31st March, 2020 and 2021 included the following items:

Balances of loans to companies under bankruptcy procedures as of 31st March, 2020 and 2021 were ¥548 million and ¥432 million (U.S.\$3,909 thousand), respectively.

Balances of delinquent loans as of 31st March, 2020 and 2021 were ¥36,729 million and ¥37,588 million (U.S.\$339,525 thousand), respectively.

Loans to companies under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan. This category also includes the loans cited in Articles 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or restructured loans on which interest has been suspended for the purpose of supporting borrower's business rehabilitation or debtor assistance.

- (2) There were no balances of loans past due for 3 months or more as of 31st March, 2020 and 2021.

Loans are classified in this category when they are past due for 3 months or more from the date when the payments of principal or interest are due. The balance of loans to companies under bankruptcy procedures and the balance of delinquent loans are not included in this category.

7. Loans and Bills Discounted (continued)

- (3) Balance of restructured loans as of 31st March, 2020 and 2021 were ¥2,956 million and ¥3,480 million (U.S.\$31,439 thousand), respectively.

Restructured loans include loans which have been restructured to support business rehabilitation of borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to companies under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

- (4) The aggregate balances of loans to companies under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of 31st March, 2020 and 2021 were ¥40,234 million and ¥41,502 million (U.S.\$374,873 thousand), respectively.
- (5) Bills discounted are accounted for as finance transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24, issued on 8th October, 2020. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at 31st March, 2020 and 2021 totalled ¥8,381 million and ¥5,313 million (U.S.\$47,990 thousand), respectively.

8. Pledged Assets

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

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021
Assets pledged as collateral:			
Securities	¥144,515	¥215,481	\$1,946,363
Liabilities secured by the above assets:			
Deposits	13,338	15,975	144,303
Payables under securities lending transactions	55,697	61,635	556,730
Borrowed money	45,991	127,206	1,149,009

8. Pledged Assets (continued)

In addition, securities of ¥205 million and ¥204 million (U.S.\$1,846 thousand) at 31st March, 2020 and 2021, respectively, were pledged as collateral principally to clearing organizations for exchange transactions and futures transactions.

Included in other assets were guarantee deposits of ¥718 million and ¥584 million (U.S.\$5,284 thousand), deposits for futures transactions of ¥11 million and ¥11 million (U.S.\$103 thousand), cash collateral paid for financial instruments of ¥7,907 million and ¥6,072 million (U.S.\$54,846 thousand), and deposit for central counterparty of ¥78,000 million and ¥80,000 million (U.S.\$722,609 thousand) at 31st March, 2020 and 2021, respectively.

9. Loan Commitments

Overdraft agreements and loan commitments are agreements under which the Bank and its consolidated subsidiaries are obliged to extend loans up to a prearranged limit unless the customer is in breach of contract. The loan commitments not yet drawn down at 31st March, 2020 and 2021 totalled ¥534,900 million and ¥562,914 million (U.S.\$5,084,587 thousand), respectively, of which ¥522,339 million and ¥548,223 million (U.S.\$4,951,884 thousand), respectively, related to agreements whose contractual terms were for one year or less or which were unconditionally cancellable at any time.

As the majority of these agreements expire without the right to extend the loans being exercised, the undrawn commitment balance does not affect the future cash flows of the Bank or of its consolidated subsidiaries. These agreements usually include provisions which stipulate that the Bank and its consolidated subsidiaries have the right either to refuse the execution of the loans or to reduce the contractual commitments when there is a change in the borrower's financial condition, or when additional assurance of the financial soundness and creditworthiness of a borrower is necessary, or when other unforeseen circumstances arise.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of entering into the agreement, monitoring a customer's business on a regular basis in accordance with established internal procedures, and amending the loan commitment agreements when necessary.

10. Land Revaluation Excess

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for business operations was revalued at fair value at 31st March, 1998. Net unrealized gain was classified in a separate component of stockholders' equity, net of applicable income taxes, as "Land revaluation excess" and in liabilities as "Deferred income tax liability for land revaluation excess" in the accompanying consolidated balance sheets. Under the Law, once the Bank revalued the land, it is not permitted to revalue the land. Such unrealized revaluation loss as of 31st March, 2020 and 2021 were ¥10,205 million and ¥9,633 million (U.S.\$87,012 thousand), respectively.

11. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of 31st March, 2020 and 2021 were ¥28,982 million and ¥29,091 million (U.S.\$262,776 thousand), respectively.

Balance of advanced depreciation of tangible fixed assets as of 31st March, 2020 and 2021 were ¥3,188 million and ¥3,168 million (U.S.\$28,619 thousand), respectively. There was no advanced depreciation for the years ended 31st March, 2020 and 2021.

12. Borrowed Money

At 31st March, 2020 and 2021, borrowed money included borrowings of ¥5,000 million and ¥5,000 million (U.S.\$45,163 thousand) subordinate to all other debts of the Bank.

13. Guarantee Obligations for Corporate Bonds Acquired

The amount of guarantee obligations for privately placed corporate bonds the Bank owns as of 31st March, 2020 and 2021 were ¥28,104 million and ¥32,995 million (U.S.\$298,033 thousand), respectively.

14. Net Assets

The Bank is subject to the Companies Act of Japan (the “Act”) and the Banking Law. The Act requires that at least 50% of the paid-in capital of new share issues be transferred to the “Common stock” account and the amount not exceeding 50% of the paid-in capital be included in capital surplus as “Additional paid-in capital.”

Under the Act, companies can pay dividends at any time during the year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Interim dividends may be paid at any time during the year upon resolution by the Board of Directors if the company has prescribed so in its articles of incorporation.

The Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The Banking Law requires that an amount equal to 20% of dividends be appropriated as a legal reserve (a component of retained earnings) or as capital reserve (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and capital reserve equals 100% of capital stock.

Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

14. Net Assets (continued)

The changes in the number of issued shares of common stock and treasury stock during the years ended 31st March, 2020 and 2021 were as follows:

	Number of shares (in thousands)		
	1st April, 2020	Increase	Decrease
			31st March, 2021
Outstanding shares issued:			
Common stock	42,900	—	—
Treasury stock:			
Common stock	427	984	59
			1,352

The increase in treasury stock is due to acquisition of treasury stock based on the resolution of the Board of Directors meeting and due to acquisition of shares less than one unit by 982 thousand shares and 1 thousand shares, respectively.

The decrease in treasury stock is due to allotment of restricted stock, exercise of stock acquisition rights and responding to call options of shares of less than one unit by 39 thousand shares, 19 thousand shares and 0 thousand shares, respectively.

	Number of shares (in thousands)		
	1st April, 2019	Increase	Decrease
			31st March, 2020
Outstanding shares issued:			
Common stock	42,900	—	—
Treasury stock:			
Common stock	464	0	37
			427

The increase in treasury stock is due to acquisition of shares less than one unit.

The decrease in treasury stock is due to allotment of restricted stock.

14. Net Assets (continued)

Stock acquisition rights and the Bank's own stock acquisition rights as of 31st March, 2020 and 2021 were as follows:

Classification	Detail of stock acquisition rights	Class of shares issued or transferred upon exercise of stock acquisition rights	Number of shares issued or transferred upon exercise of stock acquisition rights (Shares)			Balance at 31st March, 2021	
			1st April, 2020	Increase	Decrease	31st March, 2021	(Millions of yen) (Thousands of U.S. dollars)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥77	\$699
Total		—	—	—	—	¥77	\$699
Classification	Detail of stock acquisition rights	Class of shares issued or transferred upon exercise of stock acquisition rights	Number of shares issued or transferred upon exercise of stock acquisition rights (Shares)			Balance at 31st March, 2020	
			1st April, 2019	Increase	Decrease	31st March, 2020	(Millions of yen)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥100	
Total		—	—	—	—	¥100	

Year ended 31st March, 2021

The following cash dividend payments were approved during the year:

General shareholders' meeting held on 26th June, 2020:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollars)	Dividend record date		Effective date
			31st March,	29th June,	
			2020	2020	
Common stock	¥638 million (\$5,771 thousand)	¥15.00 (\$0.14)	31st March, 2020	29th June, 2020	

Board of Directors meeting held on 6th November, 2020:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollars)	Dividend record date		Effective date
			30th September, 2020	4th December, 2020	
			2020	2020	
Common stock	¥639 million (\$5,779 thousand)	¥15.00 (\$0.14)	30th September, 2020	4th December, 2020	

14. Net Assets (continued)

Year ended 31st March, 2020

The following cash dividend payments were approved during the year:

General shareholders' meeting held on 27th June, 2019:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥638 million	¥15.00	31st March, 2019	28th June, 2019

Board of Directors meeting held on 8th November, 2019:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥638 million	¥15.00	30th September, 2019	6th December, 2019

15. Financial Instruments and Related Disclosures

(1) General information

a) Policy for financial instruments

The Group operates mainly in Shikoku especially Kochi prefecture, engaging in financial service business with its focus on banking. The Group raises funds mostly by taking deposits from local small and mid-sized enterprises and individuals and through fund investments mostly by originating loans to local small and mid-sized enterprises and individuals and investing in securities, primarily bonds.

Since these financial assets and liabilities are primarily subject to interest rate fluctuation risk, the Group implements comprehensive asset and liability management (ALM) to prevent adverse effects from interest rate fluctuations, and as part of such management, the Group conducts derivative transactions.

b) Content of financial instruments and their risks

• Nature of financial instruments

The financial assets held by the Group consist primarily of loans and securities. The loans primarily consist of those extended to enterprises and individuals in Japan, while the securities include national government bonds, local government bonds, corporate bonds, stocks and other securities.

The financial liabilities of the Group primarily consist of deposits taken from enterprises and individuals in Japan.

15. Financial Instruments and Related Disclosures (continued)

(1) General information (continued)

The Group engages in derivative transactions including interest rate swaps, currency swaps, and forward foreign exchange contracts, in order to hedge risks arising from the Group's assets and liabilities.

- Risks of financial instruments

Credit risk represents risk of loss from a financial asset becoming a nonperforming asset due to poor performance of a debtor of a loan or an issuer of a security instrument. The Group's loans and securities are widely spread across different types of industry and enterprises, and there is no significant concentration.

Market risk encompasses interest rate risk that represents risk of a decrease in financial profit due to fluctuation of interest rates. It also encompasses price fluctuation risk that represents risk of loss from fluctuation of bond or stock prices. The Bank holds little foreign exchange risk.

Liquidity risk consists of funding liquidity risk representing risk that an entity faces the difficulty in funding when necessary and market liquidity risk representing risk that an entity cannot conduct normal trading due to market disorder.

The Group's derivative transactions are only for hedging purposes, and the risks are estimated to be limited.

c) Risk management structure for financial instruments

- Credit risk management

The Bank has established the Credit Risk Management Rules to control credit risk appropriately through individual credit management and credit portfolio management, and to ensure the soundness and appropriateness of operations by securing appropriate revenue commensurate with risk.

In credit risk management, the credit risk management department is responsible for developing credit rating systems, quantifying credit risk, and managing the credit portfolio for the purpose of assessing the risk of loans objectively, and the credit screening department, which is independent of the credit risk management and sales departments, is responsible for screening and managing individual cases and borrower ratings.

In addition, the credit risk management department and the credit screening department periodically report on the status of credit risk to the Asset Liability Management Committee and other committees, and the Asset Liability Management Committee assesses the status of credit risk and deliberates on adjustments to asset and liability strategies.

15. Financial Instruments and Related Disclosures (continued)

(1) General information (continued)

- Market risk management

The Bank has established the Market Risk Management Principles and Market Risk Management Rules, and has developed a system to appropriately manage market risk, with the basic stance of securing stable revenue by assuming a certain amount of manageable risk and improving the soundness of assets.

The market risk management system is designed to ensure effective checks and balances by establishing front offices for executing market transactions, back offices for managing the administration of market transactions, and middle offices for managing market risks separately in the departments in charge of markets.

In addition, the Bank has established a market risk management control department, which is independent of the market and sales departments, to supervise and manage overall market risk.

The market risk management control department measures, analyses, and evaluates market risks by identifying risks to be managed based on the scale and characteristics of the risks faced by the Bank. The department also reports to the Asset Liability Management Committee on the status of market risk, the status of compliance with limits, and the results of assessments such as stress tests under the assumption of significant market fluctuations, and deliberates on asset and liability strategies and measures to control market risk.

Quantitative information on market risk management

The Bank employs Value-at-Risk (“VaR”) to control major market risk, such as interest rate risk and price fluctuation risk. Financial instruments that are affected by interest rate risk are bonds included in securities, loans and deposits, and those which are affected by price risk are stocks and investment trusts included in securities. The Bank employs the variance and covariance method, (the 6 month holding period, the 99% confidence interval and the 1 year observation period) and verifies the effectiveness of the VaR by periodical back testing. The VaR, as at 31st March, 2020 and 2021 was ¥42,065 million and ¥52,430 million (U.S.\$473,583 thousand), respectively, which comprises interest rate risk of ¥21,865 million and ¥16,720 million (U.S.\$151,028 thousand), respectively, and price fluctuation risk of ¥20,200 million and ¥35,710 million (U.S.\$322,555 thousand), respectively. The VaR represents the risk volume that is calculated statistically based on the probabilities derived from the past market movements. Accordingly, under extremely volatile market conditions, risk may be underestimated.

15. Financial Instruments and Related Disclosures (continued)

(1) General information (continued)

- Management of liquidity risk related to fund raising

The Bank manages its liquidity risk by diversifying its funding sources and adjusting the balance of long and short-term funding in consideration of market conditions. The Bank also strives to secure liquidity by holding highly liquid assets such as government bonds to ensure appropriate and stable cash management.

In addition, the Bank has formulated measures to deal with liquidity crises in accordance with the degree of tightness of cash flow, and has established a system to respond promptly and appropriately in the event of unforeseen circumstances.

d) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments include, in addition to the value determined based on the market price, a value calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

15. Financial Instruments and Related Disclosures (continued)

(2) Fair value of financial instruments

The carrying value, the fair value and the difference as of 31st March, 2020 and 2021 are summarized in the following table. Note that securities such as unlisted equity securities for which fair value is extremely difficult to determine were not included in the following table (See (Note 2) below):

At 31st March, 2021	Carrying value	Fair value	Difference
	(Millions of yen)		
Cash and due from banks	¥ 335,619	¥ 335,619	¥ —
Call loans and bills purchased	—	—	—
Debt purchased	12,402	12,402	—
Trading account securities:			
Trading securities	8	8	—
Money held in trust	1,964	1,964	—
Securities:			
Available-for-sale securities	950,156	950,156	—
Loans and bills discounted	1,877,078		
Reserve for possible loan losses (*1)	<u>(13,887)</u>		
	1,863,191	1,891,423	28,232
Foreign exchange assets (*1)	9,891	9,891	—
Total assets	<u>¥ 3,173,233</u>	<u>¥ 3,201,466</u>	<u>¥28,232</u>
Deposits	¥ 2,904,376	¥ 2,904,442	¥ 66
Call money and bills sold	18,820	18,820	—
Payables under securities lending transactions	61,636	61,636	—
Borrowed money	133,702	133,706	3
Foreign exchange liabilities	20	20	—
Total liabilities	<u>¥ 3,118,557</u>	<u>¥ 3,118,627</u>	<u>¥ 69</u>
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (2,752)	¥ (2,752)	¥ —
To which hedge accounting is applied	<u>(5,270)</u>	<u>(5,270)</u>	<u>—</u>
Total derivative transactions	<u>¥ (8,022)</u>	<u>¥ (8,022)</u>	<u>¥ —</u>

15. Financial Instruments and Related Disclosures (continued)

(2) Fair value of financial instruments (continued)

At 31st March, 2021	Carrying value	Fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Cash and due from banks	\$ 3,031,522	\$ 3,031,522	\$ —
Call loans and bills purchased	—	—	—
Debt purchased	112,023	112,023	—
Trading account securities:			
Trading securities	73	73	—
Money held in trust	17,747	17,747	—
Securities:			
Available-for-sale securities	8,582,394	8,582,394	—
Loans and bills discounted	16,954,911		
Reserve for possible loan losses (*1)	(125,437)		
	16,829,474	17,084,490	255,016
Foreign exchange assets (*1)	89,344	89,344	—
Total assets	<u>\$28,662,577</u>	<u>\$28,917,593</u>	<u>\$255,016</u>
Deposits	\$26,234,097	\$26,234,693	\$ 596
Call money and bills sold	170,000	170,000	—
Payables under securities lending transactions	556,740	556,740	—
Borrowed money	1,207,684	1,207,717	33
Foreign exchange liabilities	185	185	—
Total liabilities	<u>\$28,168,706</u>	<u>\$28,169,335</u>	<u>\$ 629</u>
Derivative transactions (*2)			
To which hedge accounting is not applied	\$ (24,863)	\$ (24,863)	\$ —
To which hedge accounting is applied	(47,604)	(47,604)	—
Total derivative transactions	<u>\$ (72,467)</u>	<u>\$ (72,467)</u>	<u>\$ —</u>

15. Financial Instruments and Related Disclosures (continued)

(2) Fair value of financial instruments (continued)

At 31st March, 2020	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
Cash and due from banks	¥ 239,362	¥ 239,362	¥ —
Call loans and bills purchased	832	832	—
Debt purchased	14,560	14,560	—
Trading account securities:			
Trading securities	5	5	—
Money held in trust	1,000	1,000	—
Securities:			
Available-for-sale securities	802,428	802,428	—
Loans and bills discounted	1,784,830		
Reserve for possible loan losses (*1)	(13,854)		
	1,770,975	1,800,741	29,765
Foreign exchange assets (*1)	9,886	9,886	—
Total assets	<u>¥ 2,839,051</u>	<u>¥ 2,868,816</u>	<u>¥29,765</u>
Deposits	¥ 2,676,181	¥ 2,676,247	¥ 65
Call money and bills sold	17,630	17,630	—
Payables under securities lending transactions	55,751	55,751	—
Borrowed money	52,649	52,653	4
Foreign exchange liabilities	42	42	—
Total liabilities	<u>¥ 2,802,254</u>	<u>¥ 2,802,324</u>	<u>¥ 70</u>
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (686)	¥ (686)	¥ —
To which hedge accounting is applied	(6,806)	(6,806)	—
Total derivative transactions	<u>¥ (7,492)</u>	<u>¥ (7,492)</u>	<u>¥ —</u>

(*1) General and specific reserves for possible loan losses are deducted from the related loans. The carrying value of foreign exchange assets is presented, net of the related reserve for possible loan losses since the amount is insignificant.

(*2) Derivative transactions include all derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis.

15. Financial Instruments and Related Disclosures (continued)

(Note 1) Valuation method for fair value of financial instruments

Assets:

Cash and due from banks

The carrying value of due from banks is presented as the fair value since they have no maturity and the fair value approximates the carrying value.

Call loans and bills purchased

The carrying value is presented as the fair value since the fair value approximates the carrying value and these instruments have short maturities.

Debt purchased

The carrying value is presented as the fair value since the fair value approximates the carrying value and these instruments have short maturities.

Trading account securities

The fair value of securities such as debt securities held for trading purposes is determined using the prices provided mainly by the Japan Securities Dealers Association.

Money held in trust

For the securities that are invested as part of trust assets in independently managed money trusts that invest primarily in securities, the fair value of the equity securities is determined using quoted market prices and the fair value of debt securities is determined using the prices provided by the Japan Securities Dealers Association.

The carrying value of call loans and due from banks other than the Bank of Japan is presented as the fair value since they have no or short-term maturity.

Securities

The fair value of equity securities is determined using the quoted market prices and the fair value of debt securities is determined using the prices provided mainly by the Japan Securities Dealers Association. The fair value of listed investment trusts is determined based on the quoted market prices and the fair value of unlisted investment trust is determined based on the unit prices provided by investment trust management companies.

The fair value of privately placed bonds guaranteed by the Bank is determined using the present value of the future cash flows. The discount rates used in the calculation are determined by adding credit spreads that reflect internal ratings and collateral to market interest rates. On the other hand, the fair value of privately placed bonds whose issuers were bankrupt, effectively bankrupt or likely to become bankrupt is determined based on the expected amount to be collected from collateral and guarantees.

See Note 16 for information on securities by holding purpose.

15. Financial Instruments and Related Disclosures (continued)

(Note 1) Valuation method for fair value of financial instruments (continued)

Loans and bills discounted

The fair value of loans and bills discounted is determined using the present value of the future cash flows. The discount rates used in the calculation were determined by adding credit spreads that reflect internal ratings and collateral to market interest rates. Since the loans denominated in foreign currency are floating interest rate loans, which reflect short-term market interest rates, the carrying value of these loans is presented as the fair value because the fair value approximates the carrying value as long as the creditworthiness of the borrower has not changed significantly since the loan origination. The carrying value of overdrafts is presented as the fair value unless it has fixed maturity dates.

Loan losses on receivables from bankrupt or substantially bankrupt borrowers or borrowers likely to become bankrupt are estimated based on the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying value that is netted against the related reserve for loan losses, such carrying value is presented as the fair value.

Foreign exchange assets

Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks), export bills and traveller's checks, etc., (purchased foreign bills) and loans on notes using import bills (foreign bills receivables). The carrying value of these items is presented as the fair value, since the fair value approximates the carrying value due to their having no maturity or short-term contract periods.

Liabilities:

Deposits, including negotiable certificates of deposit

The amount payable on demand as of the balance sheet date (i.e., the carrying value) is considered to be the fair value of the demand deposits. The fair value of time deposits is determined using the present value of the future cash flows discounted by the rate that would be applied to newly accepted deposits. The carrying value of foreign currency deposits and non-resident yen deposit is presented as the fair value since the fair value approximates the carrying value due to their short-term maturity.

Call money and bills sold, and payables under securities lending transactions

The carrying value is presented as the fair value since the fair value approximates the carrying value due to their short-term maturities.

Borrowed money

The carrying value of floating rate borrowed money is presented as fair value. This is because it reflects the market interest rate in the short-term period, also the creditworthiness of the Bank have not significantly changed since the borrowed money was originated and accordingly the fair value approximates the carrying value. The fair value of fixed rate borrowed money is calculated as the present value of expected future cash flows using the interest rate that would be applied if the Bank started new borrowings.

15. Financial Instruments and Related Disclosures (continued)

(Note 1) Valuation method for fair value of financial instruments (continued)

Foreign exchange liabilities

Foreign bills sold and foreign bills payable in foreign exchange liabilities are accounts for the transactions in process of settlement of sales of foreign currency or receivables from foreign countries, between payer bank and customers. The carrying value is presented as the fair value since the fair value approximates the carrying value.

Derivative transactions:

See Note 17.

(Note 2) Items and the carrying amount of the financial instruments whose fair value is extremely difficult to determine are summarized in the following table. These securities are not included in "Securities" under "Assets" as part of the fair value information of financial instruments.

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021
Unlisted equity securities (*1) (*2)	¥6,812	¥6,944	\$62,725
Unlisted foreign securities (*1)	1	0	4
Investment in unconsolidated subsidiaries (*1)	277	233	2,107
Investment in affiliates (*1)	3,701	4,074	36,799
Investment in partnerships (*3)	5,025	5,882	53,131
Total	¥15,818	¥17,134	\$154,766

(*1) The fair values of unlisted equity securities, unlisted foreign securities, investment in unconsolidated subsidiaries and affiliates are not disclosed because no market price is available and it is extremely difficult to determine the fair value.

(*2) The Group recognized impairment losses on unlisted equity securities in the aggregate amount of ¥1 million and ¥2 million (U.S.\$21 thousand) for the years ended 31st March, 2020 and 2021.

(*3) The fair value of investments in partnerships, whose assets consist of securities such as unlisted equity securities for which fair value is extremely difficult to determine, is not disclosed.

15. Financial Instruments and Related Disclosures (continued)

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities

At 31st March, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years	(Millions of yen)	
Due from banks	¥302,964	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	–	–	–	–	–	–	–	–
Debt purchased	12,402	–	–	–	–	–	–	–
Securities:	62,807	89,790	141,575	253,997	185,235	84,859		
Available-for-sale securities with maturities:	62,807	89,790	141,575	253,997	185,235	84,859		
Government bonds	10,000	4,500	30,500	9,000	8,000	74,500		
Local government bonds	20,556	15,848	43,554	114,614	75,100	7,231		
Corporate bonds	16,956	24,736	31,796	58,708	32,700	–		
Other	15,294	44,705	35,724	71,675	69,435	3,128		
Loans and bills discounted (*)	365,966	281,996	287,669	209,464	218,777	474,950		
Total	¥744,140	¥371,787	¥429,245	¥463,461	¥404,013	¥559,810		

At 31st March, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years	(Thousands of U.S. dollars)	
Due from banks	\$2,736,556	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Call loans and bills purchased	–	–	–	–	–	–	–	–
Debt purchased	112,023	–	–	–	–	–	–	–
Securities:	567,318	811,044	1,278,800	2,294,258	1,673,161	766,506		
Available-for-sale securities with maturities:	567,318	811,044	1,278,800	2,294,258	1,673,161	766,506		
Government bonds	90,326	40,647	275,495	81,293	72,261	672,929		
Local government bonds	185,682	143,156	393,413	1,035,264	678,351	65,315		
Corporate bonds	153,157	223,432	287,204	530,286	295,366	–		
Other	138,153	403,809	322,688	647,415	627,183	28,262		
Loans and bills discounted (*)	3,305,630	2,547,163	2,598,405	1,892,006	1,976,136	4,290,043		
Total	\$6,721,527	\$3,358,207	\$3,877,205	\$4,186,264	\$3,649,297	\$5,056,549		

(*) Loans and bills discounted do not include ¥8,389 million (U.S.\$75,781 thousand) of receivables such as those due from bankrupt or effectively bankrupt borrowers, since it is not certain when they can be collected or redeemed and ¥29,863 million (U.S.\$269,747 thousand) of receivables which do not have fixed maturity dates.

15. Financial Instruments and Related Disclosures (continued)

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities (continued)

At 31st March, 2020	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years	(Millions of yen)
Due from banks	¥207,887	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	832	–	–	–	–	–	–
Debt purchased	14,560	–	–	–	–	–	–
Securities:	39,275	116,679	112,652	145,812	221,603	82,548	
Available-for-sale securities with maturities:	39,275	116,679	112,652	145,812	221,603	82,548	
Government bonds	–	10,000	35,000	3,000	15,000	70,000	
Local government bonds	8,646	32,848	12,391	68,820	114,901	3,710	
Corporate bonds	14,761	29,671	25,911	34,158	50,405	–	
Other	15,866	44,159	39,349	39,834	41,297	8,838	
Loans and bills discounted (*)	387,999	274,226	244,018	177,676	199,879	450,758	
Total	¥650,554	¥390,906	¥356,670	¥323,488	¥421,483	¥533,306	

(*) Loans and bills discounted do not include ¥12,209 million of receivables such as those due from bankrupt or effectively bankrupt borrowers, since it is not certain when they can be collected or redeemed and ¥38,062 million of receivables which do not have fixed maturity dates.

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities

At 31st March, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years	(Millions of yen)
Deposits (*)	¥2,685,183	¥206,812	¥11,286	¥444	¥649	¥–	
Call money and bills sold	18,820	–	–	–	–	–	
Payables under securities lending transactions	61,636	–	–	–	–	–	
Borrowed money	122,088	11,145	432	21	14	–	
Total	¥2,887,729	¥217,958	¥11,718	¥466	¥663	¥–	

15. Financial Instruments and Related Disclosures (continued)

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities (continued)

At 31st March, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
			(Thousands of dollars)			
Deposits (*)	\$24,254,213	\$1,868,058	\$101,942	\$ 4,016	\$ 5,868	\$ –
Call money and bills sold	170,000	–	–	–	–	–
Payables under securities lending transactions	556,740	–	–	–	–	–
Borrowed money	1,102,779	100,677	3,903	198	127	–
Total	<u>\$26,083,732</u>	<u>\$1,968,735</u>	<u>\$105,845</u>	<u>\$4,214</u>	<u>\$5,995</u>	<u>\$ –</u>

At 31st March, 2020	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
			(Millions of yen)			
Deposits (*)	¥2,422,065	¥245,511	¥7,449	¥375	¥767	¥10
Call money and bills sold	17,630	–	–	–	–	–
Payables under securities lending transactions	55,751	–	–	–	–	–
Borrowed money	42,512	4,513	5,460	143	19	–
Total	<u>¥2,537,959</u>	<u>¥250,024</u>	<u>¥12,910</u>	<u>¥518</u>	<u>¥786</u>	<u>¥10</u>

(*) Demand deposits are classified into “Due in one year or less” of deposits.

16. Fair Value of Securities

Fair value and valuation differences of securities as of 31st March, 2020 and 2021 and other relevant information were summarized as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposit included in “Cash and due from banks.” The same definition was applied in the following tables.

(a) Trading securities

	2020 (Millions of yen)	2021 (Millions of yen)	2021 (Thousands of U.S. dollars)
Valuation gain (loss) included in income for the year	¥0	¥(0)	\$(0)

16. Fair Value of Securities (continued)

(b) Available-for-sale securities

Available-for-sale securities, whose carrying values exceeded the acquisition costs at 31st March, 2020 and 2021 were summarized as follows:

	2021					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Stocks	¥ 49,839	¥ 25,337	¥24,501	\$ 450,179	\$228,868	\$ 221,311
Bonds:						
National government bonds	90,179	83,701	6,478	814,556	756,040	58,516
Local government bonds	177,009	176,127	882	1,598,862	1,590,890	7,972
Corporate bonds	118,226	117,450	775	1,067,891	1,060,887	7,004
Other securities	173,760	161,278	12,481	1,569,509	1,456,768	112,741
Total	<u>¥609,015</u>	<u>¥563,896</u>	<u>¥45,119</u>	<u>\$5,500,997</u>	<u>\$5,093,453</u>	<u>\$407,544</u>

	2020		
	Carrying value	Acquisition cost	Difference
	(Millions of yen)		
Stocks	¥ 28,944	¥ 15,605	¥13,338
Bonds:			
National government bonds	102,629	95,381	7,247
Local government bonds	120,157	119,363	793
Corporate bonds	104,037	103,183	853
Other securities	141,169	134,416	6,753
Total	<u>¥496,937</u>	<u>¥467,950</u>	<u>¥28,987</u>

Available-for-sale securities, whose carrying values did not exceed the acquisition costs at 31st March, 2020 and 2021 were summarized as follows:

	2021					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Stocks	¥ 2,863	¥4,095	¥(1,231)	\$ 25,868	\$36,989	\$ (11,121)
Bonds:						
National government bonds	54,843	55,889	(1,045)	495,381	504,824	(9,443)
Local government bonds	101,217	101,538	(320)	914,259	917,155	(2,896)
Corporate bonds	47,196	47,463	(266)	426,311	428,722	(2,411)
Other securities	135,019	138,879	(3,859)	1,219,579	1,254,440	(34,861)
Total	<u>¥341,141</u>	<u>¥347,865</u>	<u>¥(6,723)</u>	<u>\$3,081,398</u>	<u>\$3,142,130</u>	<u>\$ (60,732)</u>

16. Fair Value of Securities (continued)

(b) Available-for-sale securities (continued)

	2020		
	Carrying value	Acquisition cost	Difference
(Millions of yen)			
Stocks	¥ 14,009	¥ 16,738	¥(2,729)
Bonds:			
National government bonds	40,004	41,002	(997)
Local government bonds	122,349	122,810	(461)
Corporate bonds	51,429	51,746	(317)
Other securities	77,698	81,238	(3,539)
Total	<u>¥305,490</u>	<u>¥313,536</u>	<u>¥(8,045)</u>

(c) Available-for-sale securities sold during the year

Proceeds and aggregate gains and losses of available-for-sale securities for the years ended 31st March, 2020 and 2021 were as follows:

	2021		
	Proceeds from sales	Gains	Losses
(Millions of yen)			
Stocks	¥ 7,028	¥ 2,696	¥ 569
Bonds:			
National government bonds	31,809	76	56
Local government bonds	6,755	17	—
Corporate bonds	13,256	54	1
Other securities	100,173	2,167	1,850
Total	<u>¥159,022</u>	<u>¥5,012</u>	<u>¥2,478</u>
(Thousands of U.S. dollars)			
	\$ 63,483	\$ 24,356	\$ 5,148
	287,323	687	510
	61,021	154	—
	119,737	494	15
	904,824	19,582	16,712
	<u>\$1,436,388</u>	<u>\$45,273</u>	<u>\$22,385</u>
	2020		
	Proceeds from sales	Gains	Losses
(Millions of yen)			
Stocks	¥ 5,688	¥ 2,348	¥ 643
Bonds:			
National government bonds	7,637	48	56
Local government bonds	5,576	76	—
Corporate bonds	3,744	15	2
Other securities	85,143	3,736	1,514
Total	<u>¥107,789</u>	<u>¥6,225</u>	<u>¥2,217</u>

16. Fair Value of Securities (continued)

(d) Impairment on securities

Certain available-for-sale securities, with the exception of those whose fair value is extremely difficult to determine, whose fair value significantly declined from the acquisition cost are valued at fair value and losses on devaluation of those securities are recognized in the consolidated statement of income unless the value is considered recoverable.

Impairment loss on securities for the year ended 31st March, 2020 was ¥3,418 million on equity securities. There were no impairment losses on securities for the year ended 31st March, 2021.

Determining whether the fair value is “significantly declined” is based on the comparison of average fair values of one month before year end date and acquisition costs. When the fair value declined more than 50% of the acquisition cost, the Group determined those to be significantly declined, and when the fair value declined between 30% and 50% of the acquisition cost, the Group examines the credit risks of the issuers and the trend of the fair value and business results during a certain past period to make a determination.

(e) Unrealized gains on securities

Unrealized gains on available-for-sale securities at 31st March, 2020 and 2021 consisted of the following:

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021
Valuation differences			
Available-for-sale securities	¥20,670	¥38,179	\$344,864
Deferred tax liabilities	(6,426)	(11,729)	(105,952)
Non-controlling interests	-	-	-
Bank's ownership share in unrealized gains on available-for-sale securities held by companies accounted for by the equity method	169	408	3,687
Unrealized gains on available-for-sale securities	<u>¥14,413</u>	<u>¥26,858</u>	<u>\$242,599</u>

Notes:

Unrealized gains on available-for-sale securities for the investment business limited partnerships and associations of ¥5 million and ¥60 million (U.S.\$549 thousand) for the years ended 31st March, 2020 and 2021, respectively, were included in “Available -for-sale securities” in the breakdown of “Valuation differences.”

17. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

The following shows contract amount or notional principal, fair value and related valuation gain or loss and computation method of fair value with respect to derivatives to which hedge accounting is not applied. Contract amount or notional principal does not represent the market risk exposure of derivative transactions.

- a) Interest rate related transactions at 31st March, 2020 and 2021
Nil.
- b) Foreign exchange related transactions at 31st March, 2020 and 2021

	2021			
	Contract amount		Valuation	
	Total	Over one year	Fair value	gains (losses)
(Millions of yen)				
Over-the-counter:				
Currency swaps	¥96,899	¥51,065	¥ 0	¥ 0
Forward exchange contracts:				
Sold	114,022	-	(3,007)	(3,007)
Bought	6,679	-	253	253
Total			¥(2,752)	¥(2,752)

	2021			
	Contract amount		Valuation	
	Total	Over one year	Fair value	gains (losses)
(Thousands of U.S. dollars)				
Over-the-counter:				
Currency swaps	\$875,255	\$461,255	\$ 8	\$ 8
Forward exchange contracts:				
Sold	1,029,919	-	(27,163)	(27,163)
Bought	60,332	-	2,292	2,292
Total			\$(24,863)	\$(24,863)

	2020			
	Contract amount		Valuation	
	Total	Over one year	Fair value	gains (losses)
(Millions of yen)				
Over-the-counter:				
Currency swaps	¥81,028	¥61,526	¥ 3	¥ 3
Forward exchange contracts:				
Sold	65,932	3,194	(806)	(806)
Bought	19,380	5	116	116
Total			¥(686)	¥(686)

17. Derivatives (continued)

(1) Derivative transactions to which hedge accounting is not applied (continued)

Notes:

1. Transactions in the table above are stated at the fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
 2. The fair value of transactions is determined by the discounted cash flow method.
- c) Equity related transactions at 31st March, 2020 and 2021
Nil
- d) Bond related transactions at 31st March, 2020 and 2021
Nil
- e) Commodity related transactions at 31st March, 2020 and 2021
Nil
- f) Credit derivatives at 31st March, 2020 and 2021
Nil

(2) Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value are as follows. Contract amount or notional principal does not represent the market risk exposure of derivative transactions.

a) Interest rate related transactions at 31st March, 2020 and 2021

Hedge accounting method	Transaction type	Major hedged item	2021		
			Total	Over one year	Fair value
Principal method	Interest rate swaps	Loans and securities (bonds)	¥174,629	¥153,244	¥(5,393)
	Receivable floating rate/ Payable fixed rate				
	Total				¥(5,393)

Hedge accounting method	Transaction type	Major hedged item	2021		
			Total	Over one year	Fair value
Principal method	Interest rate swaps	Loans and securities (bonds)	\$1,577,359	\$1,384,199	\$(48,713)
	Receivable floating rate/ Payable fixed rate				
	Total				\$(48,713)

17. Derivatives (continued)

(2) Derivative transactions to which hedge accounting is applied (continued)

Hedge accounting method	Transaction type	Major hedged item	2020		
			Contract amount		Fair value (Millions of yen)
			Total	Over one year	
Principal method	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and securities (bonds)	¥179,870	¥174,629	¥(7,979)
	Total				¥(7,979)

Notes:

1. For interest risks arising from financial assets and liabilities, the Bank applied the deferred method of hedge accounting.
 2. The fair value of transactions listed on exchanges is determined using the last quoted market price at the Tokyo Financial Exchange, Inc. or others. The fair value of over-the-counter transactions is determined by the discounted cash flow method, option pricing models or others.
- b) Foreign exchange related transactions at 31st March, 2020 and 2021

Hedge accounting method	Transaction type	Major hedged item	2021		
			Contract amount		Fair value (Millions of yen)
			Total	Over one year	
Principal method	Currency swaps	Securities (bonds) denominated in foreign currencies	¥16,606	¥-	¥122
	Total				¥122

Hedge accounting method	Transaction type	Major hedged item	2021		
			Contract amount		Fair value (Thousands of U.S. dollars)
			Total	Over one year	
Principal method	Currency swaps	Securities (bonds) denominated in foreign currencies	\$150,000	\$-	\$1,109
	Total				\$1,109

17. Derivatives (continued)

(2) Derivative transactions to which hedge accounting is applied (continued)

2020					
Hedge accounting method	Transaction type	Major hedged item	Contract amount		
			Total	Over one year	Fair value
			<i>(Millions of yen)</i>		
Principal method	Currency swaps	Securities (bonds) denominated in foreign currencies	¥28,279	¥16,324	¥1,173
Total			<u>¥1,173</u>		

Notes:

1. For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopts the standard treatment prescribed in the JICPA Industry Committee Practical Guidelines No. 25 "Accounting and Auditing Treatment for Accounting for Foreign Currency Transaction in Banking Industry," issued on 8th October, 2020.
 2. The fair value of transactions is determined by the discounted cash flow method.
- c) Equity related transactions at 31st March, 2020 and 2021
Nil
- d) Bond related transactions at 31st March, 2020 and 2021
Nil

18. Retirement Benefit Plans

The Bank maintains the cash balance pension plan as a defined benefit plan. On 1st October, 2017, the Bank transferred a part of its defined benefit corporate pension plan to a defined contribution pension plan.

The consolidated subsidiaries have lump-sum payment plans and net defined benefit liability and severance benefit expenses are calculated using the simplified method where liabilities are recognized at the amount which would be required to be paid in accordance with the internal rules if eligible employees retired at the balance sheet date.

Defined benefit plans

(1) The changes in projected benefit obligation (excluding the plans to which the simplified method is applied) for the years ended 31st March, 2020 and 2021 were as follows:

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021 <i>(Thousands of U.S. dollars)</i>
Balance at beginning of year	¥ 31,054	¥ 29,419	\$ 265,738
Service cost	618	593	5,358
Interest cost	161	185	1,674
Actuarial (gain) loss	(444)	739	6,677
Retirement benefits paid	(1,970)	(1,955)	(17,660)
Balance at end of year	<u>¥ 29,419</u>	<u>¥ 28,982</u>	<u>\$ 261,787</u>

(2) The changes in plan assets (excluding the plans to which the simplified method is applied) for the years ended 31st March, 2020 and 2021 were as follows:

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021 <i>(Thousands of U.S. dollars)</i>
Balance at beginning of year	¥ 31,362	¥ 29,534	\$ 266,771
Expected return on plan assets	959	679	6,136
Actuarial gain (loss)	(1,441)	2,655	23,982
Contributions from employer	623	509	4,599
Retirement benefits paid	(1,970)	(1,955)	(17,660)
Balance at end of year	<u>¥ 29,534</u>	<u>¥ 31,422</u>	<u>\$ 283,828</u>

18. Retirement Benefit Plans (continued)

(3) The changes in net defined benefit liability (including the plans to which the simplified method is applied) for the years ended 31st March, 2020 and 2021 were as follows:

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021
Balance at beginning of year	¥ 69	¥ 71	\$ 645
Severance benefit expenses	4	4	39
Retirement benefits paid	(3)	–	–
Balance at end of year	¥ 71	¥75	\$ 684

(4) Reconciliation between the balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets (including the plans to which the simplified method is applied) as of 31st March, 2020 and 2021 was as follows:

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021
Funded projected benefit obligation	¥ 29,419	¥ 28,982	\$ 261,787
Plan assets at fair value	(29,534)	(31,422)	(283,828)
Unfunded projected benefit obligation	(114)	(2,440)	(22,041)
	71	75	684
Net liability (asset) recorded on the consolidated balance sheets	(42)	(2,364)	(21,357)
Net defined benefit liability	71	75	684
Net defined benefit asset	(114)	(2,440)	(22,041)
Net liability (asset) recorded on the consolidated balance sheets	¥ (42)	¥ (2,364)	\$ (21,357)

18. Retirement Benefit Plans (continued)

(5) Components of severance benefit expenses for the years ended 31st March, 2020 and 2021 were as follows:

	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)	2021
Service cost	¥ 618	¥ 593	\$ 5,358
Interest cost	161	185	1,674
Expected return on plan assets	(959)	(679)	(6,136)
Amortization of actuarial loss	140	436	3,946
Amortization of prior service cost	(94)	(94)	(854)
Severance benefit expenses calculated using the simplified method	4	4	40
Total	¥(128)	¥445	\$4,028

(6) The components of remeasurements of defined benefit plans in other comprehensive income (before applicable tax effect) for the years ended 31st March, 2020 and 2021 were as follows:

	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)	2021
Prior service cost	¥ (94)	¥ (94)	\$ (854)
Actuarial gain (loss)	(855)	2,352	21,251
Total	¥(950)	¥2,258	\$20,397

(7) The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before applicable tax effect) as of 31st March, 2020 and 2021 were as follows

	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)	2021
Unrecognized prior service cost	¥ 283	¥ 188	\$ 1,707
Unrecognized actuarial loss	(2,684)	(332)	(3,000)
Total	¥(2,401)	¥(143)	\$(1,293)

18. Retirement Benefit Plans (continued)

(8) Plan assets

a) The components of plan assets as of 31st March, 2020 and 2021 were as follows:

	2020	2021
Bonds	28%	25%
Stocks	27	31
Life insurance general account	41	37
Others	4	7
Total	<u>100%</u>	<u>100%</u>

There were no retirement benefit trusts established for corporate pension plans.

b) Expected long-term rate of return

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and long-term rate of return derived from various components of the plan assets.

(9) Principal assumptions used for the actuarial calculation (Each figure is the weighted average rate.) for the years ended 31st March, 2020 and 2021 were as follows:

	2020	2021
Discount rate	0.6%	0.6%
Expected long-term rate of return on plan assets	3.0	2.3
Retirement rate	4.6	4.6
Estimated rate of increase in salary	5.2	5.2

Defined contribution plans

The amount to be contributed to the Bank's defined contribution plan for the years ended 31st March, 2020 and 2021 were ¥118 million and ¥118 million (U.S.\$1,070 thousand), respectively.

Other matters related to retirement benefit plans

On 1st October, 2017, the Bank transferred a part of its corporate pension plan to a defined contribution pension plan. The amount to be transferred was ¥1,563 million, of which the amount yet to be transferred as of 31st March 2020 of ¥87 million was included in other liabilities in the consolidated balance sheets and the transfer was completed by 31st March 2021.

19. Leases Transactions (Lessees' Accounting)

(1) Finance leases

Lease assets under finance leases that do not transfer ownership consist of automated teller machines and office equipment.

(2) Operating leases

Future minimum lease payments subsequent to 31st March, 2020 and 2021 for non-cancellable operating leases are summarized as follows:

Year ending 31st March,	2020	2021	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Due within one year	¥156	¥131	\$1,187
Due after one year	452	390	3,524
Total	¥609	¥521	\$4,711

20. Stock Option Plans

The following stock option plan for certain directors of the Bank was approved at the general shareholders' meeting.

Expenses related to stock options for the years ended 31st March, 2020 and 2021 were nil.
The stock option outstanding during the year ended 31st March, 2021 was as follows:

	2012 stock option	2013 stock option	2014 stock option	2015 stock option
Title and number of persons granted	9 directors of the Bank	10 directors of the Bank	10 directors of the Bank	9 directors (excluding outside directors) of the Bank
Number of options granted (*)	50,900	44,900	47,260	34,720
Date of grant	8th August, 2012	6th August, 2013	12th August, 2014	11th August, 2015
Exercise price	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)
The fair value of an option granted under the plan at the grant date (*)	¥865 (U.S.\$7.81)	¥1,120 (U.S.\$10.12)	¥1,090 (U.S.\$9.85)	¥1,230 (U.S.\$11.11)
Rights execution period	From 9th August, 2012 to 8th August, 2042	From 7th August, 2013 to 6th August, 2043	From 13th August, 2014 to 12th August, 2044	From 12th August, 2015 to 11th August, 2045
	2016 stock option	2017 stock option		
Title and number of persons granted	10 directors (excluding outside directors) of the Bank	9 directors (excluding outside directors) of the Bank		
Number of options granted (*)	52,440	31,920		
Date of grant	9th August, 2016	8th August, 2017		
Exercise price	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)		
The fair value of an option granted under the plan at the grant date (*)	¥955 (U.S.\$8.63)	¥1,435 (U.S.\$12.96)		
Rights execution period	From 10th August, 2016 to 9th August, 2046	From 9th August, 2017 to 8th August, 2047		

(*) Number of options granted and the fair value of an option granted under the plan at the grant date have been adjusted to reflect the consolidation of shares at a ratio of one share for every five shares on 1st October, 2017.

20. Stock Option Plans (continued)

Movements in stock option and exercise price for the year ended 31st March, 2021 are summarized as follows:

	2012 stock option	2013 stock option	2014 stock option	2015 stock option	2016 stock option	2017 stock option
Not vested:						
Outstanding as of 1st April, 2020	4,180	6,640	11,640	14,720	30,700	20,280
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	—	3,320	3,500	4,080	5,440	3,580
Outstanding as of 31st March, 2021	4,180	3,320	8,140	10,640	25,260	16,700
Vested:						
Outstanding as of 1st April, 2020	—	—	—	—	—	—
Vested	—	3,320	3,500	4,080	5,440	3,580
Exercised	—	3,320	3,500	4,080	5,440	3,580
Forfeited	—	—	—	—	—	—
Outstanding as of 31st March, 2021	—	—	—	—	—	—

There were no stock options granted for the year ended 31st March, 2021.

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

21. Income Taxes

Income taxes applicable to the Bank and its consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax.

Major components of deferred income tax assets and liabilities as of 31st March, 2020 and 2021 were as follows:

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021 <i>(Thousands of U.S. dollars)</i>
Deferred income tax assets:			
Reserve for possible loan losses	¥ 8,298	¥ 8,269	\$ 74,697
Net defined benefit liability	16	17	157
Loss on devaluation of securities	902	892	8,060
Deferred hedge losses	2,459	1,650	14,909
Other	2,149	2,064	18,643
Subtotal	<u>13,826</u>	<u>12,894</u>	<u>116,466</u>
Valuation allowance for gross deductible temporary differences	(5,614)	(5,500)	(49,682)
Valuation allowance	<u>(5,614)</u>	<u>(5,500)</u>	<u>(49,682)</u>
Total: Deferred income tax assets	<u>8,212</u>	<u>7,393</u>	<u>66,784</u>
Deferred income tax liabilities:			
Unrealized gains on other securities	(6,426)	(11,729)	(105,952)
Net defined benefit asset	(34)	(743)	(6,712)
Other	<u>(9)</u>	<u>(12)</u>	<u>(116)</u>
Total: Deferred income tax liabilities	<u>(6,471)</u>	<u>(12,485)</u>	<u>(112,780)</u>
Net: Deferred income tax assets (liabilities)	<u>¥ 1,740</u>	<u>¥ (5,092)</u>	<u>\$ (45,996)</u>

21. Income Taxes (continued)

A reconciliation of the statutory tax rate to the effective tax rate for the years ended 31st March, 2020 and 2021 is as follows:

	2020	2021
Statutory tax rate	30.5%	30.5%
Change in valuation allowance	(50.7)	(1.2)
Permanent non-deductible differences, such as entertainment expenses	2.4	0.4
Permanent non-taxable differences, such as dividend income	(8.4)	(2.3)
Per capita portion of inhabitants' taxes	1.6	0.4
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.4)	(0.3)
Elimination of dividends received from subsidiaries	3.4	1.1
Reversal of land revaluation excess	(3.3)	0.0
Difference between current income taxes accrued and paid	(1.3)	–
Effects of tax examination	0.1	–
Other	1.7	0.1
Effective tax rate	(25.3)%	28.8%

22. Segment Information

(1) Reportable segment information

Though the Group has other businesses in addition to its principal commercial banking business, reportable segment information has been omitted as such other businesses have only an immaterial effect on the accompanying consolidated financial statements of the Bank and as such the Group has effectively single segment.

(2) Other segment related information

a. Information by service

	2021			
	Securities			
	Banking	investment	Other	Total
	<i>(Millions of yen)</i>			
Ordinary income from external customers	¥ 20,897	¥ 12,997	¥ 7,608	¥ 41,502
	2021			
	Securities			
	Banking	investment	Other	Total
	<i>(Thousands of U.S. dollars)</i>			
Ordinary income from external customers	\$ 188,756	\$ 117,402	\$ 68,721	\$ 374,879
	2020			
	Securities			
	Banking	investment	Other	Total
	<i>(Millions of yen)</i>			
Ordinary income from external customers	¥ 21,487	¥ 14,087	¥ 7,395	¥ 42,970

Note: “Ordinary income” corresponds to net sales of non-banking industries.

22. Segment Information (continued)

b. Information by geographic region

i. Ordinary income

Information as to ordinary income from domestic customers was omitted, because the amount of ordinary income from domestic customers was more than 90% of consolidated ordinary income.

ii. Tangible fixed assets

Information as to tangible fixed assets was omitted, because there was no tangible fixed asset located abroad.

c. Major customer's segment information

Major customer's segment information is not shown since there is no customer accounting for more than 10% of the sales to customers in the consolidated statements of income.

d. Information on impairment of fixed assets for each reportable segment

Information on impairment of fixed assets has been omitted since the Group has only one reportable segment.

e. Segment information on amortization of goodwill and its remaining balance

Not applicable.

f. Information on gain in negative goodwill for each reportable segment

Not applicable.

23. Related Party Transactions

Significant transactions with related parties for the years ended 31st March, 2020 and 2021 were as follows:

Name	Description of business or occupation	Relationship with the Bank	Description of the Bank's transactions	Transaction Amount (Millions of yen)	Transaction Amount (Thousands of U.S. dollars)	Account	Balance (Millions of yen)	Balance (Thousands of U.S. dollars)
<u>For the year ended 31st March, 2021</u>								
Chieko Inada	The Bank's director	Close relative of the Bank's director	Lending of funds	¥ (1)	\$ (9)	Loans and bills discounted	¥ 15	\$ 138
			Receipt of interest	0	2			
Ryokichi Inada	Lawyer	Close relative of the Bank's director	Lending of funds	(0)	(2)	Loans and bills discounted	16	146
			Receipt of interest	0	0			
<u>For the year ended 31st March, 2020</u>								
Chieko Inada	The Bank's director	Close relative of the Bank's director	Lending of funds	¥ (1)		Loans and bills discounted	¥ 16	
			Receipt of interest	0				
Ryokichi Inada	Lawyer	Close relative of the Bank's director	Lending of funds	(1)		Loans and bills discounted	16	
			Receipt of interest	0				
Tadashi Sugimura	Corporate director	Close relative of the Bank's director	Lending of funds	(2)		Loans and bills discounted	12	
			Receipt of interest	0				

Note: Terms and conditions of the above transactions are determined in the same manner as general transactions with third parties.

24. Per Share Data

	2020 (Yen)	2021 (Yen)	2021 (U.S. dollars)
Net assets per share	¥ 3,243.76	¥ 3,810.73	\$ 34.42
Basic earnings per share	72.92	156.80	1.42
Diluted earnings per share	72.77	156.53	1.41

Note 1: The net assets per share is calculated on the basis of the following

	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)	2021 (Thousands of U.S. dollars)
Net assets	¥ 138,003	¥ 158,537	\$ 1,432,009
Amount excluded from net assets (stock acquisition rights thereof)	233	212	1,919
(non-controlling interests thereof)	100	77	699
Net assets attributable to common stock at year end	137,769	158,325	1,430,090
Number of shares of common stock at year end used for calculation of net assets per share (in thousands)	42,472	41,547	

Note 2: Earnings per share is calculated on the basis of the following

	2020 (Millions of yen)	2021 (Thousands of U.S. dollars)	2021 (Thousands of U.S. dollars)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	¥ 3,096	¥ 6,641	\$ 59,994
Amount not attributable to common stockholders	—	—	—
Profit attributable to common shareholders of The Shikoku Bank, Ltd.	3,096	6,641	59,994
Average number of shares of common stock during the year (in thousands)	42,458	42,358	
Increase in number of shares of common stock to calculate diluted earnings per share (in thousands)	88	73	
(stock acquisition rights thereof) (in thousands)	88	73	

25. Impairment Loss

Because the Bank does not expect recovery of investment due to continuous decline of land value and decrease in cash flows from operating activities, the Bank reduced book value of the following assets to the recoverable amounts and recognized impairment losses of ¥599 million and ¥227 million (U.S.\$2,059 thousand) for the years ended 31st March, 2020 and 2021, respectively.

- (1) Kochi prefecture
 a) Major use

	2020	2021
(i) Number of branches used in business operation:	6	7
(ii) Number of idle assets:	–	1

- b) Type

Land and buildings for the years ended 31st March, 2020 and 2021

- c) Impairment loss

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021 <i>(Thousands of U.S. dollars)</i>
Operating assets	¥ 162	¥ 102	\$ 927
Land thereof	89	67	607
Buildings thereof	72	35	320
Idle assets	¥ –	¥ 3	\$ 34
Buildings thereof	–	3	34

- (2) Outside of Kochi prefecture

- a) Major use

	2020	2021
(i) Number of branches used in business operations:	3	3
(ii) Number of idle assets:	2	2

- b) Type

Land and buildings for the years ended 31st March, 2020 and 2021

25. Impairment Loss (continued)

c) Impairment loss

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021 <i>(Thousands of U.S. dollars)</i>
Operating assets	¥ 401	¥ 29	\$ 266
Land thereof	365	20	182
Buildings thereof	35	9	84
Idle assets	¥ 36	¥ 92	\$ 832
Land thereof	20	81	734
Buildings thereof	16	10	98

At the Bank, the smallest unit of an asset group for recognition and measurement of impairment loss is each branch (each branch group in case that branch groups operate in association with each other) for which profit and loss is managed on a regular basis for managerial accounting in case of operating branches, and is each asset in case of idle assets including asset group for which the decision of future disposal has been made. And as for consolidated subsidiaries, each subsidiary is considered as the smallest grouping unit.

For the year ended 31st March, 2020, the recoverable amount used to measure the impairment loss is the higher of net selling price or value in use. Net selling price is measured mainly based on appraisal value estimated by real estate appraisers and value in use is calculated by discounting future cash flows at the discount rate of 10.56%.

For the year ended 31st March, 2021, the recoverable amount used to measure the impairment loss is primarily net selling price, which is measured mainly based on appraisal value estimated by real estate appraisers.

26. Cash and Cash Equivalents

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

	2020 <i>(Millions of yen)</i>	2021 <i>(Thousands of U.S. dollars)</i>	2021 <i>(Thousands of U.S. dollars)</i>
Cash and due from banks	¥239,362	¥335,619	\$3,031,522
Due from banks other than the Bank of Japan	(5,376)	(7,974)	(72,033)
Cash and cash equivalents	<u>¥233,985</u>	<u>¥327,645</u>	<u>\$2,959,489</u>

27. Other Comprehensive Income

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

	2020 (Millions of yen)	2021 (Millions of yen)	2021 (Thousands of U.S. dollars)
Unrealized gains (losses) on securities:			
Gains (losses) recognized during the year	¥(15,000)	¥20,060	\$ 181,198
Reclassification adjustment to net income	(455)	(2,551)	(23,046)
Amount before tax effect	(15,455)	17,509	158,152
Tax effect	4,642	(5,302)	(47,900)
Unrealized gains (losses) on securities	(10,813)	12,206	110,252
Net deferred hedge gains (losses):			
Gains (losses) recognized during the year	(2,010)	1,917	17,322
Reclassification adjustment to net income	1,403	740	6,686
Amount before tax effect	(607)	2,657	24,008
Tax effect	184	(809)	(7,310)
Net deferred hedge losses	(422)	1,848	16,698
Remeasurements of defined benefit plans:			
Gains (losses) recognized during the year	(996)	1,915	17,305
Reclassification adjustment to net income	46	342	3,092
Amount before tax effect	(950)	2,258	20,397
Tax effect	289	(687)	(6,211)
Remeasurements of defined benefit plans	(660)	1,570	14,186
Share of other comprehensive income of companies accounted for by equity method:			
Gains recognized during the year	61	238	2,152
Reclassification adjustment to net income	(59)	–	–
Amount before tax effect	1	238	2,152
Tax effect	–	–	–
Share of other comprehensive income of companies accounted for by equity method	1	238	2,152
Total other comprehensive income	<u>¥(11,894)</u>	<u>¥15,863</u>	<u>\$143,288</u>

28. Subsequent Event

Appropriation of retained earnings

The following appropriation of retained earnings as of 31st March, 2021 was approved at the Company's shareholders' meeting held on 29th June, 2021:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount		
		Yen (U.S. dollars)	Dividend record date	Effective date
Common stock	¥625 million (\$5,646 thousand)	¥15.00 (\$0.14)	31st March, 2021	30th June, 2021