

[TRANSLATION]

[NOTICE: This Document is a translation of the Japanese original for reference purposes only, and in the event of any discrepancy, the Japanese original shall prevail.]

**Items Disclosed on Internet pursuant to Laws and Regulations and
the Articles of Incorporation in relation to the Convocation Notice for
the 88th FY Ordinary General Meeting of Shareholders**

Notes to the Consolidated Financial Statements

Notes to the Non-Consolidated Financial Statements

(from April 1, 2020 to March 31, 2021)

Pursuant to laws and regulations, and the provision of Article 15 of the Articles of Incorporation, the items listed above are disclosed on the Company's website (<https://www.aozorabank.co.jp/>).

Aozora Bank, Ltd.

【Notes to the Consolidated Financial Statements】

Basic items for preparing consolidated financial statements

Accounting policies for preparing consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 25

Names of principal companies:

GMO Aozora Net Bank, Ltd.
Aozora Loan Services Co., Ltd.
Aozora Securities Co., Ltd.
Aozora Regional Consulting Co., Ltd.
Aozora Investment Management Co., Ltd.
Aozora Real Estate Investment Advisors Co., Ltd.
ABN Advisors Co., Ltd.
Aozora Corporate Investment Co., Ltd.
Aozora Asia Pacific Finance Limited
Aozora Europe Limited
Aozora North America, Inc.
AZB Funding
AZB Funding 2
AZB Funding 3
AZB Funding 4 Limited
AZB Funding 5
AZB Funding 6
AZB Funding 7
AZB Funding 8 Limited
AZB Funding 9 Limited
AZB Funding 10 Limited
AZB Funding 11 Limited
AZB Funding 12 Limited

(2) Unconsolidated subsidiaries

Name of principal company:

Aozora Chiiki Saisei Co., Ltd.

The unconsolidated subsidiaries were excluded from the scope of consolidation, due to their insignificance in light of their assets, ordinary income, profit (to the extent of equity position) and retained earnings (to the extent of equity position). Their exclusion from the scope of consolidation would not impede reasonable judgment as to the financial condition or performance of the group.

2. Application of the equity method

(1) Unconsolidated subsidiaries accounted for by the equity method: none

(2) Affiliated companies accounted for by the equity method: 1

Name of principal company:

Orient Commercial Joint Stock Bank

(Change in the scope of equity method)

Aozora Bank acquired 15% of common stocks of Orient Commercial Joint Stock Bank ('OCB Bank') effective June 30, 2020. OCB Bank became an affiliated company of Aozora Bank, accounted for by the equity method.

(3) Unconsolidated subsidiaries not accounted for by the equity method:

Name of principal company:

Aozora Chiiki Saisei Co., Ltd.

(4) Affiliated companies not accounted for by the equity method:

Names of principal companies:

AJ Capital Co., Ltd.

AZ-Star Co., Ltd.

The unconsolidated subsidiaries and affiliated companies which were not accounted for by the equity method were excluded from the scope of equity method, due to their insignificance in light of their profit (to the extent of equity position) and retained earnings (to the extent of equity position). Their exclusion from the scope of equity method would have no material effect on the consolidated financial statements.

3. Fiscal years of consolidated subsidiaries

Fiscal year ending dates of all consolidated subsidiaries are the same as closing date of the consolidated financial statements.

4. Amortization of goodwill

Goodwill is amortized over an appropriate period not to exceed 20 years under the straight-line method. Immaterial goodwill is accounted as expenses when incurred.

Amounts of less than one million yen are rounded down.

The definition of subsidiaries and affiliated companies is based on Article 2-8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

Accounting policies

1. Trading account assets and liabilities; gain and loss on trading account transactions

Transactions involving short-term fluctuations and arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments or other market indices ('Trading transactions') are recognized on a trade date basis and recorded in 'Trading account assets' or 'Trading account liabilities' on the consolidated balance sheet. Gains or losses (interest received/paid, dividend, gains/losses on sales, and valuation gains/losses) on trading transactions are recorded in 'Gain on trading account transactions' or 'Loss on trading account transactions' on the transaction date basis in the consolidated statement of income.

'Trading account assets' and 'Trading account liabilities' are stated at their fair values.

2. Valuation of securities

(1) 'Held-for-trading securities' (except the positions booked in the 'Trading account assets' and 'Trading account liabilities') are stated at fair value. The cost of these securities is determined by the moving-average method. 'Held-to-maturity securities' are stated at amortized cost (using the straight-line method) computed under the moving average method. 'Stocks in unconsolidated subsidiaries and affiliated companies' which are not accounted for by the equity method are stated at acquisition costs (using the moving average method). 'Available-for-sale securities ('AFS securities')' (with the costs basically calculated on the moving average method) are stated at fair value in principle, or if their fair value cannot be reliably determined, are stated at acquisition costs calculated on the moving average method.

As for interests in investment business limited partnerships, associations under the Civil Code and silent partnerships, Aozora Bank, Ltd. ('the Bank') and consolidated subsidiaries, in principle, record net assets and net income of those partnerships as assets and profits or losses in proportion to our shares of interests based on their latest financial statements or interim financial statements.

The net unrealized gains or losses on AFS securities are included directly in net assets.

(2) Securities that are held as trust assets recorded in 'Money held in trust' are valued in the same manner as given in (1) above.

3. Accounting for derivatives

Derivative transactions, except for trading transactions, are stated at fair value.

4. Depreciation of fixed assets

(1) Tangible fixed assets (except for leased assets)

Depreciation of buildings, including structures and equipment attached to buildings, is computed by the straight-line method, and that of others is computed by the declining-balance method.

The useful lives are primarily estimated as follows:

Buildings:	15~50 years
Other :	5~15 years

Depreciation of tangible fixed assets of consolidated subsidiaries is computed primarily under the declining-balance method based on their estimated useful lives.

(2) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and amortized under the straight-line method over the useful lives (mainly 5~11 years) as determined by the Bank and consolidated subsidiaries.

(3) Leased assets

Depreciation of 'Leased assets' in 'Tangible fixed assets' of the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

5. Deferred assets

Bond issuance costs in 'Other assets' is amortized using the straight-line method over the terms of corporate bonds.

6. Allowance for loan losses

The Bank's write-offs of loans and allowance for loan losses are provided as follows in accordance with the internal standards for write-offs and provisions.

Loans to borrowers who are assessed as 'Bankrupt' (in the process of legal proceedings for bankruptcy, special liquidation, etc.) or 'De facto bankrupt' (in serious financial difficulties and are not deemed to be capable of restructuring) under the Bank's self-assessment guidelines are written off to the amounts expected to be collected through the disposal of collateral or execution of guarantees, etc. The amounts deemed to be uncollectible and written off were 19,107 million yen at March 31, 2021.

For loans to borrowers who are assessed as 'In danger of bankruptcy' (not yet bankrupt but are in financial difficulty and are highly likely to go bankrupt in the foreseeable future), a specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying amount is accounted for as an allowance for loan losses (the 'DCF method').

For other loans, the Bank provides the expected loan loss for the average remaining period of loans (almost three years respectively), after classifying the loans into three groups of corporate loans in North America/Europe, Asia and others, based on the characteristics of risk. The expected loan loss is determined based on the average rates of loan loss experience or bankruptcy, over a certain period of time in the past, responding to the average remaining period with certain adjustments of consideration of the latest trend of loan loss experience. However, for borrowers with a large credit exposure, categorized as 'Need attention', under the internal credit rating system, the loan loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses calculated based on the estimated loan loss ratio, if necessary. For some borrowers, other than above, with a large credit exposure over a certain amount, an allowance is provided in addition to an amount calculated based on an expected loan loss rate, according to the above method.

An allowance for loans to restructuring countries is provided for the amount of expected losses based on an assessment of political and economic conditions in their respective countries.

All loans are monitored in line with an internal self-assessment standard, etc., on an ongoing basis. Operating divisions or branches review internal credit ratings of borrowers ('Borrower Ratings') which are defined in line with 'borrower categories' and those ratings are then approved by the divisions in charge of credit. The division in charge of asset assessment, which is independent of operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of internal credit ratings on a sample basis.

Based upon the borrower categories determined by the aforementioned process as of the consolidated balance sheet date, operating divisions and branches initially compute the amounts of write-offs and allowance, and the division in charge of asset assessment verifies the amounts and determines the final amounts.

With regard to the allowance for loan losses of consolidated subsidiaries, a general allowance is calculated for the amount of estimated loan losses using historical loan loss data over a defined period in the past. For loans to 'In danger of bankruptcy' borrowers and 'De facto bankrupt' and 'Bankrupt' borrowers, a specific allowance is provided or the uncollectible amount is written off based on an assessment of collectibility of individual loans.

The independent internal audit divisions audit the appropriateness of the write-offs and allowances based on the self-assessment on a regular basis.

7. Allowance for investment loss

Allowance for investment loss is provided for estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in realizable values of the investments.

8. Provision for bonuses

Provision for bonuses that is provided for future bonus payments to employees, is maintained at the amount accrued at the consolidated balance sheet date, based on the estimated future payments.

9. Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) that is provided for future bonus payments to directors, is maintained at the amount accrued at the consolidated balance sheet date, based on the estimated future payments.

10. Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) is provided at the amount that would be required if directors and Audit & Supervisory Board members of some consolidated subsidiaries retired at the consolidated balance sheet date.

11. Provision for credit losses on off-balance-sheet instruments

Provision for credit losses on off-balance-sheet instruments is provided for credit losses on commitments to extend loans and other off-balance-sheet financial instruments based on an estimated loss ratio or individually estimated loss amount determined by the same methodology used in determining the allowance for loan losses.

12. Provision for contingent loss

Provision for contingent loss is maintained for possible losses from contingencies, which are not covered by other provisions.

13. Reserves under special laws

Reserves under special laws are reserves for financial products transaction liabilities and provided for compensation for losses from securities brokering in consolidated domestic subsidiaries in accordance with the Financial Instruments and Exchange Act, Article 46-5 and the Cabinet Office Ordinance on Financial Instruments Business, Article 175.

14. Accounting method of retirement benefits

Retirement benefit liability is recorded based on the benefit formula attribution of the projected benefit obligations over the service period of employees, deemed accrued at the consolidated balance sheet date.

Unrecognized prior service cost is amortized using the straight-line method over a certain period of time (9 years) within the average remaining service period of employees.

Unrecognized actuarial gain and loss are amortized using the straight-line method over a certain period of time (5 years) within the average remaining service period of employees commencing from the next fiscal year after incurrence.

Some consolidated subsidiaries adopt a simplified method based on the projected benefit obligations for each retirement plan that would be required if all employees retired voluntarily at the consolidated balance sheet date.

15. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies held by the Bank are translated into Japanese yen at the exchange rates prevailing at the consolidated balance sheet date, except for stocks in affiliated companies which are translated at historical rates.

Assets and liabilities denominated in foreign currencies held by consolidated subsidiaries are translated into Japanese yen at the exchange rates as of their respective balance sheets dates.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translation are included in 'Non-controlling interests' or 'Foreign currency translation adjustment'.

16. Hedge accounting

(1) Hedge accounting for interest rate risk

The Bank applies deferral hedge accounting to hedges of interest rate risk associated with financial assets and liabilities, principally by portfolio hedging, in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the Japanese Institute of Certified Public Accountants ('JICPA') Industry Committee Practical Guideline No.24, October 8, 2020), or partly by individual hedging.

Under the JICPA Industry Committee Practical Guideline No.24, portfolio hedges to offset changes in fair value of fixed-rate instruments (such as loans or deposits) ('fair value hedges') are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

With regard to an individual hedge to offset changes in fair value of fixed-rate instruments, since principal conditions underlying in bonds payable as hedged items and interest rate swaps as hedging instruments are substantially on the same terms, the hedge is deemed highly effective.

(2) Hedge accounting for foreign exchange risk

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with 'Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry' (the JICPA Industry Committee Practical Guideline No.25, October 8, 2020). In accordance with the JICPA Industry Committee Practical Guideline No. 25, the Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities when the foreign currency positions on the hedged assets or liabilities are expected to exceed the corresponding foreign currency positions on the hedging instruments. Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

(3) Hedges of stock price risk

The Bank designates available-for-sale securities (stock, etc.) as hedged items and total return swaps as hedging instruments and applies individual deferral hedge accounting.

The assessment of hedge effectiveness is generally based on the comparison of changes in value of the hedged item and hedging instruments.

(4) Intercompany and Intracompany Derivative Transactions

For intercompany and intracompany derivative transactions for hedging purposes ('internal derivatives'), including currency and interest rate swaps, the Bank currently charges gains and losses on internal derivatives to operations or defers them within accumulated other comprehensive income as a component of equity without elimination in accordance with the JICPA Industry Committee Practical Guidelines No. 24 and No. 25. These reports permit a bank to retain the gains and losses on internal derivatives in its consolidated financial statements without elimination if the bank establishes and follows strict hedging criteria by entering into mirror-image offsetting transactions with external third parties after the designation of internal derivatives as hedging instruments.

17. Consumption taxes

National and local consumption taxes of the Bank and domestic consolidated subsidiaries are excluded from transaction amounts.

Accounting Pronouncements

'Accounting Standards for Fair Value Measurement' (ASBJ Statement No.30, issued on July 4, 2019), 'Accounting Standard for Financial Instruments' (ASBJ Statement No.10, issued July 4, 2019), 'Guidance on Accounting Standards for Fair Value Measurement' (ASBJ Statement No.31, issued on July 4, 2019), 'Guidance on Disclosure of Fair Value of Financial Instruments' (ASBJ Statement No.19, issued on March 31, 2020)

1. Summary

This standard is provided as a comprehensive standard for fair value measurement and disclosure of financial instruments.

- Fair value is defined as 'exit price.'
- How to use inputs for measuring fair value is defined.
- Depending on inputs, fair value is classified in Level 1, 2 and 3. The extent of disclosure varies according to the input level.

2. Scheduled date for application

The Bank plans to apply this standard and Implementation Guidance from the beginning of the fiscal year starting on April 1, 2021.

3. Impact when applied

Its impact is immaterial.

'Accounting Standard for Revenue Recognition' (ASBJ Statement No.29, March 31, 2020), 'Implementation Guidance on Revenue Recognition' (ASBJ Guidance on Corporate Accounting Standard No.30, March 26, 2021)

1. Summary

This is a comprehensive standard for revenue recognition. Revenue is to be recognized on five steps.

Step1 : Identify the contract(s) with a customer

Step2 : Identify the performance obligations in the contract

Step3 : Determine the transaction price

Step4 : Allocate the transaction price to the performance obligations in the contract

Step5 : Recognize revenue when (or as) the entity satisfies a performance obligation

2. Scheduled date for application

The Bank plans to apply this standard and Implementation Guidance from the beginning of the fiscal year starting on April 1, 2021.

3. Impact when applied

Its impact is immaterial.

Changes in presentation

(Application of 'Accounting Standard for Disclosure of Accounting Estimate')

'Accounting Standard for Disclosure of Accounting Estimates' (ASBJ Statement No.31, issued on March 31, 2020) is applied for the end of the current fiscal year and notes on important estimates in accounting in the consolidated financial statements is described.

Important estimates in accounting

They are items of which amounts are recorded in the consolidated financial statements related to this fiscal year with accounting estimates. Out of them, items, remarkably affecting the consolidated financial statements related the next fiscal year, are provided below.

1. Allowance for loan losses

Loan is a major asset occupying nearly majority of the total asset in the consolidated financial statements. Since an entry of an allowance for loan losses, related to credit risk of the loans, remarkably affects financial condition or performance of the group, estimate of the allowance for loan losses is deemed to be important in accounting.

(1) An amount recorded in the consolidated financial statements related to the next fiscal year

Allowance for loan losses: 50,886 million yen

(2) Information contributing to understanding of the detail of important accounting estimates related to recognized items

1) Calculation method

A calculation method of the allowance for loan losses is described in '6. Allowance for loan losses' of 'Accounting policies.'

For some borrowers with expectation of a long-term influence of COVID-19, the allowance for loan losses is provided with consideration of possible deterioration of credit conditions in future.

2) Major assumption

(a) Outlook of future business performance of borrowers in determination of borrower category

For judgment of borrower category, profit procurement capability and cash flow creation capability are individually considered and evaluated. Especially, for borrowers recorded goodwill derived from M&A, possibility of realization of cash flow from purchased business is individually considered and evaluated.

(b) Estimation of future cash flow of applicable real estate properties in a real estate non-recourse loan (i.e., loans for which the repayment source is provided only by specific real estate properties and cash flows generated from applicable real estate properties)

Since estimation of future cash flow of applicable real estate properties is an important factor for determination of borrower category of a real estate non-recourse loan, rents, vacancy rates and discount rates are individually considered and evaluated.

(c) Influence of COVID-19

Due to the global epidemic of COVID-19, its influence over economic and corporate activity is prolonged. The influence over business performance of some borrowers may continue to FY2022 at longest. Based on the assumption, business sectors and regions of such borrowers and individuality of each borrower are considered in 'Outlook of a period affecting business performance of borrowers' for evaluation.

The assumption of the period affecting economic and corporate activity is reviewed since the previous fiscal year.

3) Influence over the consolidated financial statements related to the next fiscal year

When assumption for the original estimation is fluctuated due to fluctuation of business performance of an each borrower and fluctuation of a figure, for estimation of future cash flow of applicable real estate properties of real estate non-recourse loan, the allowance for loan losses can be remarkably affected in the consolidated financial statements related to the next fiscal year.

As for an allowance for loan losses in consideration of an influence of COVID-19, when an assumption for the original expectation is fluctuated due to fluctuation of containment status of each country, containment and economic assistance measures of each country and a response measures of each borrower to COVID-19, the allowance for loan losses can be remarkably affected in the consolidated financial statements related to the next fiscal year. Since the relevant assumption is highly uncertain, a loss amount can be increased/decreased in future depending on the situation.

Notes

(Consolidated balance sheet)

1. Securities include stocks in unconsolidated subsidiaries and affiliated companies, which amount to 37,958 million yen.
2. No securities were loaned under unsecured loan contracts for consumption, for use or for lease contracts.

Of unsecured securities borrowed, securities purchased under resale agreements, securities borrowed under lending agreements with cash collateral and securities received as collateral on derivative transactions which can be sold or pledged, securities of 214 million yen were re-pledged, none of the securities were re-loaned and held in hand as of the consolidated balance sheet date.

3. Loans to bankrupt borrowers total 2,120 million yen and past due loans total 20,787 million yen.
 'Loans to bankrupt borrowers' are loans for which interest in arrears has not been accrued because recovery or settlement of principal or interest is unlikely due to the prolonged delay in payment of principal or interest (which hereafter shall be called 'non-accrual loans') and are loans to borrowers who are legally bankrupt, excluding the amount of write-offs, due to any of the events specified in (a) through (e) in Article 96, Paragraph 1, Subsections 3 and 4 of the Corporation Tax Law Enforcement Regulations (Cabinet Order No.97, 1965).
 'Past due loans' refer to non-accrual loans except for loans to bankrupt borrowers and loans to companies for which concessions on payment of interests were made in order to assist the reorganization of borrowers.
4. Loans overdue for 3 months or more total JPY 1,577 million.
 'Loans overdue for 3 months or more' refer to those loans for which principal or interest remains unpaid for at least three months, excluding loans to bankrupt borrowers and past due loans.
5. Restructured loans total 2,869 million yen.
 'Restructured loans' refer to those loans, excluding loans to bankrupt borrowers, past due loans and loans overdue for 3 months or more, for which agreement was reached to provide reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers.
6. Loans to bankrupt borrowers, past due loans, loans overdue for 3 months or more and restructured loans total 27,354 million yen.
 Allowance for loan losses is not deducted from the amounts of loans stated in items 3 to 6 above.
7. In accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the JICPA Industry Audit Committee Report No. 24, October 8, 2020), bills discounted are accounted for as financial transactions. The Bank has the right to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, etc. Face value of these bills amounted to 4,633 million yen.
8. The following assets were pledged as collateral:

Assets pledged as collateral		
Securities	505,528	million yen
Loans and bills discounted	120,274	
Collateralized debts		
Securities sold under repurchase agreements	56,750	million yen
Cash collateral received for securities lent	431,673	
Borrowed money	12,403	

In addition, securities of 7,501 million yen and foreign exchanges of 11,072 million yen are pledged as collateral for foreign and domestic exchange transactions, derivative transactions, etc. or as substitute for margin money for futures transactions.

'Other assets' include cash collateral paid for financial instruments of 91,590 million yen and guarantee deposits, etc. of 20,422 million yen.

9. Overdraft contracts and contracts for loan commitments are those by which the Bank is bound to extend loans up to a prearranged amount, upon the request of customers, unless the customer is in breach of contract conditions. The unutilized balances of these contracts amounted to 560,116 million yen, including 465,239 million yen of less than 1 year duration.

Since these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. These commitments include clauses under which the Bank and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, the Bank and other consolidated subsidiaries need to secure claims, or other events occur. In addition, the Bank and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when such need arises and securing claims after the contracts are made.

10. Accumulated depreciation of tangible fixed assets totals 25,443 million yen.

11. Deferred gains on tangible fixed assets deductible for tax purposes amounted to 507 million yen.

(Consolidated statement of income)

'Other' in 'Other income' includes gain on sale of equity securities of 2,400 million yen and gains on equity method investments of 1,111 million yen. 'Other' in 'Other expenses' includes written-off of loans of 174 million yen and losses on devaluation of equity securities of 25 million yen.

(Consolidated statement of changes in net assets)

1. Types and number of outstanding stock and treasury shares

(Unit: thousands of shares)

	Number of shares at the beginning of the period	Number of shares increased during the period	Number of shares decreased during the period	Number of shares at the end of the period	Notes
Outstanding stock					
Common stock	118,289	—	—	118,289	
Total	118,289	—	—	118,289	
Treasury shares					
Common stock	1,604	0	18	1,586	(Note)
Total	1,604	0	18	1,586	

(Note) The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to exercise of share acquisition rights.

2. Share acquisition rights

All share acquisition rights are stock options and the amount as of March 31, 2021 is 482 million yen.

3. Information on dividends

(1) Cash dividends paid during the fiscal year ended March 31, 2021

Resolution	Type of shares	Dividend (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on 2020/5/14	Common stock	4,550	Retained earnings	39	2020/3/31	2020/6/25
Board of directors meeting on 2020/7/31	Common stock	3,500	Retained earnings	30	2020/6/30	2020/9/15
Board of directors meeting on 2020/11/16	Common stock	3,501	Retained earnings	30	2020/9/30	2020/12/15
Board of directors meeting on 2021/2/1	Common stock	3,501	Retained earnings	30	2020/12/31	2021/3/15

(2) Cash dividends with record dates that belong to the fiscal year ended March 31, 2021 and effective dates that come after the end of the fiscal year

Resolution	Type of shares	Dividend (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on 2021/5/13	Common stock	3,967	Retained earnings	34	2021/3/31	2021/6/25

(Financial instruments)

1. Overview of financial instruments

(1) Basic policy for financial instruments

The main business of the Group is banking operations, which consist of deposit taking, lending, domestic exchange services, foreign exchange services, etc. Additionally, the Group pursues securities operations (trading of marketable securities, securities investments, etc.), and other financial services, such as trust banking operations and loan-servicing operations.

The asset side of the Group mainly consists of financial assets, such as loans and securities, and the liability side mainly consists of financial liabilities, such as deposits and bonds payable. Since the major operation of the Group is the handling of financial instruments involving market risk and/or credit risk, it is the basic business policy of the Group to avoid unexpected losses by properly managing various risks relating to financial instruments, and to achieve highly reliable and healthy management of the Group by adequately undertaking certain risks within the capacity of the Group and securing reasonable profit, well balanced with the undertaken risks.

Also, the Bank intends to stabilize and optimize profitability by maintaining an appropriate level of interest rate risk associated with assets and liabilities of the Bank, liquidity risk, and price fluctuation risk of securities, etc., based on the policy of asset liability management (ALM, comprehensive management of assets and liabilities). Derivative transactions are also used to maintain interest rate risk derived from on-balance-sheet assets and liabilities at an adequate level, and are intended to achieve stable profitability and efficient operations.

(2) Main items of financial instruments and related risks

Financial assets held by the Group mainly comprise loans to both domestic and foreign corporate entities and securities, etc.

Loans are subject to credit risk which includes the risk of default caused by deteriorated credit of the borrowers. Loans to the 10 largest borrowers of the Bank accounted for about 12% of the total outstanding balance of loans as of March 31, 2021. A default by any of the borrowers with large credit exposures or a material change in our relationship with any of them could negatively affect the business results and financial condition of the Group. Also, the proportion of loans to real estate businesses and the coverage ratio of loans collateralized by real estate properties are material in the loan portfolio of the Group. Therefore, in the event that the real estate market or the real estate industry were to become stagnant, the quality of the loans protected by real estate collateral would deteriorate; the creditworthiness of the borrowers in the industry would be undermined; or the cash flows from the underlying properties of real estate nonrecourse loans would be negatively affected. In such cases, the Group might need to provide an additional allowance for loan losses or incur additional credit costs. Also, in addition to credit risk, overseas loan exposures are subject to various risks, including those related to transactions arising from interest rate fluctuations and foreign exchange fluctuations, and risks involved with environmental changes, whether social, political and/or the economic environment.

Securities held by the Group primarily consist of debt securities, stocks and fund investments, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk. Securities held by the Bank include those backed by assets such as real estate properties, housing loans, etc. These securities are exposed to the risks dependent on the economic environment or transaction trends in relation to the underlying assets, in addition to other general risks related to interest rate fluctuations in the market, foreign exchange fluctuations, bond price movements, movements of the stock market, etc. Also, securities face market liquidity risk. This risk materializes when market liquidity of financial assets becomes almost nonexistent because of an abrupt deterioration in the financial environment, tumultuous movements in the financial markets, etc., resulting in the drastic decline in price at the time of disposition beyond expectations.

Financial liabilities of the Group are mainly deposits, negotiable certificates of deposit and bonds payable. Since funds procured by the Bank through deposit taking, etc., will be due one after another, refinancing of the existing liabilities is always necessary through continued deposit taking, or bond issuance, etc. However, in the event the market environment becomes unstable, sufficient funding would become difficult or more expensive. The Bank is exposed to such risk and the funding liquidity risk as well.

These financial assets and financial liabilities are also subject to interest rate fluctuation risk involved in the mismatch of intervals to repricing interest rates. From the viewpoint of ALM, the interest rate risk amount for the entire balance sheet is managed at an appropriate level, partly using derivative transactions (interest rate swaps, etc.).

Regarding assets denominated in foreign currencies, since funding of the Group is primarily conducted by taking deposits and issuing bonds payable in Japanese yen, the Group seeks to avoid foreign exchange fluctuation risk through currency matching between the funding side and the asset side, using currency swaps, etc.

Derivative transactions are one of the primary operations of the Group. The derivative instruments are provided to fulfill our customers' hedge requirements for market risk (interest rate, foreign exchange, etc.). Trading derivative instruments are booked in the trading accounts, which seek gains on short-term fluctuations and arbitrage opportunities in interest rates, currency prices, market prices of securities and related indices. Moreover, the Group implements derivative transactions for the purpose of optimizing ALM, in order to maintain the interest rate risk derived from on-balance-sheet assets and liabilities at an adequate level.

In terms of overall derivative operations, as interest rate derivatives, interest rate futures, interest rate options, and interest rate swaps are exercised; with respect to currency derivatives, currency swaps, foreign exchange forwards and currency options are exercised; and futures and options related to equities and bonds, commodity-related transactions and credit derivatives transactions are also exercised. These derivative transactions are exposed to market risk, which implies potential loss from market fluctuations in market prices, volatility of underlying interest rates, foreign exchange and so forth, and to credit risk, which implies potential loss from contractual default by counterparties.

Concerning derivative transactions for the purpose of optimizing ALM, such as interest rate swaps, etc., the Bank uses the deferral method of hedge accounting, specifying derivatives as hedging instruments and deposits or loans, etc., as hedged items, in accordance with the JICPA Industry Committee Practical Guideline No. 24. The effectiveness of hedging for the purpose of offsetting market fluctuations is assessed as follows: the Bank specifies hedged items, such as deposits or loans, and hedging instruments such as interest rate swaps, and divides them into groups by remaining tenures to maturity and evaluates each of the groups.

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with the JICPA Industry Committee Practical Guideline No. 25. The Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities.

Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

(3) Risk management system concerning financial instruments

The Group, while pursuing various operations, is endeavoring to develop and maintain an adequate risk management system, to avoid the occurrence of unexpected losses and to realize highly reliable and sound management of the Group by adequately undertaking certain risks within the capacity of the Group and securing reasonable profit well-balanced with the undertaken risks.

Our basic thoughts regarding risk management are documented as internal Master Policies and Procedures in the risk management category. The basic framework of risk management, including capital allocation and risk limits, is determined by the BOD. Within this framework, the Market Risk Management Division is in charge of market risk, the Credit Risk Management Division and the Integrated Risk Management Division are in charge of credit risk, and the Integrated Risk Management Division is in charge of comprehensive risk and operational risk. Also, the Internal Audit Division is responsible for verifying the appropriateness and effectiveness of the risk management system. The BOD, the Management Committee ('MC'), and other concerned committees receive risk situation reports from each risk management function as well as audit reports from the Internal Audit Division, supervising the risk situation based on these reports or employing the information thereof for managerial decisions, and maintaining/improving the overall risk management system.

1) Credit risk management

In order to maintain a sound asset portfolio of the entire Group including consolidated subsidiaries, the Group has implemented credit risk management, with the approach both at the transaction level, which entails strict credit screening and ex post facto management of individual transactions including predictive control of our clients, and at the portfolio level focusing on eliminating credit risk concentration. The Group has established a management system, including a credit rating system, quantification of credit risk, management of risk capital, management of concentration risk (large credit exposure, real estate risk, country risk, etc.), asset securitization transaction management of problem loans, and so forth. Also, concerning verification of credit ratings, self-assessments, and write-offs and reserves, the Asset Assessment Division is in charge of overall control and is responsible for adequately grasping the reality of the asset portfolio and properly implementing write-off/reserve appropriations, in cooperation with other concerned functions.

(a) Approval authority for individual credit undertaking

Credit transactions, which mainly comprise loan transactions, are approved under the authority of the Credit Committee, consisting of Representative Directors, the Chief Risk Officer ('CRO'), the Chief Credit Risk Officer ('CCRO'), etc., and credit proposals are discussed at and reported to the Credit Committee. Also, the approval authority for investment transactions, comprised mainly of equities and fund investments, resides with the Investment Committee, consisting of Representative Directors, the CRO, etc., and investment proposals are discussed at and reported to the Investment Committee. The approval authority of the Credit Committee is partly delegated to the CCRO (Note that the approval authority delegated to the CCRO is redelegated to the credit functions and to business front office functions to a certain extent.). Also, the approval authority of the Investment Committee is partly delegated to the CRO (Note that the approval authority delegated to the CRO is redelegated to business front office functions to a certain extent.).

(b) Credit rating system

Credit ratings are an integral component of the approval system for credit assessment and the decision for interest rate spread, etc. They are also used to conduct self-assessments and are employed as benchmarks for quantifying credit risks. The credit rating system of the Bank is composed of 'Obligor Rating', 'Facility Rating' and 'Expected Loss Grade'. 'Obligor Rating' is given, in principle, to all customers for whom the Bank is undertaking credit risk, and this rating represents the degree of creditworthiness of the borrower. 'Facility Rating' represents the degree of credit cost of a credit transaction in consideration of Obligor Rating and transaction conditions such as a tenor of credit facility, guarantee and collateral. Also, 'Expected Loss Grade' represents the degree of credit cost of a credit transaction which relies on cash flow arising from specified underlying assets such as real estate nonrecourse loans, securitization of monetary claims and structured bonds in senior/junior tranches. As for the credit rating processes, rating recommendations are given by the respective business divisions/branches at inception, and the recommendation is then approved by the Credit Divisions. Credit ratings are subject to review on a regular basis based on the updated financial results of each respective borrower, and on an as-needed basis whenever there is a symptom of a material change in the creditworthiness of any borrower. As for the credit rating given by business divisions/branches and the Credit Divisions, the Asset Assessment Division, which is an independent division for verification of ratings, reviews the appropriateness of credit ratings on a sample basis. Also, the Group examines its credit rating system itself through benchmarking (comparative verification of our ratings with those assigned by external agencies or external models) and back-testing (assessment of the significance of credit rating based on past default).

(c) Quantification of credit risk

As for credit risk exposures, the Group centrally manages all assets with credit risks, irrespective of the type of transaction, including not only loans, securities, equities and fund investments, and securitized transaction facilities, but also off-balance-sheet transactions such as commitment lines, derivative transactions, and the like. The credit risk amount of our portfolio is measured by Value at Risk (VaR) according to our internal model, etc., and the measured result is regularly reported to the BOD, etc., together with the credit portfolio situation of the entire Group. The internal model of the Bank employs a holding period of 1 year and a confidence interval of 99.9%. Unexpected Loss (UL) is measured using parameters, such as Probability of Default (PD), Loss Given Default (LGD), intra-sector correlation, inter-sector correlation, and parent-subsidiary correlation of the borrower group.

(d) Credit portfolio management

Concerning credit portfolio management, the Group examines the credit portfolio through the calculation and analysis of Expected Loss (EL) and UL assuming the occurrence of stress scenarios, such as the downgrading of credit ratings and declining real estate prices. Credit concentration risk is managed by establishing exposure guidelines by credit ratings of borrowers, countries or regions. For the real estate portfolio, the Group establishes additional concentration limits to control such risk.

2) Market risk management

The Group performs, from various viewpoints, comprehensive analysis and understanding of the market risk affecting all assets and liabilities and off-balance-sheet transactions for its trading and banking businesses, in order to manage market risk properly.

(a) Measurement of market risk

The Group uses VaR to quantify the market risk for the trading and banking businesses and as a basis for setting market risk limits and for monitoring risk. The Bank has computed VaR with an internal model utilizing historical simulation.

The assumptions for computing VaR include a 1-day holding period, a 99% confidence interval, an observation period of 2 years for the trading account, and 3 years for the banking account in principle. The Group conducts back testing to verify the reliability of VaR by comparing daily computed VaR with daily gains or losses. To complement VaR, the Group regularly conducts stress testing to assess the potential impact of volatile market movements that could exceed statistical estimates. The results of the stress testing are reported to the ALM Committee, etc.

(b) Quantitative information of market risk

(i) Financial instruments held for trading purposes

The VaR of financial instruments (trading account securities, derivatives, etc.) held for trading purposes by the Bank is 1,025 million yen as of March 31, 2021. Market risk in the financial instruments held for trading purposes by certain consolidated subsidiaries is immaterial.

The back testing of the VaR calculated with internal models over the 245 business days from April 1, 2020 to March 31, 2021, resulted in no business days with actual daily losses beyond VaR. This result supports the reliability of the Bank's internal models which have captured market risks with sufficient accuracy. However, the VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market movements. It may not be able to capture the risks arising under drastic market movements beyond normal estimates.

(ii) Financial instruments held for other than trading purposes

The main financial instruments in the Bank which are affected by interest rate risk, the typical risk parameter in the Bank, are 'Loans and bills discounted,' bonds/notes of 'Securities,' 'Deposits,' 'Bonds payable,' interest rate swaps and currency swaps of Derivatives, etc.

The VaR of financial instruments held for other than trading purposes by the Bank is 8,849 million yen as of March 31, 2021. Market risks in the financial instruments held for other than trading purposes by certain consolidated subsidiaries are immaterial. The VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market movements. It may not be able to capture the risks arising under drastic market movements beyond normal estimates.

(c) Procedures for market risk management

The Group documents its handling of products, risk management methods and market price valuation methods under market risk management. The compliance with limits of risks and losses, etc., allocated to the front office, business units and divisions, is monitored by the Market Risk Management Division, which is independent from the front offices in terms of organization and human resources.

The Market Risk Management Division monitors the market risk and profit/loss (P/L) on a daily basis for trading operations, and on a daily or monthly basis for banking operations, and they report on them directly to the CRO and Executive Officer(s) in charge of the front offices. The Market Risk Management Division also makes periodic reports to the BOD, the MC and the ALM Committee. In the event a large loss is reported in excess of the maximum expected loss amount computed in advance, a cause analysis is conducted. Also, a discussion point, which is positioned as cross-section risk management between market risk and credit risk, is set up by asset class in order to strengthen the monitoring function for price fluctuation risks.

Market liquidity risk is the potential for losses caused by the inability to execute market transactions as a result of market turbulence and thin trading or by the necessity to execute transactions at extremely unfavorable prices. Regarding management of market liquidity risk, the Market Risk Management Division monitors the Group's position relative to market size in order to ensure that the position does not become excessive.

3) Funding liquidity risk management

The Financial Management Division centrally manages funding liquidity risk for both Japanese yen and foreign currencies. The Financial Management Division also plans for the sources and uses of funds both annually and monthly, and reports the liquidity status directly to senior management on a daily basis. The Group maintains a sufficient liquidity buffer in order to prepare for funding liquidity risk and to meet various contractual obligations, by holding an adequate level of marketable securities with high liquidity.

4) Operational risk management

The Group recognizes operations risk, legal and compliance risk and system risk in handling financial instruments as operational risk, and manages it in a comprehensive manner through uniform method and indicators. Actual loss events that have already occurred are gathered by the Integrated Risk Management Division. Potential risks that would lead to actual loss events are identified and assessed through risk control self-assessment, etc. Operational risk of the Group is estimated using internal model simulations, based on actual loss events and conceived risk scenarios, and capital is allocated to cover the estimated risk within the internal capital allocation system.

5) Comprehensive risk management

The Group establishes a basic policy on comprehensive risk management. The basic policy sets forth the scope of target risk categories, such as credit risk, market risk and operational risk, and their definitions. The policy also defines the risk management procedures which consist of the identification, assessment, monitoring and control of the target risks. The Group is committed to managing risks in compliance with this basic policy, and is always endeavoring to improve the risk management system. In the framework of comprehensive risk management, the Group measures credit risk, market risk and operational risk in a comprehensive manner, ensures that these risks are controlled within allowable limits with reference to the Group's capital through implementation of integrated stress testing, etc., and aims at securing an adequate level of profit well balanced with the corresponding risks.

(4) Supplemental explanation for fair value of financial instruments

The fair value of financial instruments includes market prices as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the reasonably calculated prices are based on certain conditions and assumptions, the result of the calculations would differ if such calculations were made under different conditions and assumptions.

2. Fair value of financial instruments

Consolidated balance sheet amounts, fair values and their differences of financial instruments as of March 31, 2021 are shown below. Immaterial accounts on the consolidated balance sheet are not included in the table below. Some instruments, such as unlisted stocks, whose fair value cannot be reliably determined, are not included in the table below (see note 2).

	Consolidated balance sheet amounts (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and due from banks	950,109	950,109	-
(2) Call loans and bills bought	41,000	41,000	-
(3) Securities purchased under resale agreements	-	-	-
(4) Cash collateral provided for securities borrowed	-	-	-
(5) Monetary claims bought (*1)	74,432	81,333	6,901
(6) Trading account assets Trading securities	5	5	-
(7) Money held in trust	33,521	35,736	2,214
(8) Securities Available-for-sale securities (*2)	1,277,169	1,277,169	-
(9) Loans and bills discounted Less allowance for loan losses (*1) Net loans and bills discounted	2,948,808 (50,178) 2,898,629	2,975,124	76,495
Assets total	5,274,868	5,360,478	85,610
(1) Deposits	3,978,506	3,981,716	3,210
(2) Negotiable certificates of deposit	34,000	34,000	-
(3) Call money and bills sold	15,536	15,536	-
(4) Securities sold under repurchase agreements	56,750	56,750	-
(5) Cash collateral received for securities lent	431,673	431,673	-
(6) Borrowed money	349,767	350,647	879
(7) Bonds payable	198,365	199,591	1,225
Liabilities total	5,064,601	5,069,916	5,315
Derivatives (*3) For which hedge accountings are not applied For which hedge accountings are applied	21,059 (42,379)	21,059 (42,379)	- -
Derivatives total	(21,319)	(21,319)	-

*1. General allowance for loan losses and specific allowance for loan losses provided to 'Loans and bills discounted' are separately described in the above table. Allowance for loan losses provided to 'Monetary claims bought' are directly deducted from the consolidated balance sheet amount due to immateriality.

- *2. Consolidated balance sheet amounts, fair values and their differences do not include investment in partnerships (i.e., composing assets consisting of monetary claims etc. whose fair value are available). As for the investment in partnerships, the consolidated balance sheet amount was 12,384 million yen, and the fair value was 17,305 million yen, which was determined as our share of the present value of estimated future cash flows or estimated collectable amount of collaterals or guarantees. The difference between the fair value and the consolidated balance sheet amounts was 4,921 million yen.
- *3. Derivatives recorded in 'Trading account assets', 'Trading account liabilities', 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Assets or liabilities attributable to the derivative contracts are totally offset and the items in the net liability position in a consequence of offsetting would be represented in brackets, if any.

(Notes)

1. Valuation method of financial instruments

(Assets)

- (1) Cash and due from banks, (2) Call loans and bills bought, (3) Securities purchased under resale agreements, and (4) Cash collateral provided for securities borrowed

Since these instruments are paid on demand, or cancellable by short notice, or with short maturities, the fair value of these instruments is approximately equal to the book value. Therefore, the book value of these instruments is deemed as the fair value.

- (5) Monetary claims bought

The fair value of trust beneficiary rights, recorded as monetary claims bought, which meet the criteria of securities for the purpose of accounting treatment, is measured using the same method as described in, '(8) Securities', below.

The fair value of monetary claims bought other than the above is calculated using the same method as described in, '(9) Loans and bills discounted', below.

- (6) Trading account assets

The fair value of trading securities, mainly bonds, is determined using the market price quoted at exchange, or market price announced by certain industry associations or provided by information vendors.

- (7) Money held in trust

Securities held in trust on behalf of the Group are valued using the same method as described in, (8) Securities, below. Monetary claims held in trust on behalf of the Group are calculated using the same method as described in, (9) Loans and bills discounted, below.

Please see '(Money held in trust)' below for notes on money held in trust categorized by holding purposes.

- (8) Securities

Stocks are valued at market prices quoted at exchanges. Bonds that have a market price announced by certain industry associations or provided by information vendors are valued at those prices, in principle. Bonds that do not have a market price announced by certain industry associations or provided by information vendors are calculated using the same method as described in, (9) Loans and bills discounted, below, or valued at price provided by brokers or dealers. Investment trust funds are valued at price provided by the management company of each fund. Investment in partnerships are valued in accordance with the above method or using the same method as described in, (9) Loans and bills discounted, below, depending on the type of assets which are held by a partnership.

Please see '(Securities)' below for notes on securities categorized by holding purposes.

(9) Loans and bills discounted

Fair value of loans and bills discounted is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest with credit and other considerable risks, which are reflected mainly through PD and LGD. PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral. Some loans and bills discounted are valued at prices provided by vendor financial institutions, etc. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

As for loans to 'Bankrupt' borrowers, 'De facto bankrupt' borrowers and 'In danger of bankruptcy' borrowers, the collectable amount through the disposal of collateral or the execution of guarantees, or the present value of estimated future cash flows, etc. is deemed as the fair value.

As for loans with no maturity due to the feature that the amount of loans are limited within the collateral amount, and immaterial loans without concerns about collectability, the book value is deemed as fair value.

(Liabilities)

(1) Deposits

Fair values of deposits on demand are deemed as the payment amount if demanded on the consolidated balance sheet date, i.e., book value. Fair value of time deposits is mainly determined as present value of contractual payments of principal and interest less accrued interest. The discount rate is the market interest rate, adjusted with average funding spreads of the Bank observed within a specified period proceeding the consolidated balance sheet date. Concerning compound financial instruments to which bifurcation accounting is applied, contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(2) Negotiable certificates of deposit

Since the contract period is short, the fair value is approximately equal to the book value. Therefore, the book value is deemed as the fair value.

(3) Call money and bills sold, (4) Securities sold under repurchase agreements, and (5) Cash collateral received for securities lent

Since the contract period is short, the fair value is approximately equal to the book value. Therefore, the book value is deemed as the fair value.

(6) Borrowed money

Since the fair value of borrowed money with short maturities is approximately equal to the book value, the book value is deemed as the fair value. Other than that, the fair value is calculated using the same method as for time deposits described in '(1) Deposits' above.

Concerning the compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(7) Bonds payable

Fair value is calculated using the market price announced by certain industry associations or provided by information vendors.

(Derivatives)

Derivatives included interest rate related instruments (interest rate futures, interest rate options, interest rate swaps, etc.), currency related instruments (forex forwards, currency options, currency swaps, etc.), equity related instruments (stock index futures, stock index options, total return swaps, etc.), bonds related instruments (bonds futures, bonds future options, etc.), commodity related instruments (commodity swaps, etc.), and credit related instruments (credit default swaps, etc.). Fair values of these derivatives are based on the market prices at exchange, or discounted present values, or calculated values using an option pricing model, etc.

2. Financial instruments whose fair value cannot be reliably determined are shown below. These instruments are not included in 'Asset (8) Securities' in the above table showing fair value of financial instruments.

(million yen)

Category	Consolidated balance sheet amounts
(1) Unlisted stocks, etc. (*1)(*3)	6,996
(2) Investments in partnerships (*2)	78,889
Total	85,886

(*1) Fair value of unlisted stocks, etc. is exempt from disclosure because they do not have market price and their fair value cannot be reliably determined.

(*2) Fair value of investments in partnerships, comprised of assets whose fair value cannot be reliably determined, such as unlisted stocks, is exempt from disclosure.

(*3) A loss of 25 million yen was recognized on devaluation of unlisted stocks, etc. for the fiscal year ended March 31, 2021.

(Securities)

Securities include 'Securities', negotiable certificates of deposit in 'Cash and due from banks', trading securities and trading account securities for hedging classified as 'Trading account assets', and a part of trust beneficiary rights classified as 'Monetary claims bought'.

1. Trading securities (As of March 31, 2021)

	Net unrealized gains and losses recorded in the consolidated statement of income during the current fiscal year (million yen)
Trading securities	0

2. Held-to-maturity bonds (As of March 31, 2021)

None

3. Available-for-sale securities (As of March 31, 2021)

	Type of securities	Amount on consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities for which the amount on consolidated balance sheet exceeds the acquisition cost	Stocks	23,777	3,314	20,462
	Bonds	130,666	129,258	1,408
	Government bonds	29,773	29,480	293
	Local government bonds	29,549	29,415	133
	Short-term corporate bonds	-	-	-
	Corporate bonds	71,344	70,362	981
	Others	416,607	381,907	34,699
	Foreign bonds	181,080	175,202	5,877
	Others	235,527	206,705	28,822
	Subtotal	571,051	514,480	56,570
Securities for which the amount on consolidated balance sheet does not exceed the acquisition cost	Stocks	78	86	(7)
	Bonds	170,083	170,586	(502)
	Government bonds	8,001	8,002	(0)
	Local government bonds	115,587	116,038	(451)
	Short-term corporate bonds	29,998	29,998	-
	Corporate bonds	16,496	16,547	(50)
	Others	581,597	594,179	(12,582)
	Foreign bonds	419,470	429,922	(10,451)
	Others	162,126	164,256	(2,130)
Subtotal	751,759	764,851	(13,092)	
Total		1,322,811	1,279,332	43,478

4. Held-to-maturity bonds sold during the fiscal year (from April 1, 2020 to March 31, 2021)

None

5. Available-for-sale securities sold during the fiscal year (from April 1, 2020 to March 31, 2021)

	Proceeds (million yen)	Gains on sale (million yen)	Losses on sale (million yen)
Stocks	202	119	-
Bonds	24,987	1	458
Government bonds	24,486	-	458
Local government bonds	-	-	-
Short-term corporate bonds	-	-	-
Corporate bonds	501	1	-
Others	764,334	20,778	9,706
Foreign bonds	540,510	11,783	4,127
Others	223,823	8,994	5,578
Total	789,524	20,899	10,165

6. Change in holding purpose of securities

None

7. Securities incurred impairment losses

All types of securities with fair value, other than those held for trading, are written down if a substantial decline in the fair value of such securities is deemed to be significant and other than temporary, subject to impairment criteria with respect to the borrower's category for the issuer of securities, unless there is strong evidence that the fair value will recover quickly and substantially.

In this fiscal year, the Bank wrote off foreign bonds of 68 million yen.

If fair value declines more than 50% from the acquisition cost or amortized cost, the Bank generally deems the decline to be significant and other-than-temporary. However, based on the borrower category for the issuer of securities, the following impairment criteria determines whether or not the fair value decline is significant under the internal standards for write-offs and provisions:

'In danger of bankruptcy' 'De facto bankrupt' 'Bankrupt' ... If fair value declines from cost

'Need attention' ... If fair value declines more than 30% from cost

'Normal' ... If fair value declines more than 50% from cost

For debt securities categorized as 'Normal', the fair value decline is deemed significant if fair value declines more than 30% from cost.

For securities, other than debt securities, whose fair value remains below a certain level, the fair value decline is deemed significant even if it does not meet the above criteria.

'Bankrupt' borrower means an issuer of securities under legal proceedings such as bankruptcy or liquidation. 'De facto bankrupt' borrower means an issuer of securities in a similar condition as 'Bankrupt'. 'In danger of bankruptcy' borrower means an issuer of securities that is not currently bankrupt but is considered highly likely to become bankrupt. 'Need attention' borrower means an issuer of securities that needs to be monitored carefully. 'Normal' borrower means an issuer of securities categorized other than 'Bankrupt', 'De facto bankrupt', 'In danger of bankruptcy' or 'Need attention'.

(Money held in trust)

1. Money held in trust for trading purpose (As of March 31, 2021)

	Amount on consolidated balance sheet (million yen)	Net unrealized gains and losses recorded in the consolidated statement of income during the current fiscal year (million yen)
Money held in trust for trading purpose	33,521	-

2. Money held in trust for held-to-maturity purpose (As of March 31, 2021)

None

3. Other money held in trust (other than held-for-trading and held-to-maturity) (As of March 31, 2021)

None

(Per share information)

1. Net assets per share is 4,233.53 yen.

2. Net income attributable to owners of parent per share is 248.27 yen.

3. Diluted net income attributable to owners of parent per share is 247.90 yen

【Notes to the Non-Consolidated Financial Statements】

Amounts of less than one million yen are rounded down.

Significant accounting policies

1. Trading account assets and liabilities; gain and loss on trading account transactions

Transactions involving short-term fluctuations and arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments or other market indices ('Trading transactions') are recognized on a trade date basis and recorded in 'Trading account assets' or 'Trading account liabilities' on the balance sheet. Gains or losses (interest received/paid, dividend, gains/losses on sales, and valuation gains/losses) on trading transactions are recorded in 'Gain on trading account transactions' or 'Loss on trading account transactions' on the transaction date basis in the statement of income.

'Trading account assets' and 'Trading account liabilities' are stated at their fair values.

2. Valuation of securities

(1) 'Held-for-trading securities' (except the positions booked in the 'Trading account assets' and 'Trading account liabilities') are stated at fair value. The cost of these securities is determined by the moving-average method. 'Held-to-maturity securities' are stated at amortized cost (using the straight-line method) computed under the moving average method. 'Stocks in subsidiaries and affiliated companies' are stated at acquisition costs (using the moving average method). 'Available-for-sale securities ('AFS securities')' (with the costs basically calculated on the moving average method) are stated at fair value in principle, or if their fair value is cannot be reliably determined, are stated at acquisition costs calculated on the moving average method.

As for interests in investment business limited partnerships, associations under the Civil Code and silent partnerships, Aozora Bank, Ltd. ('the Bank'), in principle, record net assets and net income of those partnerships as assets and profits or losses in proportion to the Bank's shares of interests based on their latest financial statements or interim financial statements.

The net unrealized gains or losses on AFS securities are included directly in net assets.

(2) Securities that are held as trust assets recorded in 'Money held in trust' are valued in the same manner as given in (1) above.

3. Accounting for derivatives

Derivative transactions, except for trading transactions, are stated at fair value.

4. Depreciation of fixed assets

(1) Tangible fixed assets (except for leased assets)

Depreciation of buildings, including structures and equipment attached to buildings, is computed by the straight-line method, and that of others is computed by the declining-balance method.

The useful lives are primarily estimated as follows:

Buildings: 15~50 years
Other : 5~15 years

(2) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and amortized under the straight-line method over the useful lives (mainly 5~11 years) as determined by the Bank.

(3) Leased assets

Depreciation of 'Leased assets' in 'Tangible fixed assets' of the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

5. Deferred assets

'Bond issuance costs' in 'Other assets' is amortized using the straight-line method over the terms of corporate bonds.

6. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies held by the Bank are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in equity securities of subsidiaries and affiliated companies which are translated at historical rates.

7. Provisions

(1) Allowance for loan losses

The Bank's write-offs of loans and allowance for loan losses are provided as follows in accordance with the internal standards for write-offs and provisions.

Loans to borrowers who are assessed as 'Bankrupt' (in the process of legal proceedings for bankruptcy, special liquidation, etc.) or 'De facto bankrupt' (in serious financial difficulties and are not deemed to be capable of restructuring) under the Bank's self-assessment guidelines are written off to the amounts expected to be collected through the disposal of collateral or execution of guarantees, etc. The amounts deemed to be uncollectible and written off were 14,926 million yen at March 31, 2021.

For loans to borrowers who are assessed as 'In danger of bankruptcy' (not yet bankrupt but are in financial difficulty and are highly likely to go bankrupt in the foreseeable future), a specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying amount is accounted for as an allowance for loan losses (the 'DCF method').

For other loans, the Bank provides the expected loan loss for the average remaining period of loans (almost three years respectively), after classifying the loans into three groups of corporate loans in North America/Europe, Asia and others, based on the characteristics of risk. The expected loan loss is determined based on the average rates of loan loss experience or bankruptcy, over a certain period of time in the past, responding to the average remaining period with certain adjustments of consideration of the latest trend of loan loss experience. However, for borrowers with a large credit exposure, categorized as 'Need attention', under the internal credit rating system, the loan loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses calculated based on the estimated loan loss ratio, if necessary. For some borrowers, other than above, with a large credit exposure over a certain amount, an allowance is provided in addition to an amount calculated based on an expected loan loss rate, according to the above method.

An allowance for loans to restructuring countries is provided for the amount of expected losses based on an assessment of political and economic conditions in their respective countries.

All loans are monitored in line with an internal self-assessment standard, etc., on an ongoing basis. Operating divisions or branches review internal credit ratings of borrowers ('Borrower Ratings') which are defined in line with 'borrower categories' and those ratings are then approved by the divisions in charge of credit. The division in charge of asset assessment, which is independent of operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of internal credit ratings on a sample basis.

Based upon the borrower categories determined by the aforementioned process as of the balance sheet date, operating divisions and branches initially compute the amounts of write-offs and allowance, and the division in charge of asset assessment verifies the amounts and determines the final amounts.

The independent internal audit divisions audit the appropriateness of the write-offs and allowances based on the self-assessment on a regular basis.

(2) Allowance for investment loss

Allowance for investment loss is provided for estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in realizable values of the investments.

(3) Provision for bonuses

Provision for bonuses that is provided for future bonus payments to employees, is maintained at the amount accrued at the balance sheet date, based on the estimated future payments.

(4) Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) that is provided for future bonus payments to directors, is maintained at the amount accrued at the balance sheet date, based on the estimated future payments.

(5) Provision for retirement benefits

Provision for retirement benefits, including prepaid pension costs, is provided for payment of retirement benefits to employees, in the amount deemed accrued at the balance sheet date, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end.

Retirement benefit liability is recorded based on the benefit formula attribution of the projected benefit obligations over the service period of employees, deemed accrued at the balance sheet date.

Unrecognized prior service cost is amortized using the straight-line method over a certain period of time (9 years) within the average remaining service period of employees.

Unrecognized actuarial gain and loss are amortized using the straight-line method over a certain period of time (5 years) within the average remaining service period of employees commencing from the next fiscal year after incurrence.

(6) Provision for credit losses on off-balance-sheet instruments

Provision for credit losses on off-balance-sheet instruments is provided for credit losses on commitments to extend loans and other off-balance-sheet financial instruments based on an estimated loss ratio or individually estimated loss amount determined by the same methodology used in determining the allowance for loan losses.

8. Hedge accounting

(1) Hedge accounting for interest rate risk

The Bank applies deferral hedge accounting to hedges of interest rate risk associated with financial assets and liabilities, principally by portfolio hedging, in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the Japanese Institute of Certified Public Accountants ('JICPA') Industry Committee Practical Guideline No.24, October 8, 2020), or partly by individual hedging.

Under the JICPA Industry Committee Practical Guideline No.24, portfolio hedges to offset changes in fair value of fixed-rate instruments (such as loans or deposits) ('fair value hedges') are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

With regard to an individual hedge to offset changes in fair value of fixed-rate instruments, since principal conditions underlying in bonds payable as hedged items and interest rate swaps as hedging instruments are substantially on the same terms, the hedge is deemed highly effective.

(2) Hedge accounting for foreign exchange risk

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with 'Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry' (the JICPA Industry Committee Practical Guideline No.25, October 8, 2020). In accordance with the JICPA Industry Committee Practical Guideline No. 25, the Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities when the foreign currency positions on the hedged assets or liabilities are expected to exceed the corresponding foreign currency positions on the hedging instruments. Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

(3) Hedges of stock price risk

The Bank designates available-for-sale securities (stock, etc.) as hedged items and total return swaps as hedging instruments and applies individual deferral hedge accounting.

The assessment of hedge effectiveness is generally based on the comparison of changes in value of the hedged item and hedging instruments.

(4) Intracompany Derivative Transactions

For intracompany derivative transactions for hedging purposes ('internal derivatives'), including currency and interest rate swaps, the Bank currently charges gains and losses on internal derivatives to operations or defers them within accumulated other comprehensive income as a component of equity without elimination in accordance with the JICPA Industry Committee Practical Guidelines No. 24 and No. 25. These reports permit a bank to retain the gains and losses on internal derivatives in its financial statements without elimination if the bank establishes and follows strict hedging criteria by entering into mirror-image offsetting transactions with external third parties after the designation of internal derivatives as hedging instruments.

9. Accounting of retirement benefits

Unrecognized actuarial gains and losses and prior service costs in non-consolidated financial statements are accounted for in a different manner from consolidated financial statements.

10. Consumption taxes

National and local consumption taxes are excluded from transaction amounts.

Changes in presentation

(Application of 'Accounting Standard for Disclosure of Accounting Estimate')

'Accounting Standard for Disclosure of Accounting Estimates' (ASBJ Statement No.31, issued on March 31, 2020) is applied for the end of the current fiscal year and notes on important estimates in accounting in the non-consolidated financial statements is described.

Important estimates in accounting

They are items of which amounts are recorded in the non-consolidated financial statements related to this fiscal year with accounting estimates. Out of them, items, remarkably affecting the non-consolidated financial statements related the next fiscal year, are provided below.

1. Allowance for loan losses

Loan is a major asset occupying nearly majority of the total asset in the non-consolidated financial statements. Since an entry of an allowance for loan losses, related to credit risk of the loans, remarkably affects financial condition or performance of the group, estimate of the allowance for loan losses is deemed to be important in accounting.

(1) An amount recorded in the non-consolidated financial statements related to the next fiscal year

Allowance for loan losses: 50,043 million yen

(2) Information contributing to understanding of the detail of important accounting estimates related to recognized items

It is described in 'Notes to the Consolidated Financial Statements.'

Notes

(Balance sheet)

1. Stocks (or investments) in subsidiaries and affiliated companies total 87,933 million yen.

2. No securities were loaned under unsecured loan contracts for consumption, for use or for lease contracts.

Of unsecured securities borrowed, securities purchased under resale agreements, securities borrowed under lending agreements with cash collateral and securities received as collateral on derivative transactions which can be sold or pledged, none of the securities were re-pledged, re-loaned and held in hand as of the balance sheet date.

3. Loans to bankrupt borrowers total 2,120 million yen and past due loans total 20,737 million yen.

'Loans to bankrupt borrowers' are loans for which interest in arrears has not been accrued because recovery or settlement of principal or interest is unlikely due to the prolonged delay in payment of principal or interest (which hereafter shall be called 'non-accrual loans') and are loans to borrowers who are legally bankrupt, excluding the amount of write-offs, due to any of the events specified in (a) through (e) in Article 96, Paragraph 1, Subsections 3 and 4 of the Corporation Tax Law Enforcement Regulations (Cabinet Order No.97, 1965).

'Past due loans' refer to non-accrual loans except for loans to bankrupt borrowers and loans to companies for which concessions on payment of interests were made in order to assist the reorganization of borrowers.

4. There are no loans overdue for 3 months or more.

'Loans overdue for 3 months or more' refer to those loans for which principal or interest remains unpaid for at least three months, excluding loans to bankrupt borrowers and past due loans.

5. Restructured loans total 2,869 million yen.

'Restructured loans' refer to those loans, excluding loans to bankrupt borrowers, past due loans and loans overdue for 3 months or more, for which agreement was reached to provide reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers.

6. Loans to bankrupt borrowers, past due loans and restructured loans total 25,726 million yen.

Allowance for loan losses is not deducted from the amounts of loans stated in items 3 to 6 above.

7. In accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the JICPA Industry Audit Committee Report No. 24, October 8, 2020), bills discounted are accounted for as financial transactions. The Bank has the right to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, etc. Face value of these bills amounted to 4,633 million yen.

8. The following assets were pledged as collateral:

Assets pledged as collateral

Securities	505,028	million yen
Loans and bills discounted	83,616	

Collateralized debts

Securities sold under repurchase agreements	56,750	million yen
Cash collateral received for securities lent	431,673	
Borrowed money	12,403	

In addition, foreign exchanges of 11,072 million yen are pledged as collateral for foreign and domestic exchange transactions, derivative transactions, etc. or as substitute for margin money for futures transactions.

'Other' in 'Other assets' includes guarantee deposits, etc. of 13,071 million yen.

9. Overdraft contracts and contracts for loan commitments are those by which the Bank is bound to extend loans up to a prearranged amount, upon the request of customers, unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounted to 598,473 million yen, including 504,339 million yen of less than 1 year duration.

Since these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements.

These commitments include clauses under which the Bank can reject an application from customers or reduce the contract amounts in the event that economic conditions change, the Bank needs to secure claims, or other events occur. In addition, the Bank may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when such needs arises and securing claims after the contracts are made.

- 10. Accumulated depreciation of tangible fixed assets totals 24,638 million yen.
- 11. Deferred gains on tangible fixed assets deductible for tax purposes amounted to 507 million yen.
- 12. Monetary claims against subsidiaries and affiliated companies total 713,447 million yen
- 13. Monetary liabilities against subsidiaries and affiliated companies total 17,282 million yen

(Statement of income)

1. Revenues from transactions with subsidiaries and affiliated companies	20,766 million yen
Interest income earned	8,804
Fees and commissions earned	4,247
Other ordinary income and other income earned	7,715
Expenses from transactions with subsidiaries and affiliated companies	3,796 million yen
Interest expenses incurred	0
Fees and commissions incurred	3,290
Other ordinary expenses and other expenses incurred	505
Other transactions with subsidiaries and affiliated companies (such as asset transfer)	10,786 million yen

2. The material transactions with related parties are as follows.

(1) Parent company and major shareholders, etc.

None

(2) Subsidiaries and affiliates, etc.

Category	Company Name	Equity ratio	Relationship with related parties	Nature of Transaction	Transaction Amount (million yen)	Account Name	Balance (million yen)
Subsidiary	AZB Funding 9 Limited (Note 1)	—	Lending	Lending (Note 2)	(11,123)	Loans (Loans on deeds)	67,588
				Received interest (Note 2)	1,243	Accrued income	254
Subsidiary	AZB Funding 11 Limited (Note 1)	—	Lending	Lending (Note 2)	28,358	Loans (Loans on deeds)	115,857
				Received interest (Note 2)	1,490	Accrued income	261

(Note) 1. AZB Funding 9 Limited and AZB Funding 11 Limited are special purpose entities which were established for the purpose of acquisition and management of overseas loan assets.

2. The Bank extends loans to AZB Funding 9 Limited and AZB Funding 11 Limited which are collateralized by the loan assets held by the entities. Out of income earned from the loan assets, these subsidiaries pay base interest based on the floating market interest rates, as well as residual interest based on their performance. As of the fiscal year end, all profits and losses belong to the Bank due to the fact that these entities make all their borrowing from the Bank.

(3) Companies of the same parent company, etc.

None

(4) Directors, corporate auditors and their close family members, etc.

None

(Statement of changes in net assets)

1. Types and numbers of treasury shares

(Unit: thousands of shares)

	Number of shares at the beginning of the period	Number of shares increased during the period	Number of shares decreased during the period	Number of shares at the end of the period	Notes
Treasury shares					
Common stock	1,604	0	18	1,586	(Note)
Total	1,604	0	18	1,586	

(Note) The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to exercise of share acquisition rights.

(Securities)

Securities include 'Government bonds', 'Local government bonds', 'Short-term corporate bonds', 'Corporate bonds', 'Stocks', 'Other securities', negotiable certificates of deposit in 'Due from banks', 'Trading securities', 'Trading account securities for hedging' and a part of trust beneficiary rights classified as 'Monetary claims bought'.

1. Trading securities (As of March 31, 2021)

	Net unrealized gains and losses recorded in non-consolidated statement of income during the current fiscal year (million yen)
Trading securities	-

2. Held-to-maturity bonds (As of March 31, 2021)

None

3. Stocks in subsidiaries and affiliated companies (As of March 31, 2021)

	Amount on balance sheet (million yen)	Market price (million yen)	Difference (million yen)
Stocks in affiliated companies	17,178	19,055	1,877

Stocks in subsidiaries and affiliated companies whose fair values are extremely difficult to be determined are as follows.

	Amount on balance sheet (million yen)
Stocks in subsidiaries	50,983
Stocks in affiliated companies	619
Total	51,602

4. Available-for-sale securities (As of March 31, 2021)

	Type of securities	Amount on balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities for which the amount on balance sheet exceeds the acquisition cost	Stocks	23,777	3,314	20,462
	Bonds	123,218	121,810	1,407
	Government bonds	29,773	29,480	293
	Local government bonds	22,100	21,967	132
	Short-term corporate bonds	-	-	-
	Corporate bonds	71,344	70,362	981
	Others	416,607	381,907	34,699
	Foreign bonds	181,080	175,202	5,877
	Others	235,527	206,705	28,822
	Subtotal	563,602	507,032	56,570
Securities for which the amount on balance sheet does not exceed the acquisition cost	Stocks	78	86	(7)
	Bonds	147,926	148,425	(498)
	Government bonds	-	-	-
	Local government bonds	106,871	107,321	(450)
	Short-term corporate bonds	29,998	29,998	-
	Corporate bonds	11,057	11,105	(48)
	Others	581,597	594,179	(12,582)
	Foreign bonds	419,470	429,922	(10,451)
	Others	162,126	164,256	(2,130)
	Subtotal	729,602	742,690	(13,088)
Total		1,293,205	1,249,723	43,481

(Note) Available-for-sale securities whose fair values are extremely difficult to be determined

	Amount on balance sheet (million yen)
Stocks	6,102
Investment in partnerships	104,184
Others	0
Total	110,286

These amounts are not included in the first table of '4. Available-for-sale securities' since there are no market prices and their fair values are extremely difficult to be determined.

5. Held-to-maturity bonds sold during the fiscal year (from April 1, 2020 to March 31, 2021)

None

6. Available-for-sale securities sold during the fiscal year (from April 1, 2020 to March 31, 2021)

	Proceeds (million yen)	Gains on sale (million yen)	Losses on sale (million yen)
Stocks	202	119	-
Bonds	24,987	1	458
Government bonds	24,486	-	458
Local government bonds	-	-	-
Short-term corporate bonds	-	-	-
Corporate bonds	501	1	-
Others	764,334	20,778	9,706
Foreign bonds	540,510	11,783	4,127
Others	223,823	8,994	5,578
Total	789,524	20,899	10,165

7. Change in holding purpose of securities

None

8. Securities incurred impairment losses

All types of securities with fair value, other than those held for trading, are written down if a substantial decline in the fair value of such securities is deemed to be significant and other than temporary, subject to impairment criteria with respect to the borrower's category for the issuer of securities, unless there is strong evidence that the fair value will recover quickly and substantially.

In this fiscal year, the Bank wrote off foreign bonds of 68 million yen.

If fair value declines more than 50% from the acquisition cost or amortized cost, the Bank generally deems the decline to be significant and other-than-temporary. However, based on the borrower category for the issuer of securities, the following impairment criteria determines whether or not the fair value decline is significant under the internal standards for write-offs and provisions:

'In danger of bankruptcy' 'De facto bankrupt' 'Bankrupt' ... If fair value declines from cost
 'Need attention' ... If fair value declines more than 30% from cost
 'Normal' ... If fair value declines more than 50% from cost

For debt securities categorized as 'Normal', the fair value decline is deemed significant if fair value declines more than 30% from the cost.

For securities, other than debt securities, whose fair value remains below a certain level, the fair value decline is deemed significant even if it does not meet the above criteria.

'Bankrupt' borrower means an issuer of securities under legal proceedings such as bankruptcy or liquidation. 'De facto bankrupt' borrower means an issuer of securities in a similar condition as 'Bankrupt'. 'In danger of bankruptcy' borrower means an issuer of securities that is not currently bankrupt but is considered highly likely to become bankrupt. 'Need attention' borrower means an issuer of securities that needs to be monitored carefully. 'Normal' borrower means an issuer of securities categorized other than 'Bankrupt', 'De facto bankrupt', 'In danger of bankruptcy' or 'Need attention'.

(Money held in trust)

1. Money held in trust for trading purpose (As of March 31, 2021)

	Amount on non-consolidated balance sheet (million yen)	Net unrealized gains and losses recorded in non-consolidated statement of income during the current fiscal year (million yen)
Money held in trust for trading purpose	4,975	-

2. Money held in trust for held-to-maturity purpose (As of March 31, 2021)

None

3. Other money held in trust (other than held-for-trading and held-to-maturity) (As of March 31, 2021)

None

(Deferred taxes)

Tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2021 were as follows:

Deferred tax assets	
Provision of allowance for loan losses	14,928 million yen
Provision for retirement benefits	3,179
Depreciation expense	2,102
Write-offs for securities	19,213
Deferred gains or losses on hedges	331
Write-offs of loans	75
Other	<u>7,451</u>
Subtotal	47,281
Less valuation allowance	<u>(13,366)</u>
Deferred tax assets total	33,914
Deferred tax liabilities	
Valuation difference on available-for-sale securities	14,854
Asset retirement obligation expense	441
Prepaid pension costs	1,294
Other	<u>61</u>
Deferred tax liabilities total	16,652
Net deferred tax assets	<u>17,262 million yen</u>

(Per share information)

1. Net assets per share is 4,189.77 yen.
2. Net income per share is 253.01 yen.
3. Diluted net income per share is 252.65 yen.

Reference

Statement of Trust Assets and Liabilities (As of March 31,2021)

(In millions of yen)

Assets		Liabilities	
Loans and bills discounted	28,116	Money trusts	192,267
Securities	176,573	Money entrusted, other than money trusts	106,790
Beneficiary rights	3,625	Securities trusts	217,890
Securities held in custody accounts	217,707	Monetary claims trusts	7,004
Monetary claims	117,676	Composite trusts	206,257
Tangible fixed assets	98,136		
Other claims	8,683		
Cash and due from banks	79,690		
Total	730,209	Total	730,209

(Note)

1. "Beneficiary rights", which the Bank acquired from a trust where the Bank acts as entrustor and trustee, is deducted from the total amount of beneficiary rights in the trust account, in order to avoid duplication. The principal balance of the corresponding trust account is deducted from liabilities by the same amount.
2. There are no balances for guaranteed trusts.