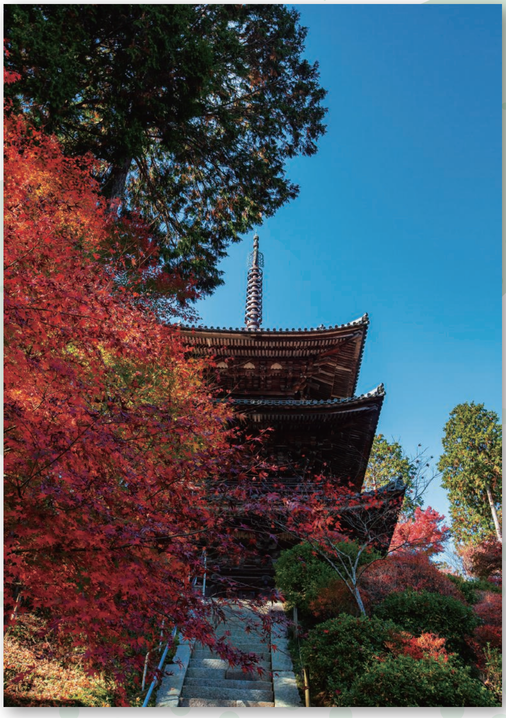
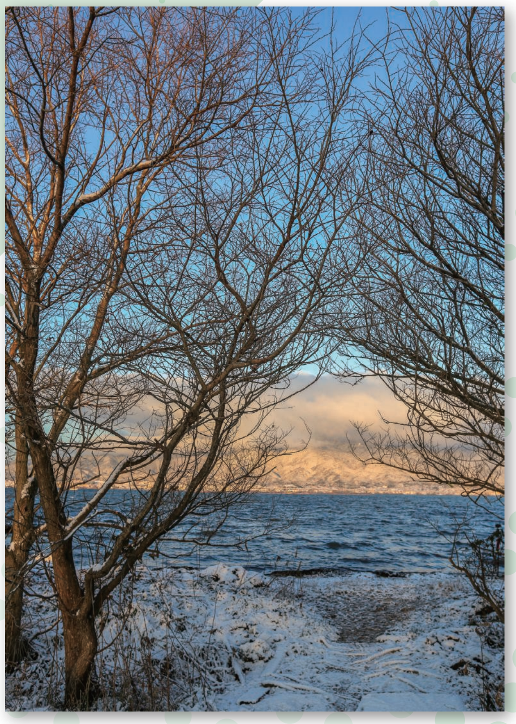
Bank of Kyoto

Annual Report 2021

For the year ended March 31, 2021





The Bank of Kyoto, Ltd.

Profile

Since its founding on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have consistently strived to live up to their management principle of "Serving the Prosperity of the Community." Under this management principle, the Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank provides customers in the local community with high-quality financial services, thereby striving to further deepen its relationships of trust. With the environment surrounding financial institutions growing increasingly harsh, the Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Head Office
(Kyoto Prefecture)

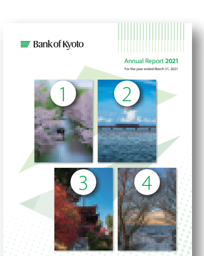
Non-Consolidated Basis

Total Assets: ¥12,256.0 billion (6th among regional banks)	Total Deposits: ¥8,716.9 billion (7th among regional banks)
Loans and Bills Discounted: ¥6,069.2 billion (9th among regional banks)	Unrealized Gains on Securities: ¥1,023.2 billion (1st among regional banks)
Capital Ratio: 11.24% (domestic standards)	Credit Rating: A (R&I) A- (S&P)

Contents

Disclaimer regarding forward-looking statements

Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing this report. Actual results may therefore differ substantially from such statements.



Cover: "I Love Kyoto Campaign" and "I Love Shiga Campaign" posters

Because we want to cultivate a sense of loving Kyoto in a wide range of people, we have been developing the "I Love Kyoto Campaign" since 1982. In addition, in Shiga Prefecture, we have been developing the "I Love Shiga Campaign" since 2013, introducing people to Shiga's rich natural landscape, historical heritage, traditional culture and suchlike.

Cover Photographs

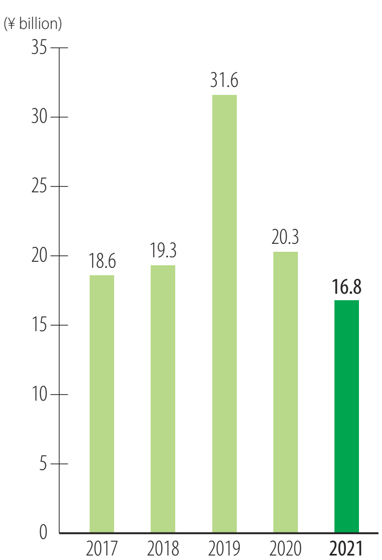
① Cherry blossoms and Jikkokubune cruise boat (Fushimi Ward, Kyoto City)
② Kyoto Tango Railway train at the mouth of the Yura River (Miyazu City, Kyoto Prefecture)
③ Jorakuji Temple, one of the three temples of Konan Sanzan (Konan City, Shiga Prefecture)
④ Mt. Hiei in the morning glow (Kusatsu City, Shiga Prefecture)

Consolidated Financial Highlights

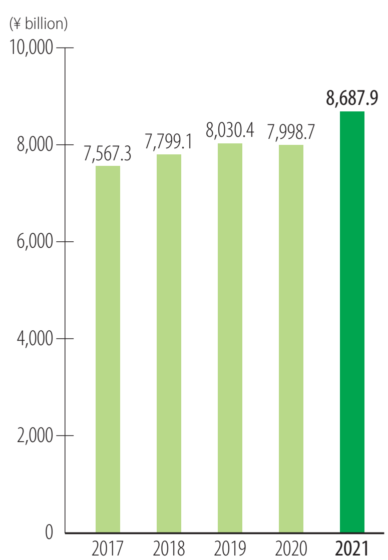
	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
For the Year				
Total Income	¥ 108,156	¥ 113,823	¥ 133,637	$ 976,938
Total Expenses	85,113	85,137	88,696	768,797
Income before Income Taxes	23,043	28,686	44,940	208,140
Net Income Attributable to Owners of the Parent	16,860	20,383	31,681	152,292
At Year-End				
Total Assets	¥12,273,908	¥10,078,463	¥9,665,127	$110,865,396
Deposits (including NCDs)	8,687,962	7,998,796	8,030,490	78,474,958
Loans and Bills Discounted	6,059,467	5,818,355	5,479,390	54,732,790
Securities	3,230,019	2,867,102	2,917,433	29,175,499
Noncontrolling Interests	2,424	2,249	2,215	21,900
Common Stock	42,103	42,103	42,103	380,306
Total Equity	1,168,153	834,987	850,934	10,551,468
Capital Ratio (Domestic Standards)	11.72%	11.43%	11.58%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥110.71 to US$1.00, the approximate rate of exchange at March 31, 2021.
3. Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ).

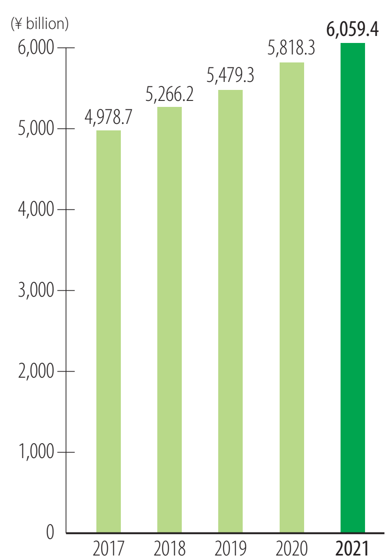
Net Income Attributable to Owners of the Parent



Deposits (including NCDs)



Loans and Bills Discounted



Enabling Everyone in Our Communities to Lead More Fulfilling Lives

2020 in Review

The year 2020 is certain to go down in history as a time during which the world encountered and confronted threats posed by the COVID-19 pandemic. With economic activity having consequently stagnated worldwide, Japan's GDP dropped by 4.8% relative to the previous year, culminating in the nation's first negative growth since 2009, 11 years ago.

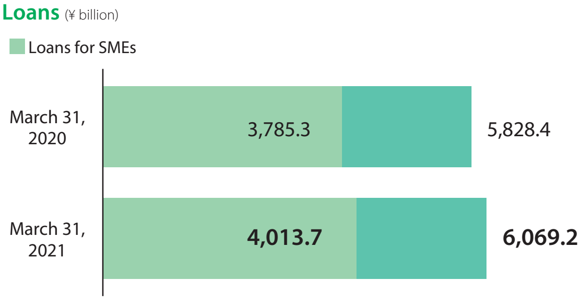
Likewise, the atmosphere in Kyoto also changed dramatically. The situation has dealt a significant blow to many businesses, particularly those in the tourism sector as they encounter a situation where tourist spots have lost their vibrancy amid evaporating Japanese and overseas tourism demand.

In the midst of a scenario where businesses continue to face inexplicable hardship, we are passionately rallying the entire Bank of Kyoto Group in helping prompt recovery of the local economy as quickly as possible premised on our strong belief that our role and mission as a regional financial institution calls for us to remain close to our customers and facilitate their business through our financial services.

Regional Financial Institutions Encountering Mounting Expectations

As business prospects of Japanese companies deteriorated overnight amid the rapid proliferation of the COVID-19 pandemic, such enterprises placed high hopes on the financial intermediary services of banks given their role in arranging prompt and flexible financing and providing a diverse range of business support. In 2020, the total outstanding balance of loans among banks across Japan increased by a substantial 5.3% over that of the previous year (in comparison with a year-on-year increase of 1.8% in 2019), thereby suggesting that the nation's banks were instrumental in propping up corporate financing. Likewise, the Bank of Kyoto has been supplying business financing to a wide range of enterprises, irrespective of their size or industry, which culminated in a balance of outstanding loans amounting to ¥6,069.2 billion as of March 31, 2021, thereby surpassing ¥6 trillion for the first time ever with our average loan balance for fiscal 2020 having increased by 8.9%

Loans (¥ billion)



relative to the previous fiscal year (in comparison with a year-on-year increase of 3.6% in fiscal 2019).

The Bank formed its COVID-19 Pandemic Support Team laterally throughout the headquarters in June 2020, and has since been offering solutions to support clients who operate businesses. The team has consequently provided such support in more than 3,000 different cases as of March 31, 2021. We have accordingly been endeavoring to support the core businesses of our customers and provide them with solutions enlisting our increasingly robust consulting strengths, which has involved identifying a range of challenges in areas that include those pertaining to sales and customer outreach as well as concerns regarding business succession, new business development, administrative improvement and enhancement, and human resources.

In recent years, we have become capable of playing an active role in an increasingly extensive range of different fields amid deregulation with respect to the Bank of Kyoto Group's scope of business and investment. This is seemingly a sign of there being high expectations for regional financial institutions, and we accordingly hope to persist with efforts to actively expand our business domain going forward to also encompass the field of non-financial services.

Our efforts in this regard have involved establishing the Bank of Kyoto Next Fund business succession fund in March 2021. We have been addressing customer needs through our business succession support services thus far and have accordingly established this fund jointly with Bank of Kyoto Group company Kyogin Lease & Capital as the needs have been escalating largely due to COVID-19 and also because of a situation where companies are encountering an increasingly severe shortage of successors as the nation's population gets older. Going forward, we have opted to engage in ongoing investment targeting total investment of ¥10.0 billion over a 10-year period. In addition to facilitating seamless business succession, we will also strive to help companies increase their enterprise value by providing them with post-investment managerial support, while also drawing on offerings such as our professional recruitment services already underway.

Going forward, we aim to achieve growth serving as a comprehensive financial solutions provider by engaging in an expanding realm of business domains with such efforts underpinned by our analysis, particularly in terms of profitability encompassing effects of such solutions on regional economies in alignment with local circumstances and synergies with existing business operations.

Practices Aligned with Our Management Principle of "Serving the Prosperity of the Community"

Since its founding, the Bank has consistently endeavored to fulfill its role as a regional financial institution underpinned by its management principle of "Serving the Prosperity of the Community." That mindset permeates our entire workforce. For instance, on a daily basis our employees reflect on the Bank of Kyoto's ideals and meaning of existence serving as a regional financial institution, and furthermore exchange opinions from their respective points of view. One example of this is that our process of screening corporate loans involves having those in charge question one another in seeking to determine how best to make judgement calls as a locally based financial institution. We nurture a corporate culture whereby our employees naturally engage in practices espoused by our management principles in a manner that involves repeatedly performing such interactions throughout the organization, which seemingly reflects the notion that we tend to hire employees who as students originally aspired to serve their communities.

The first thing we did at the stage of drawing up our medium-term management plan initiated in fiscal 2020 was to gather feedback from all of our employees upon adopting a process whereby we sought to review their ideals with respect to how they envision the Bank. In so doing, we found that our employees express themselves in different ways as individuals, yet we reaffirmed the idea that they all share deep-seated desires to work "together with the community," and that they all in their own way embrace our management principle of "Serving the Prosperity of the Community," and that they furthermore put such ideals into practice in the course of performing work on a day-to-day basis. We intend to firmly tap into such desires of our employees, which will serve as a driving force in enabling the Bank to achieve further growth.

Promoting Sustainability Management

Having positioned sustainability management such that “sustainability management practices occupy a higher level of our management principles,” the Bank will seek solutions to both social challenges locally and environmental issues by engaging in specific initiatives geared to helping to achieve the Sustainable Development Goals (SDGs). The Bank has accordingly decided to set the aim of promoting sustainability management as a management objective amid a scenario of accelerating momentum toward making the notion of a sustainable society a reality, as embodied by the government’s goal of achieving carbon neutrality by 2050 (effectively zero greenhouse gas emissions). Whereas the Bank has been engaging in efforts of its own aligned with concepts underlying the SDGs given that it already embraces such ideals, it is now committed to forging ahead with management practices that are more in tune with society while enhancing its perspectives by conforming to international targets.

More specifically, we established the Sustainability Management Promotion Committee in January 2021 and have drawn up and released our Policy on Loans and Investments for Achieving a Sustainable Society. Our sustainability management practices will involve consistently maintaining inseparable ties between economic value and social value, while continuously working to increase enterprise value over the long term by striving to achieve improvement on both fronts. The committee will strive to ensure that the Bank addresses various sustainability-related issues encompassing the SDGs and environmental, social and governance (ESG) criteria through its core business operations. To such ends, the committee will seek to achieve more extensive understanding of social challenges, environmental issues and shareholder expectations, and will ensure that the Bank takes concrete action on an organization-wide basis.

Meanwhile, we have positioned the policy on loans and investments to serve as the Bank’s guiding principles for arranging loans and investments that adhere to sustainability management practices. We accordingly aim to create a positive future for our communities together with our customers backed by our management principles, which involves adhering to a basic approach that entails helping to bring about a sustainable society through the dual aims of “creating and increasing positive outcomes” while “reducing and avoiding negative outcomes” in a manner that involves addressing various economic, environmental and social challenges from the standpoint of a regional financial institution. We explicitly outline three initiatives for actively arranging loans and investments that result in “creating and increasing positive outcomes.” The first such initiative calls for “establishing local companies, generating innovation, and furnishing support for achieving growth.” In that regard, the Bank traditionally maintains a track record of facilitating venture businesses. Throughout the ages, innovation has always culminated in greater enterprise value for companies by increasing productivity and stimulating growth, while at the same time causing ripple effects beneficial to other companies, thereby giving rise to virtuous cycles of economic activity. Given that Japan has been subject to a low rate of potential growth due to its aging population, we hope to facilitate economic growth by prompting innovation among local companies.

The Bank has accordingly upgraded its operations by implementing funding schemes and other such initiatives in a manner that is in step with the times. As a result, since the year 2000 alone we have managed to invest a total of ¥5.6 billion in approximately 400 companies, about 30 of which have already gone public. Going forward, we intend to invest a further ¥5.0 billion over a period of about one decade.

The Bank’s Sustainability Management Practices

Utilizing the Bank of Kyoto Group’s management resources, we...

- Continually increase enterprise value on a long-term basis
  - * Enterprise value = Economic value (market capitalization, ROE, etc.) + Social value (SDGs, ESG, etc.)
- Continually address stakeholder expectations on a long-term basis
  - * Stakeholders = customers, employees, communities and the environment, shareholders and investors
- Help to achieve a sustainable society

→ **Sustainability management practices occupy a higher level of our management principles**

Securities Held for Strategic Equity

In recent years, we have been receiving an increasing number of inquiries particularly from investors regarding the Bank’s holdings of securities held for strategic equity. This warrants an explanation of the current situation, which is one whereby the Bank verifies the need for holding such equities based on factors that include the benefits and capital costs associated with ownership on a yearly basis, and confirms the economic rationale of such ownership. Consequently, the Bank has been gradually reducing its number of strategic equity holdings to the point where its portfolio at the end of the most recent fiscal year on March 31, 2021 contained 149 holdings, which is a decrease of 5 holdings compared to the previous fiscal year. Next, dividend income, which exemplifies benefits the Bank derives from its securities held for strategic equity, has been gradually increasing and reached a level exceeding ¥15.0 billion in fiscal 2020, thereby indicating that it significantly contributes to the Bank’s profits.

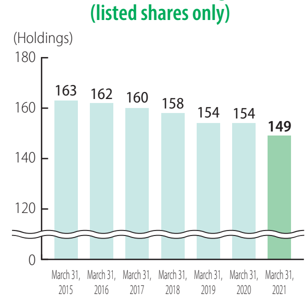
Among such holdings are shares from many listed companies located locally in Kyoto, which will be touched on shortly (pages 6 to 7), and companies that we have held since a time when the Bank acted to facilitate their growth. This involved offering financing as well as actively investing in such entities at a time when they were regarded as venture companies. Those former venture companies ended up achieving remarkable growth and went on to become world-renowned Kyoto companies. As such, the value of shares which the Bank held when the entities were venture companies has since increased dramatically, serving as a major source of the Bank’s profit and financial soundness.

Some investors have apparently described the Bank as an investment banking success story given this track record. However, we are a regional financial institution, not an investment bank. Whereas an investment bank would seek to maximize its own profits by selling holdings to reap the fruits of an investee’s growth, as a regional financial institution our first priority is that of considering how best to gain benefit from such results while maintaining holdings of Kyoto company shares when there is economic rationale for maintaining such holdings. We also prefer to ensure that the community, as well as the Bank, reaps such fruits of success in various ways. Premised on that desire, we seek to help bring about virtuous cycles in terms of sustainable growth of local companies and sustainable growth of local economies by actively investing in start-up support and business succession support.

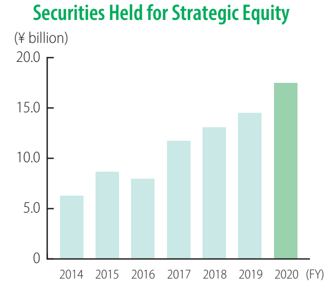
On the other hand, we also deem it necessary to further reduce portfolio holdings by raising standards of economic rationale for maintaining holdings given significant changes in the business environment.

At any rate, the Bank’s securities held for strategic equity whose valuation gains exceed ¥1 trillion constitute important management resources for its operations. As such, management will accordingly strive to further seek the understanding among investors of the Bank, which focuses on enhancing engagement. At the same time, we will seek optimal solutions that are readily comprehensible across a wide range of stakeholders, which will also bring about an increase in the enterprise value of the Bank.

Number of Holdings (listed shares only)



Dividend Income from Securities Held for Strategic Equity



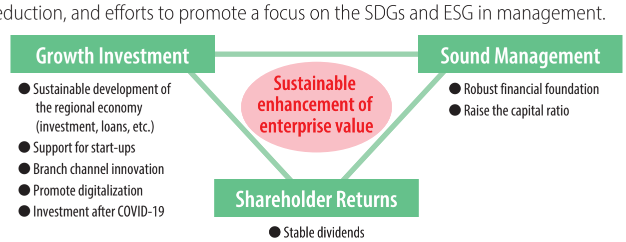
A Triple Balance: Growth Investments, Ensuring Sound Management, and Enhancing Shareholder Returns

In the management of a regional financial institution, we had long regarded the keys to continuously enhancing enterprise value to be deftly balancing growth investments, ensuring sound management, and enhancing shareholder returns.

In this environment, the current COVID-19 pandemic has brought home to me the relationship between the "role of a bank" during a sharp economic contraction and "ensuring soundness" in preparation. In cases where the economic environment for companies deteriorates suddenly, such as the recent COVID-19 shock, naturally it is the role of banks to support corporate liquidity until conditions recover. At the same time, banks bear the risk of a deterioration in their operating conditions due to future increases in the cost of credit. Nevertheless, I believe that regional financial institutions exist to support regional companies in withstanding adverse environments, regardless of future risks, in order to protect regional economies. However, to fulfill this role, banks themselves must have considerable strength. The Bank also recorded a significant increase in the cost of credit in its fiscal 2020 financial results compared to the level of an average year, but it was easily recovered by considering the robust financial foundation that the Bank has built up, and even if the economy were to take even longer than expected to recover, we would be able to continue supporting regional companies without any impact on our management framework. This past year has been a very real reminder that in order for banks to play their role during an economic recession, it is important that management strives to ensure sound management during ordinary times.

On the other hand, we have increased shareholder returns in line with our initial plan in order to meet the expectations of our shareholders. The Bank has long had a basic policy of returning a stable dividend, and from the fiscal year ended March 31, 2021 we have increased our guideline dividend payout ratio by 5 percentage points, from 25% to 30%.

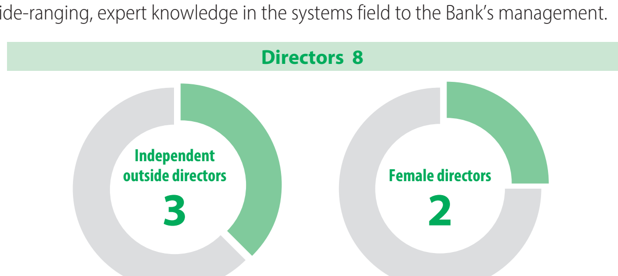
Turning to growth investments, we intend to focus on areas such as corporate financing and related investments, based on the realization that the sustainable development of the local economy will support the Bank's growth. Of course, we will promote initiatives towards digitalization; and in line with our Policy on Loans and Investments for Achieving a Sustainable Society, we will also work proactively in support of start-ups, resolution of environmental issues including climate change risk reduction, and efforts to promote a focus on the SDGs and ESG in management.



Initiatives to Strengthen Governance

As part of establishing unwavering trust from all of its stakeholders, the Bank is working to strengthen corporate governance based on management transparency and soundness.

In order to streamline the Bank's management structure, on June 29, 2021, we changed the composition of the directors, reducing the total number of directors to eight, including three outside directors. In addition, one of our outside directors has joined us after recently serving as a representative director for NTT DATA SYSTEM TECHNOLOGIES INC., bringing a wealth of experience as a corporate manager and wide-ranging, expert knowledge in the systems field to the Bank's management.



Enabling Everyone in Our Communities to Lead More Fulfilling Lives

Recently, we have seen a growing movement towards promoting the SDGs and ESG, as well as thinking about the optimal benefit to the entire community in terms of three aspects: economy, environment, and society. The Japanese word for "economy" is said to derive from a classical Chinese phrase meaning "to fix the problems in society and relieve the hardship of people." Economic growth and development are certainly important to the extent that they improve people's lives, but economic growth itself is not the final goal by any means. For people to lead fulfilling lives, it is also important to have a natural environment in cities and regions, and a society that enables encounters and relationships between people. Rather than having an excessive bias towards the economy, it is necessary to think of the future of communities in terms of all three aspects. Many people have probably recognized that the COVID-19 pandemic has provided an admirable opportunity for many people to reaffirm that the environment and society contribute vitality and richness to their lives, helping them to notice the value of regions with abundant nature by moving out of the cities and to observe the value of face-to-face interaction by restricting contact between people.

Conversely, the services provided by the Bank can also be seen as an essential form of social capital for enabling everyone in communities to lead more fulfilling lives. Therefore, we place particular value on our branches, which provide a point of contact with our customers. The Bank is currently focusing on consulting services, such as corporate management, business succession, asset management, and inheritance measures. These services require an especially human touch to respond properly to customers' issues, and I feel that our continued survival depends to a significant degree on our ability to provide them. Until now, we have served our customers as a wide-area regional bank by establishing branches closer to them and working to cultivate wider and deeper connections with them. We will utilize these branches to provide high-value-added services with a human touch that cannot be rivaled by other banks.

At the same time, the Bank is also working to provide more convenient and higher-quality services that are "digitally connected," by connecting with all of our customers digitally. In the future, we believe that our real-world branches will receive fewer customer visits as customer contact points, but will actually play an even more important high-value-added role than before. On the other hand, we believe that digital transactions will not only increase in number as the services expand, but also that they will play a role in providing new services that leverage digital characteristics. The Bank has stated its aim is to achieve the best mix of face-to-face and digital services. We will build a business model that enables customers to choose between real (branch) service and digital service depending on which best meets their needs at the time. In doing so, we will work to enable customers to lead more fulfilling lives in terms of the financial aspect.

80th Founding Anniversary of the Bank

The Bank will mark its 80th founding anniversary in October 2021. Looking ahead to our 90th and 100th anniversaries and asking myself about the purpose for our existence as a corporation, it seems to me that everything really stems from our determination to work towards the realization of communities in which everyone can lead more fulfilling lives.

The Bank of Kyoto Group will continue its corporate activities aiming to achieve even greater growth, while taking a holistic perspective of optimizing the three aspects of economy, environment, and society, as we work together as one to enable everyone in our community to lead more fulfilling lives.

I would like to thank you for your continued support and kind consideration.

Nobuhiro Doi

Nobuhiro Doi
President
The Bank of Kyoto, Ltd.

Sustainability Management

Approach to Sustainability Management (SDGs)

The Bank of Kyoto Group has always conducted its business based on the management principle of “Serving the Prosperity of the Community.” The Bank is committed to solving local, social, and environmental issues to help achieve SDGs.

Structure for Promoting SDGs

The Bank established a Sustainability Management Promotion Committee in January 2021 to discuss key sustainability-related challenges (including SDGs and ESG) and promote Group initiatives.

Formulation of the Policy on Loans and Investments for Achieving a Sustainable Society

In January 2021, the Bank formulated its Policy on Loans and Investments for Achieving a Sustainable Society. Under this policy, the Bank seeks to reduce and avoid negative impacts by limiting investment in and loans to businesses related to coal-fired power generation. At the same time, the Bank will endeavor to increase and create positive impacts by supporting regional start-ups, innovation, and growth, as well as contributing to solutions to environmental problems. In this way, the Bank endeavors to help create a sustainable society. The Bank has started offering two types of loan products that support customers’ SDGs and ESG management.

Initiatives to Reduce Environmental Impact

The Bank formulated its Environmental Policy in 2008 and has taken action to reduce its environmental impact under its Environmental Plan. At present, a new plan that goes a step further in the aim of achieving a carbon-neutral society is being composed.

Environmental Plan Stage 1 (FY2008–FY2013) → Environmental Plan Stage 2 (FY2014–FY2016) → Environmental Plan Stage 3 (FY2017–FY2019) → **Strengthen addressing climate change**

Results of Environmental Plan Stage 3

Targets: Reduce power, gas, and gasoline consumption by 1% or more per year versus FY2016

Result: All targets achieved despite new branches opening (increased from 172 to 174)

	FY2016 (base year)	FY2017	FY2018	FY2019
Power consumption (thousand kWh)	23,962	23,481 (–2.0%)	22,444 (–6.3%)	20,168 (–15.8%)
Gas consumption (thousand m^3)	488	481 (–1.4%)	459 (–5.9%)	425 (–12.9%)
Gasoline consumption (thousand liters)	416	399 (–4.0%)	382 (–8.1%)	376 (–9.6%)

( ) indicates comparison with FY2016

History of the Bank of Kyoto

Becoming Kinki's Leading Bank

1941–1959

Established in northern Kyoto

- 1941 ● Established Tanwa Bank (Fukuchiyama City, Kyoto Prefecture)
- 1943 ● Opened the Kyoto Branch (now Shichijo Branch)
- 1950 ● Commissioned to provide main depository service for Kyoto Prefecture
- 1951 ● Changed name to the Bank of Kyoto
- 1953 ● Relocated the Head Office to Kyoto City (current location)
- ● Opened the Osaka Branch

Relocated the Head Office to Kyoto City

1960–1979

Road to becoming an urban-type regional bank

- 1963 ● Opened the Tokyo Branch
- 1966 ● Completed the current Head Office
- 1973 ● Listed on the Kyoto Stock Exchange
- 1978 ● Total deposits exceeded ¥1 trillion

Became Kinki's leading regional bank

1980–1994

Tackling Japan's financial Big Bang

- 1984 ● Listed on the Second Sections of the Tokyo Stock Exchange and Osaka Securities Exchange
- 1986 ● Total deposits exceeded ¥2 trillion
- ● Changed designation to the First Sections of both exchanges
- 1989 ● Opened the Hong Kong Representative Office
- 1990 ● Total deposits exceeded ¥3 trillion

First Kinki regional bank to exceed total deposits of ¥3 trillion

From a Local Bank in the Tango Area to Kyoto's Bank and then Kinki's Bank

The Bank of Kyoto was established in October 1941 as Tanwa Bank in Fukuchiyama City, Kyoto Prefecture through the merger of banks in northern Kyoto. Under a priority production system, the post-war recovery period put Kyoto's economy—with its focus on traditional and textile industries such as Nishijin-ori and Tango Chirimen weaving—at a disadvantage. Financial conditions in Kyoto City were thus extremely tight, with a bank loan-deposit ratio significantly lower than the national average, and small and medium-sized businesses were experiencing particularly severe financial difficulties. There were increasing calls for a locally headquartered bank to take on the role of facilitating finance for small and medium-sized companies, and the Bank responded by relocating its Head Office to Kyoto City in 1953. Against this backdrop, the Bank provides support from a financial aspect to small and medium-sized companies in Kyoto City and across all areas of Kyoto Prefecture, firming its position as a locally headquartered bank.

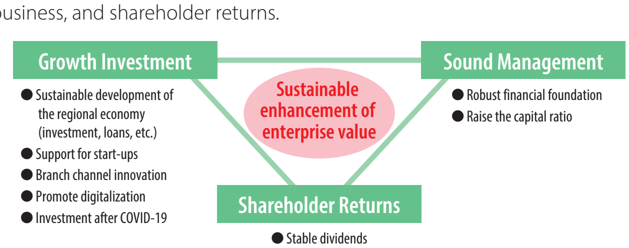
Strengths of the Bank of Kyoto

History of Supporting Start-Ups and Growth Businesses

As Japan's ancient capital, Kyoto has long nurtured culture and industry with a climate rich in entrepreneurial spirit responsible for creating many new things. The Bank actively provided these promising venture companies with financial support through loans and investments (shareholdings) or backed their growth by dispatching human resources (Bank employees). Even now, the Bank implements sophisticated initiatives tailored to the times, such as utilizing fund schemes to support founding and growing businesses.

Triple Balance for Sustainable Enhancement of Enterprise Value

The Bank believes that it must put into action a well-balanced, three-pronged strategy of aggressive investment in growth (including the support for start-ups and growth businesses outlined above), sound management of its own business, and shareholder returns.



Growth Investment

Companies that the Bank aggressively supported in founding or for growth have grown to become major global corporations and back the Bank's earnings in the form of dividends, which in turn have become the source for the Bank's next growth investments. Aggressive growth support for regional companies such as this is proof of the growth model of a regional financial institution that has grown together with local companies. The Bank is aggressively working to expand its network of bases and enhance human capital to realize its strategy and differentiate from other regional financial institutions.

Sound Management

Aggressively lending to and investing in companies with potential since the founding of the Bank has created shareholder revenue and appraisal gains, which has strengthened its financial foundation. The Bank has also carefully managed the deposits that customers have entrusted to it. The Bank has maintained a steady approach to management, never forgetting its management principle of "Serving the Prosperity of the Community." Even following the collapse of the bubble economy when many financial institutions were forced to spend time disposing of non-performing loans, the Bank was able to quickly complete that process and move to an aggressively offensive management stance.

7th Medium-Term Management Plan
"Phase Change 2020"

Becoming a Top 10 Regional Bank

1995–1999

Strengthened management base and improved structure

1998 ● Started over-the-counter sales of investment trusts

1999 ● Opened the Direct Banking Center

● The Bank recorded its sole loss

Early disposal of non-performing loans

2000–

Growth as a wide-area regional bank

Expanded the operating area (market)

2000 ● Opened the Kusatsu Branch (Shiga Prefecture)

2004 ● Opened the Takanohara Branch (Nara Prefecture) and Amagasaki Branch (Hyogo Prefecture)

2010 ● Established Kyoto Banking College

2011 ● Opened the Nagoya Branch (Aichi Prefecture)

2013 ● Built the Higashinagaoka Branch as a zero-CO_2 emissions branch

Expanded into new business areas

2001 ● Started agency sales of non-life insurance

2002 ● Started agency sales of life insurance

2004 ● Relocated the core system to the NTT Data Regional Bank Integrated Service Center

● Opened the Shanghai Representative Office

2012 ● Opened the Dalian Representative Office

2013 ● Opened the Bangkok Representative Office

2017 ● Began operations at Kyogin Securities Co., Ltd.

2018 ● The Bank entered the trust service business

2020 ● Started recruitment agency business

Shift to a comprehensive financial solutions business

Developed as a Wide-Area Regional Bank and Evolving into a Comprehensive Financial Solutions Business

Following the collapse of Japan's bubble economy, many financial institutions, including city banks, rushed to stabilize their operations as they were forced to dispose of non-performing loans, and boosting profitability also became an urgent issue. Many of these institutions advanced a strategy of selection and concentration, narrowing their areas of business to better focus the use of management resources. The Bank quickly completed the disposal of its non-performing loans and expanded its market area by adopting a broad-based strategy while other financial institutions adopted a downsizing and balancing strategy. The Bank had also been an early proponent for working to build a business model around providing solutions to customers' issues, and moved ahead on expanding its business domain. With these two types of expansion, the Bank of Kyoto has grown to become one of the top 10 regional banks in terms of total funds. The Bank has steadily enhanced its presence in its home market of Kyoto Prefecture, where city banks and credit unions already jostled for position, and has captured more than 30% share of loans in the prefecture as of the end of March 2020.

Shareholder Returns

The Bank is able to provide stable shareholder returns through earnings acquired by aggressive growth investment and sound Bank management that supports soundness. The Bank has responded to shareholder expectations by raising the dividend payout ratio from 25% to 30%.

Built an Independent Wide-Area Network

Since opening the Kusatsu Branch in December 2000, the Bank has developed into a wide-area regional bank through expansions in both the market (sales) area and the scope of its business (services).

As a result of expanding the market area, the Bank has grown to 174 branches as of the end of March 2021 and independently built a wide-area network encompassing five prefectures in the Kinki region (Kyoto, Osaka, Shiga, Nara and Hyogo), as well as Aichi Prefecture and Tokyo.

Each prefecture in which the Bank has expanded its sales area has its own characteristics, which in addition to being able to provide unique solutions also means the Bank is resilient to regional industrial structure risk.

High-Value-Added Sales Structure

In addition to expanding its market (sales) area, the Bank made early efforts to build a business model that provides solutions to customers' issues. In the M&A business, the Bank has actively expanded the scope of its business (services), appointing a specialist in 2007, beginning operations at Kyogin Securities Co., Ltd. in 2017 and moving into the investment trust business in 2018. In this way, the Bank enhances its enterprise value by providing new value added through effort to develop solutions businesses.

Creating a Foundation of Quality Human Resources

From the very beginning, the Bank has sharpened its discernment skills in the process of offering loans, investments and other support for regional company growth and the emergence of new industries. Furthermore, the foundation that allowed us to pursue an expansion strategy for over 20 years since 2000 is creating a foundation of quality human resources and ongoing recruitment and training program. Moreover, the Bank has built a framework that supports the success of a diverse workforce including external human resources/outside personnel, women, and experienced seniors.

The Industry of Kyoto Prefecture

In Kyoto Prefecture, the economy possesses various strengths that are embedded in Kyoto's unique value-added industrial structure, including high-tech industries developed by adding a new wisdom to the excellent techniques of traditional industries, as well as the tourism industry and the traditional industries built upon the city's 1,200 years of history and culture.

Top Nationally Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	9.6 billion yen (35%)
	Spectral photometers	5.2 billion yen (26%)
	Material testing machines	13.0 billion yen (39%)
	Medical X-ray equipment	20.4 billion yen (14%)
Traditional crafts	Ready-made kimono, obi	6.8 billion yen (38%)
	Chirimen textile	2.8 billion yen (79%)
Food and beverages	Sake	61.2 billion yen (13%)

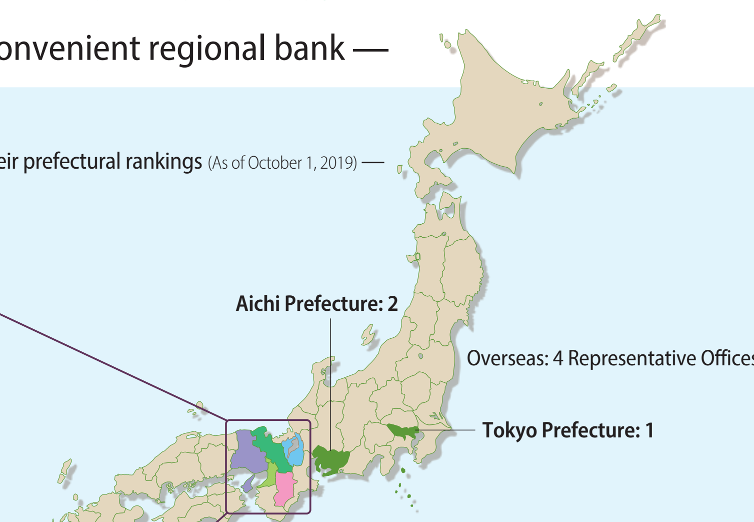
(Source)
METI: FY2018 industry statistics
(domestic market share in %)

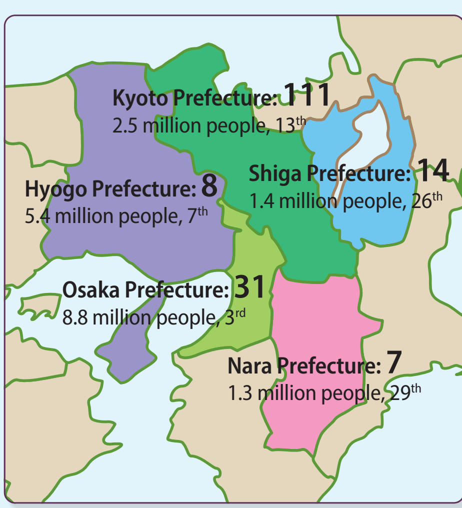
Operating Area and Population within the Area

— Aiming to be a comprehensive and convenient regional bank —

Our Network

— The populations within areas in our operating area and their prefectural rankings (As of October 1, 2019) —

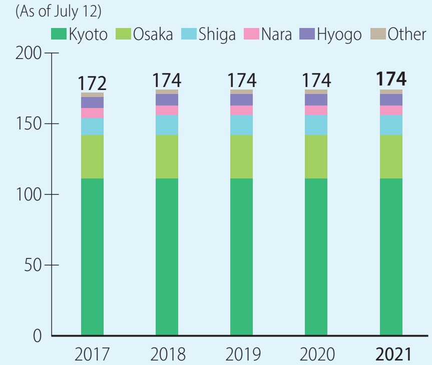




Total population within our operating area: 19.2 million people
Percentage of total population of Japan: approximately 15%

Number of Branches in Our Operating Area

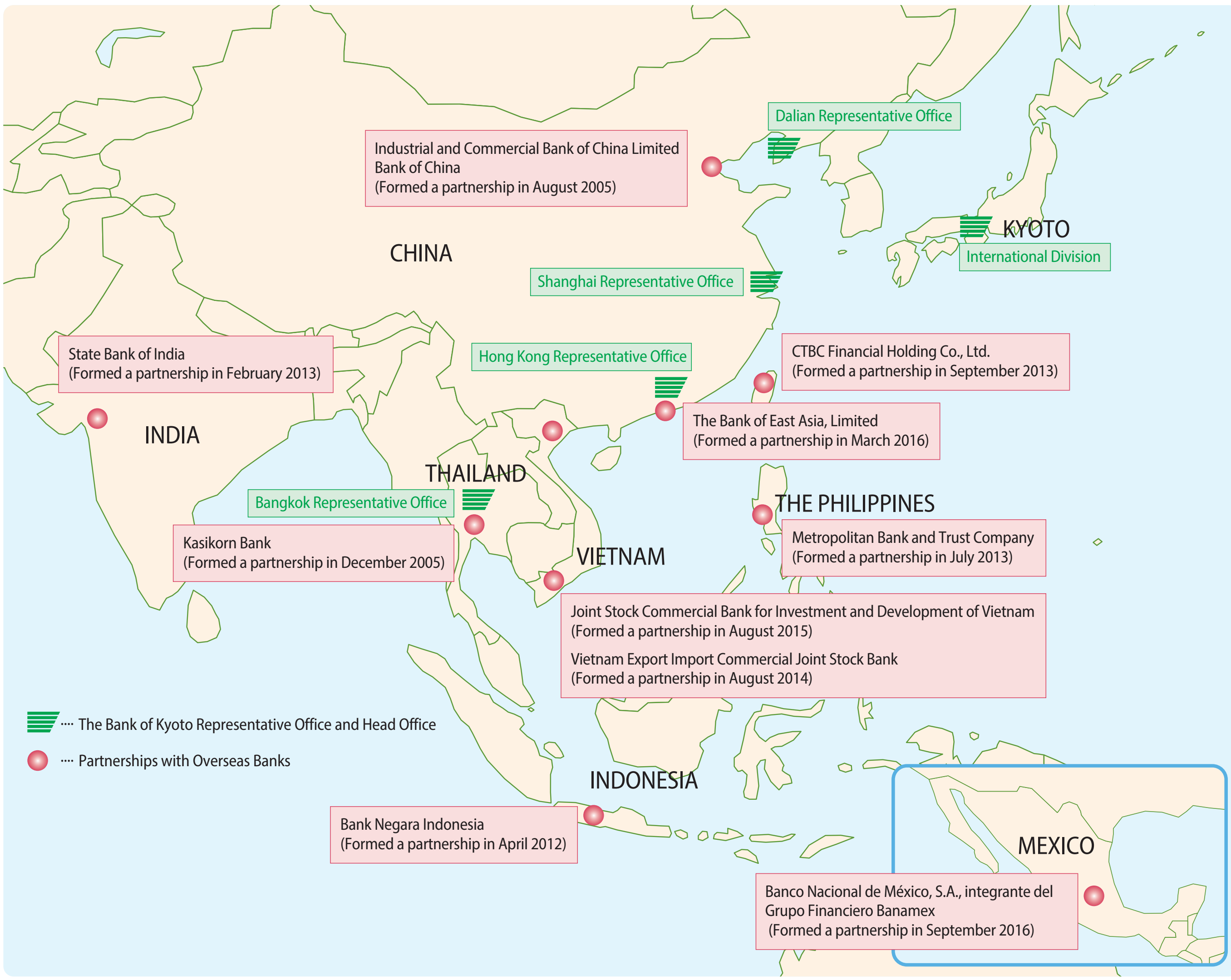
(As of July 12)



Support for Overseas Operations

The Bank opened its Hong Kong Representative Office in 1989, and now has representative offices in Shanghai, Dalian, and Bangkok and alliances with 11 overseas financial institutions, forming a strong overseas network mainly in East and Southeast Asia.

Creation of an Overseas Network



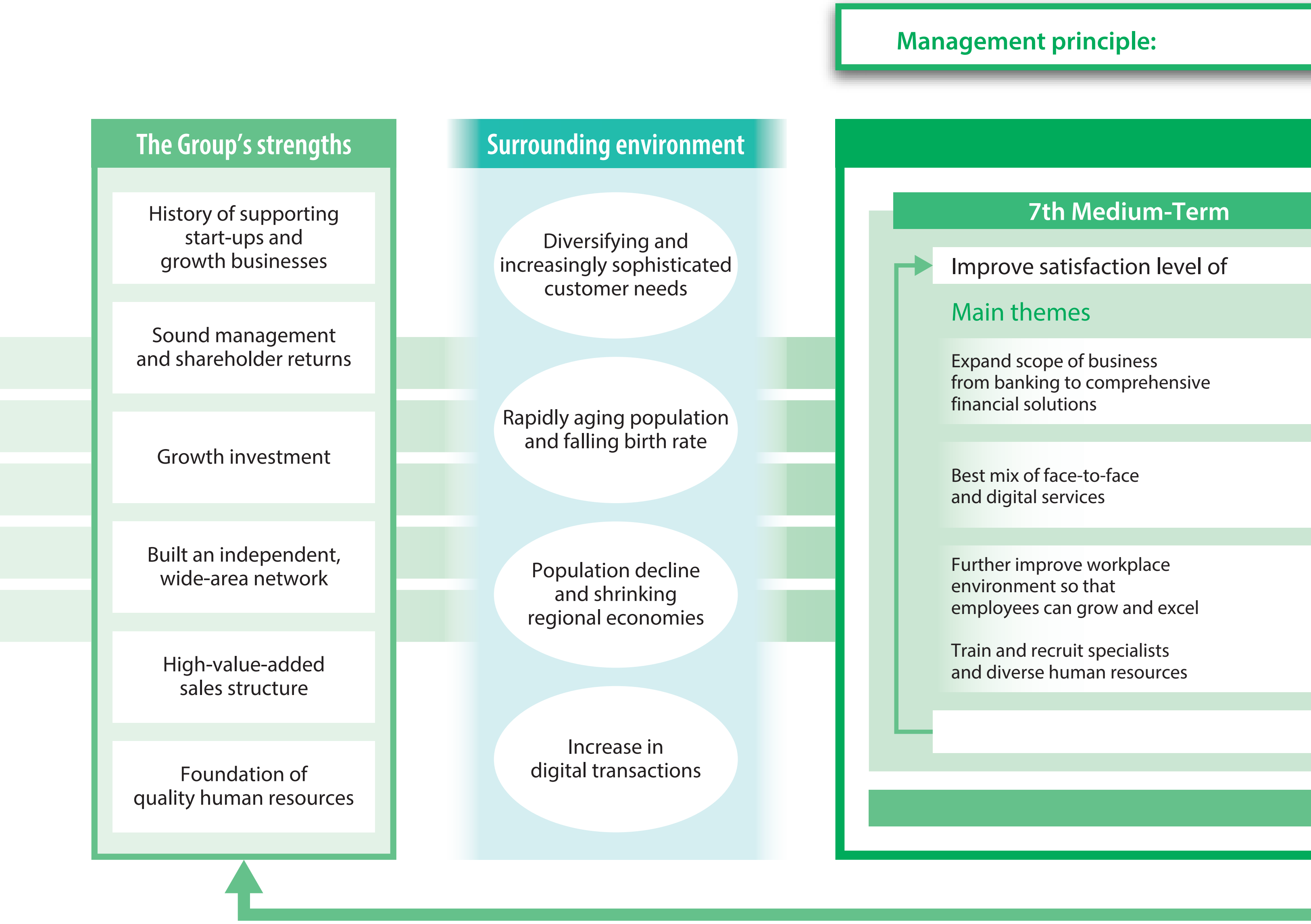
Fiscal 2019 Loans to Overseas Subsidiaries of Japanese Companies

Cross-Border Loans Total of 38 loans executed	
THB denominated	19 loans
USD denominated	13 loans
JPY denominated	5 loans
RMB denominated	1 loan

Stand-by L/Cs Total of 24 L/Cs executed	
RMB denominated	18 L/Cs
THB denominated	3 L/Cs
USD denominated	2 L/Cs
JPY denominated	1 L/C

The Bank of Kyoto Group's Value Creation Process

—Working toward a Sustainable Society—



Strategies to Strengthen Consulting Capabilities

Business Consulting

Business Climate

Our business customers do not only require financing from financial institutions. Their needs are diverse and have become increasingly sophisticated. The Bank is helping customers to solve diverse problems through consulting-based sales activities under the 7th Medium-Term Management Plan, which aims to further expand business scope to evolve into a comprehensive financial solutions business.

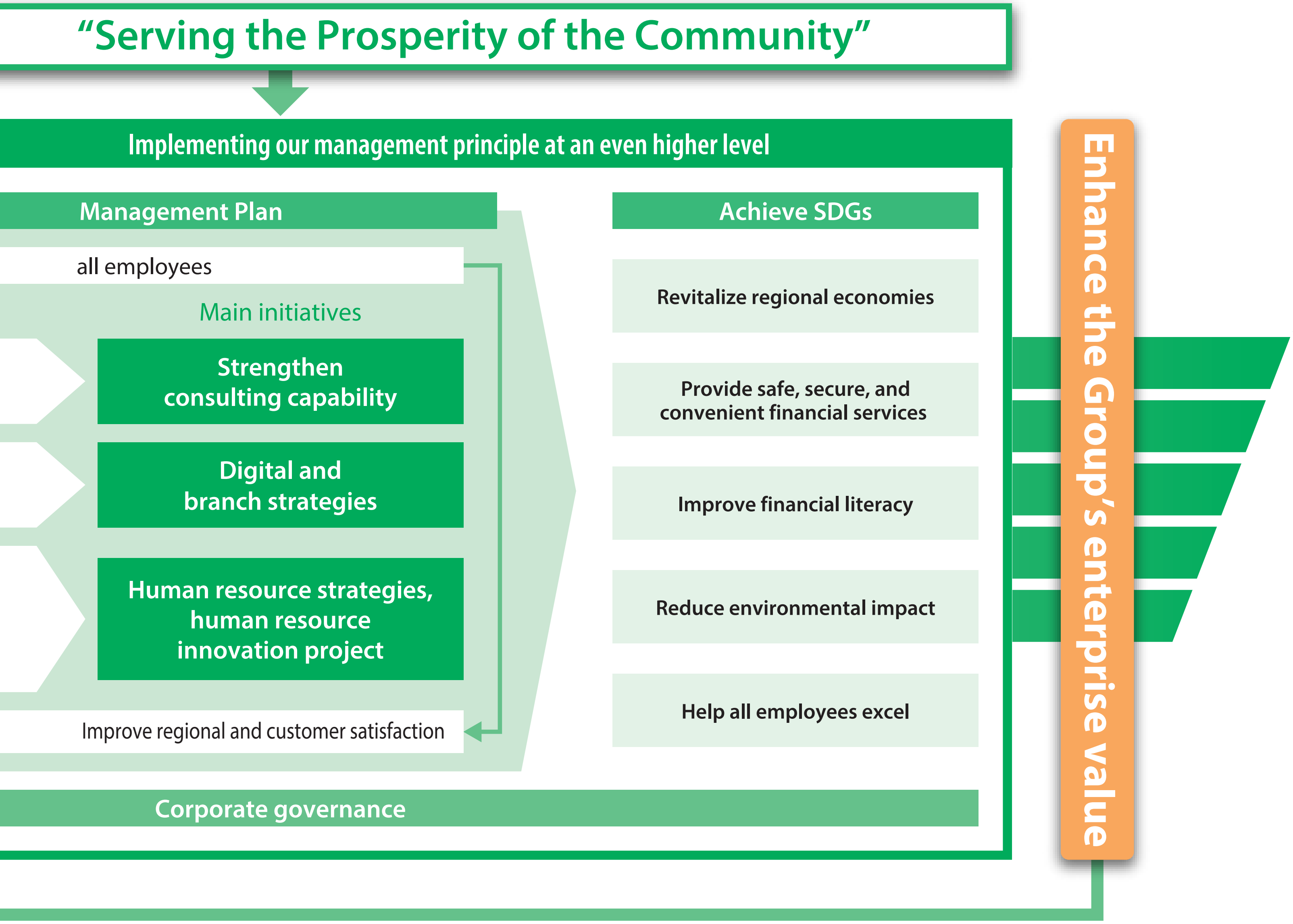
Support for Start-Ups and New Businesses (Early Phase)

In addition to relationship investment (i.e., the Bank is a direct shareholder), the Bank has invested in total around ¥5.6 billion in 400 companies through a fund scheme since 2000. As of March 31, 2021, about 30 of these companies had listed on the stock market. The Bank launched the Kyogin Bright Future Support Fund, its own fund, in February 2016 to strengthen its capital function. The fund, with assets under management of ¥2.5 billion, had invested roughly ¥1.5 billion in 31 companies as of March 31, 2021.

Support for Growth (Growth Phase)

Business-Matching

The first hurdle in finding a new buyer for a business is to gain an interview opportunity. The Bank's business-matching service offers a seamless referral service with a wide-area network of 174 branches in 5 prefectures within the Kinki region, Aichi Prefecture, and Tokyo.



Support for Management Improvement and Business Rehabilitation (Stability and Maturation Phase)

The Bank is working closely with regional business rehabilitation support networks and external specialist organizations, and utilizing various business rehabilitation schemes to proactively provide financial support based on cooperation between financial institutions.

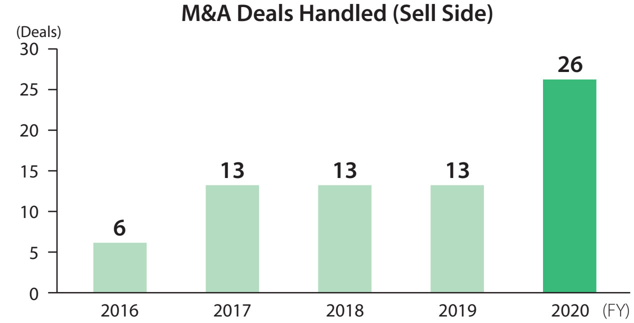
Recruitment Agency (Growth, Stability, and Maturation Phase)

The Bank started a recruitment agency business in April 2020 to refer jobseekers to potential employers. As a result, the Bank has been selected as a Pioneering HR Business by the Cabinet Office and received indirect subsidies.

M&A Support (Growth, Stability, and Maturation Phase)

The Bank began an M&A business in 2001. Today, it has a well-developed structure for providing solutions to customers. The Bank’s consulting structure covering the full process from deal origination to execution has won customers’ trust. Since the first deal in 2003, the Bank’s M&A team has helped 148 companies with M&A deals.

M&A Deals Handled (Sell Side)



Business Succession Support (Growth, Stability, and Maturation Phase)

The Bank started providing business succession support services in 2009, as well as gaining experience in business succession schemes utilizing managed funds. In March 2021, the Bank established its first business succession fund with a total of ¥3 billion, planning to increase assets under management to ¥10 billion in 10 years.

Public Dealings

The Bank has concluded partnership agreements with 15 local public bodies to work with them in regional revitalization.

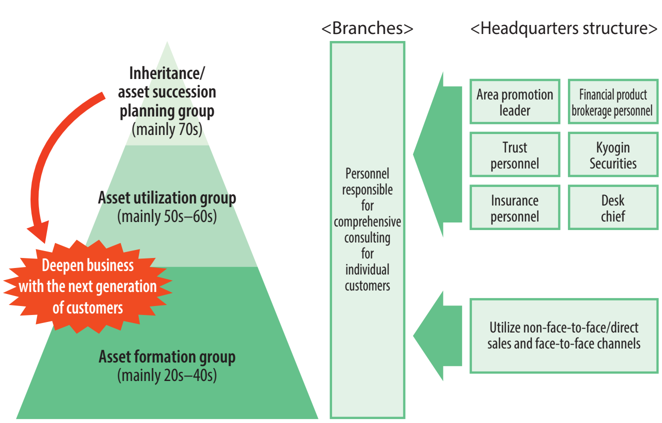
Agreement date	Party to agreement
July 2015	Kyotango City
June 2016	Joyo City
July 2016	Kyoto Prefectural Public University Corporation, Kyoto Prefectural University of Medicine, Kyoto Prefectural University
September 2016	Uji City
September 2016	Shiga University
October 2016	Kyotanabe City
October 2016	Katano City
November 2016	Kumiyama-cho
December 2016	Maizuru City
December 2016	Kyoto Women's University
March 2017	Yosano-cho
June 2017	Seika-cho
October 2018	Kyoto Labor Bureau
August 2020	Fukuchiyama City
March 2021	Kyoto City

In January 2021, the Bank established the Kyogin Machizukuri Fund (assets under management of ¥200 million, of which the Bank invested ¥100 million) with the Organization for Promoting Urban Development. In March 2021, the Bank collaborated with Shinkin banks with head offices in Kyoto and destination marketing organizations (DMO) to establish the Chiikizukuri Kyo Fund (assets under management of ¥200 million, of which the Bank invested ¥40 million) as an initiative for rejuvenation of regional resources and area revitalization.

Individual Consulting

As with business consulting services, the Bank has built a high-value-added sales structure to provide comprehensive individual consulting services. The branches, Head Office, and Group companies work as one to offer one-stop banking, securities, and trust services to provide quality consulting appropriate for each customer's life stage.

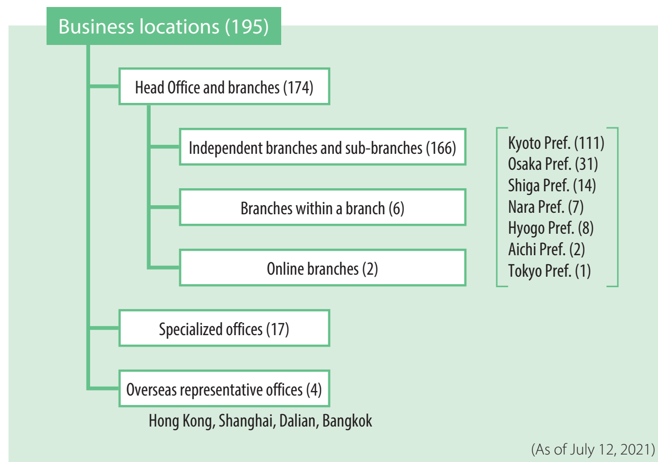
Shifting from Financial Instruments Sales to Consulting Sales (Phase Change)
—Know Your Customers Well and Take Action!—



Branch Strategies

A lack of finances and reserves to respond to changes in the income environment means pressure to cut costs to keep branches open, and possibly a decision to scale down by closing branches and other means. However, the Bank has maintained a high level of financial soundness and adopted a branch strategy that focuses on enhancing consulting functions even further while making branches more efficient, because it believes that helping local customers tackle challenges is the mission of regional financial institutions.

[Bank Location Lineup]



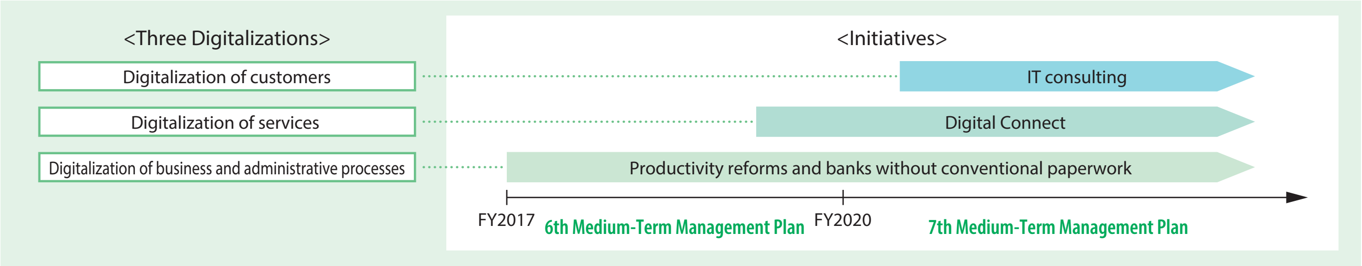
The Bank has specialist offices in all regions to fulfill the needs of its customers, which have become more diverse and sophisticated. For individual customers, we have 10 loan sales offices covering a sales area of 120 branches. In July 2021, the Bank opened a new office in Fukuchiyama City, Kyoto Prefecture that specializes in individual consulting services such as inheritance and asset succession. For corporate customers, the Bank opened two corporate offices in Hirano Ward, Osaka and Akashi City, Hyogo Prefecture.

Many of the Bank's branches are in prime locations, and are being effectively utilized to serve local needs by combining branches with other businesses. In addition to the Kawaramachi Branch in Kyoto (opened in June 2021 with a hotel above the branch), the Sai and Yamashina Branches in Kyoto are also planned (scheduled to open in FY2022 alongside rental dormitories that will be open to the public).

Digital Strategies

In June 2019, the Bank established the Innovation & Digital Strategy Division responsible for planning, designing and oversight of its digital strategy. The new organization is driving the three digitalizations: digitalization of business and administrative processes (within the Bank itself), digitalization of services (provided by the Bank), and promoting digitalization of customers.

Concept Diagram of the Bank's Digital Initiatives



Digitalization of Business and Administrative Processes

As a next-level initiative of the medium-term management plan, the Bank is transitioning 80% of its conventional administrative work to non-face-to-face, tablet-based work with the goal of becoming a bank without conventional paperwork.

Digitalization of Services

The two main digitalized services for customers are the Kyogin App for individual customers and Kyogin Business Portal for business customers. The Bank provides comprehensive daily life-related services to individual customers and comprehensive solutions to business customers. Moreover, the Bank is working on a framework that maximizes the fulfillment of customer needs by making personalized proposals that harness digital information.

Digitalization of Customers

Sales offices have started consulting sales that help customers solve their problems, and promoting the digitalization of customers is part of this initiative. The Bank is planning opportunities for customers to check out the services of partner companies that support digitalization at Kyogin Digital Connect Sakyo, which opened in May 2021.

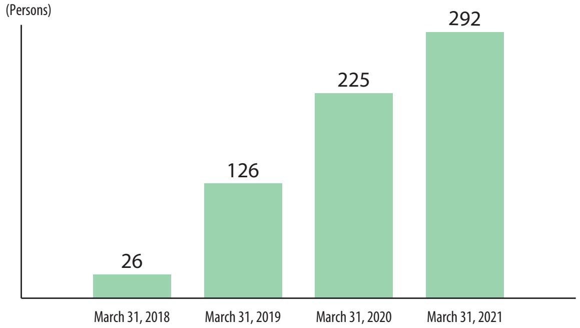
Human Resource Strategies/Human Resources Innovation Project

Fostering Human Resources with a Competitive Edge

As a wide-area regional bank, the Bank of Kyoto has been focusing on growing its business and market areas since 2000. A key factor enabling the Bank to pursue this strategy over the long term is its human resources, and its ability to consistently produce personnel able to deliver quality solutions in new markets. The Bank established Kyoto Banking College as a dedicated human resource training division in 2010 to administer an ongoing program to foster skilled personnel. As a result of the Bank's human resource strategy, the number of employees with financial planning-related qualifications* is 2,491. Among those employees, 318 (as of March 31, 2021) possess CFP or 1st Grade Financial Planner qualifications, which are the crowning achievements of financial planning. Most notably, the number of employees with the CFP qualification is one of the highest among regional banks.

* CFP, AFP, 1st Grade and 2nd Grade Financial Planners

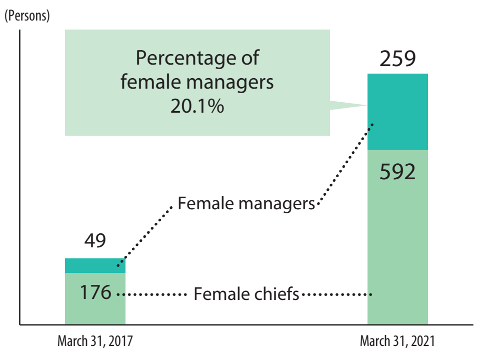
Trends in the Number of Employees with CFP Qualifications



Supporting Women's Career Success

The Bank has continued to support the success of female employees since launching the Women's Career Support Project in FY2007. As of March 31, 2021, the Bank achieved its initial target of 20% of female managers, making significant progress for women to succeed in the workplace.

Trends in the Number of Female Chiefs and Managers



Supporting the Careers of Senior Employees

At a time when healthy lifespans are expanding, the retirement of employees who have nurtured skills and experience over many years of service may not be ideal for them or for a company. In 2014, the Bank set up its Active Senior Program to enable employees to continue working until the age of 70. In March 2020, the age limit was raised to 75 and the Bank provides greater flexibility in terms of workplaces and work styles for senior workers.

Financial Review (Consolidated)

Financial and Economic Environment

During the consolidated fiscal year under review, the Japanese economy continued to pose challenging circumstances with no end in sight regarding COVID-19 throughout the year, amid a scenario where the economy started off from a record downturn due to the pandemic, but then mounted a modest recovery buoyed by all-out mobilization of fiscal and monetary policy. During the year, consumer spending increased due to effects of stay-at-home demand and measures to stimulate consumption, while exports remained firm amid worldwide economic recovery. Effects of policy measures helped to curb deterioration of the employment and income environment. However, the fiscal year ended amid escalating uncertainty about the future, particularly given that the latter half gave rise to concerns regarding a resurgence of the pandemic and effects of tensions between the United States and China, amid a scenario of diverging corporate performance becoming progressively apparent.

Business Progress and Results

Regarding main accounts, deposits totaled ¥7,989.5 billion, an increase of ¥872.5 billion from the previous fiscal year, reflecting substantial growth in deposits by corporations and individuals. Negotiable certificates of deposit, however, declined ¥183.4 billion year on year to ¥698.3 billion. As a result, the total of deposits and negotiable certificates of deposit increased ¥689.1 billion to ¥8,687.9 billion.

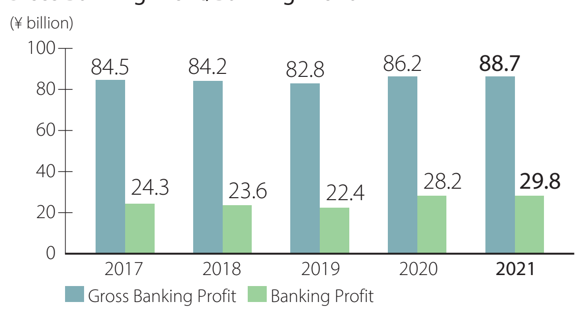
Loans and bills discounted increased ¥241.1 billion from the previous fiscal year to ¥6,059.4 billion, reflecting a significant increase in lending to SMEs as a result of aggressive efforts to support the liquidity of customers affected by the COVID-19 pandemic.

In profit and loss, consolidated ordinary income amounted to ¥108,156 million, a decrease of ¥5,666 million compared with the previous fiscal year, reflecting downturns in interest income of international operations and other income mainly with respect to gains on sales of bonds, offset by an increase in interest income of domestic operations (interest on loans and discounts, interest and dividends on securities, etc.).

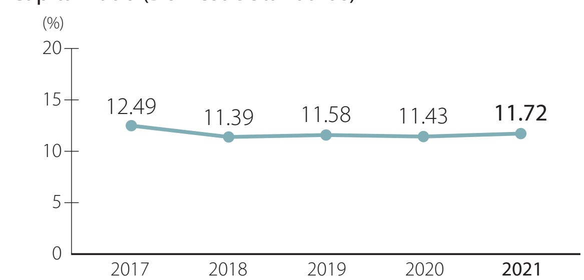
Meanwhile, consolidated ordinary expenses declined ¥200 million to ¥84,391 million, due to a significant increase in provision for allowance for possible loan losses, and despite efforts to reduce general and administrative expenses along with a decrease in interest expense mainly of international operations.

Net cash provided by operating activities during the fiscal year under review was ¥1,437.5 billion (¥115.3 billion last year), with an increase in borrowed money as a result of liquidity provision from the Bank of Japan. Net cash provided by investing activities came to ¥82.1 billion (¥40.1 billion last year), owing to the sale and redemption of securities. Net cash used in financing activities totaled ¥4.5 billion (¥7.5 billion last year), owing mainly to dividend payments. As a result, the balance of cash and cash equivalents increased ¥1,515.1 billion year on year to ¥2,561.7 billion.

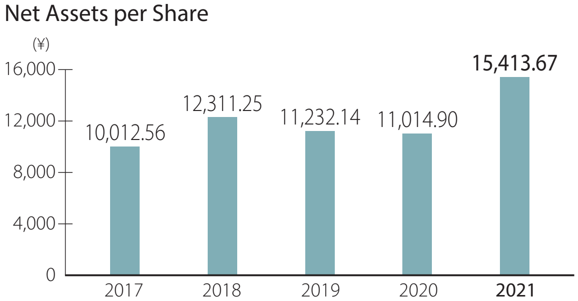
Gross Banking Profit/Banking Profit



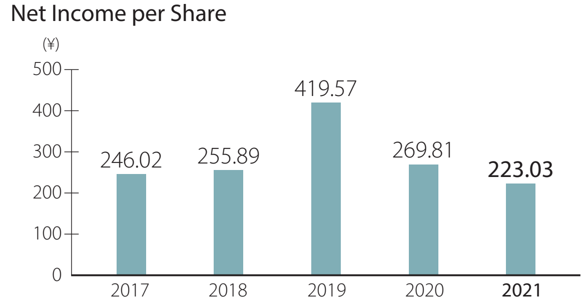
Capital Ratio (Domestic Standards)



Net Assets per Share



Net Income per Share



Note: Share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected October 1, 2017.

Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 11.24% on a non-consolidated basis and 11.72% on a consolidated basis.

In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic Standards	11.24%	11.72%

<Reference>

	Non-consolidated	Consolidated
International Uniform Standards	24.02%	24.42%

Self-Assessment of Assets, Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosed Assets Based on the Financial Reconstruction Law

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2020, the Bank's total disclosed assets, excluding normal assets, amounted to ¥83.4 billion ($753 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 59.8%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 86.1%, which we consider to be a sufficient level.

Financial Reconstruction Law Standard (Non-Consolidated)

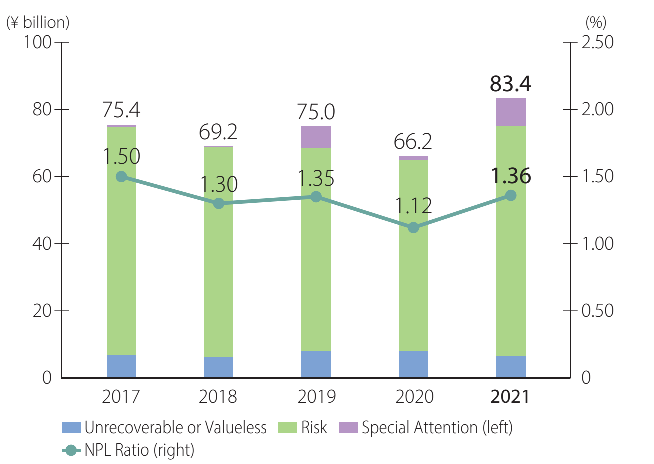
(Billions of yen)

	2021/3	Change from Mar. 31, 2020	2020/3
Unrecoverable or Valueless	¥ 6.5	¥ (1.4)	¥ 7.9
Risk	68.6	11.7	56.9
Special Attention	8.2	7.0	1.2
Subtotal (A)	83.4	17.2	66.2
Normal	6,051.8	231.5	5,820.3
Total	¥6,135.3	¥248.8	¥5,886.5

Notes:

1. From the end of March 2009, we have been calculating Special Attention by standards that reflect the "Measure for facilitation of financing for SMEs through eased lending terms" (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprise only loans and bills discounted.

Financial Reconstruction Law Standard (Non-Consolidated)



Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2021/3	Change from Mar. 31, 2020	2020/3
Allowance for Loan Losses (B)	¥17.2	¥6.8	¥10.4
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	54.6	6.2	48.4
Coverage Ratio (B)+(C)/(A)	86.1%	(2.7)%	88.8%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2021/3	Change from Mar. 31, 2020	2020/3
Loans in Legal Bankruptcy	¥ 2.7	¥ (1.4)	¥ 4.1
Nonaccrual Loans	72.7	11.4	61.3
Accruing Loans			
Three Months or More	—	—	—
Restructured Loans	8.2	7.0	1.2
Total	¥ 83.8	¥ 17.0	¥ 66.8
Total Loans Outstanding (term-end balance)	¥6,059.4	¥241.1	¥5,818.3

Corporate Governance

Having adopted the company with corporate auditors structure, the Bank of Kyoto accordingly works to enhance its corporate governance practices by seeking greater managerial transparency and soundness, which involves having the Board of Directors and auditors monitor directors' execution of business.

The Bank has accordingly built a structure for quick management decision-making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest-ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

Board of Directors

The Board of Directors comprises eight directors (among whom three are outside directors) and has decision-making responsibility for basic policies and important matters related to the execution of the Bank's business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and executive directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Audit & Supervisory Board.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Shareholders after deliberations by the Nomination and Compensation Committee, which is an advisory organization used at the discretion of the Board of Directors, and after being approved as candidates by resolution of the Board of Directors or approved by the Audit & Supervisory Board, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

Restricted Share Remuneration Plan

In June 2021, the Bank introduced a restricted share remuneration plan, which replaces its ESO (employee stock options) system, to reward directors more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this plan will make the Bank's management more strongly focused on shareholder value.

Nomination and Compensation Committee

The Bank has established the Nomination and Compensation Committee for the purpose of ensuring managerial transparency and procedural adequacy particularly when making decisions on important matters regarding nomination and remuneration of its directors and auditors. The committee is currently chaired by an outside director (as of July 1, 2021).

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors and employees of the Bank and its subsidiaries, conforms to laws and the articles of incorporation of the Bank of Kyoto
2. Structures related to the storage and management of information about the execution of business by the Bank's directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and its subsidiaries
4. Structures to ensure that the directors of the Bank and its subsidiaries execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and its subsidiaries
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and its subsidiaries, and structures for reporting to the Bank on the business execution of the directors of the Bank's subsidiaries
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's subsidiaries, or those who receive the reports from these people, as well as other structures related to reporting to auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors

Compliance Structures

Given the public nature of banks, compliance will always be the cornerstone of management.

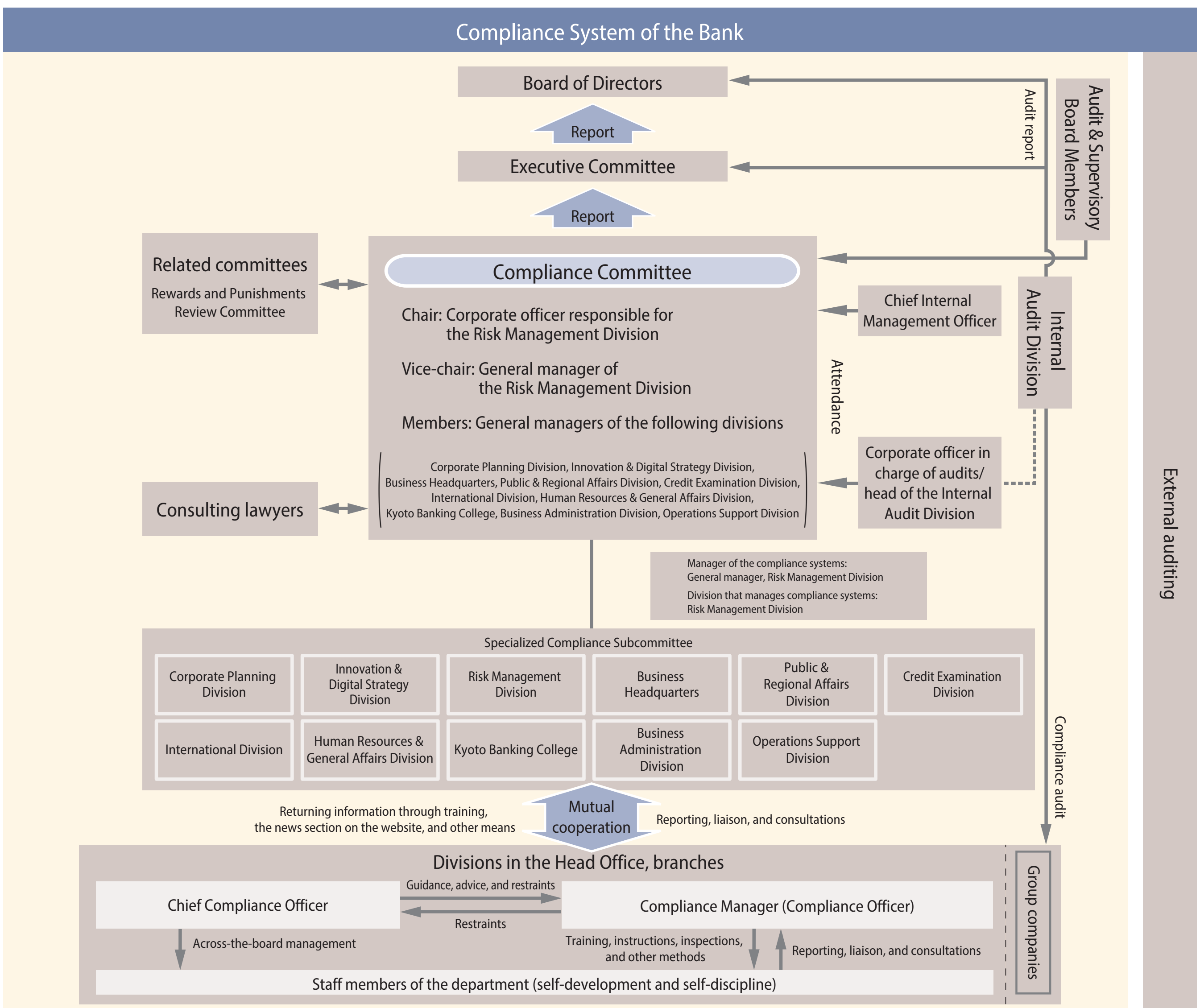
The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers.

We have been strengthening our compliance structures in part by having the Compliance Committee (chaired by the corporate officer responsible for the Risk Management Division) centrally manage and respond to compliance-related problems.

In order to ensure compliance, the Board of Directors establishes compliance programs every fiscal year, and enforces a variety of policies in accordance with these programs.

In light of international requests for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) in recent years, the Bank believes responding to these requests is a critical management issue, and has taken steps to enhance related measures by setting up the Anti-Money Laundering Office within the Risk Management Division.

The Bank also makes every effort to block relationships with anti-social forces through a framework developed based on its Basic Stance on Anti-Social Forces.



As of July 1, 2021

System for Customer Protection and Finance Facilitation

The Bank works proactively to improve customer protection and convenience, while providing customers with appropriate and adequate explanations from a perspective of finance facilitation, such as management consultation, instruction and so forth.

The Bank facilitates lending and management improvement/business restructuring services in the region, working actively to provide detailed service based on a sufficient understanding of the facts and characteristics of customers and to facilitate finance.

Consultation and Complaint System

Our systems respond appropriately to customers' consultation requests and complaints, and we listen carefully to customers' feedback and requests to make improvements.

At the same time, we have put into place a system for solving problems that arise in consultations about complaints, such as those related to changes in loan terms and conditions.

We aim to further improve our reception framework so that corporate customers and individual business owners, as well as customers who have taken out home loans, can easily consult with the Bank of Kyoto about new funding needs or existing banking relationships.

In the event that a customer is not satisfied with our proposed solution for their complaint, we also have a financial ADR (Alternative Dispute Resolution) system for resolving disputes from a fair and neutral standpoint.

With respect to the financial ADR system, we aim to respond quickly, fairly and appropriately to customers' complaints, and by entering basic agreements for procedural execution with the Japanese Bankers Association and the Trust Companies Association of Japan, which are designated dispute resolution organizations.

System for Anti-Money Laundering/Countering the Financing of Terrorism

In recent years, there have been mounting calls worldwide regarding Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), particularly amid ongoing globalization. The Bank has acknowledged AML/CFT as a critical management issue for ensuring business adequacy, and is strengthening related systems.

Specifically, the Bank has created the Anti-Money Laundering/Countering the Financing of Terrorism Committee, headed by the manager in charge of preventing money laundering, to centrally manage and directly respond to problems related to AML/CFT measures.

To take action in this regard, the Bank has positioned its Risk Management Division as the organization in charge of AML/CFT measures by working with other divisions in terms of identifying and assessing AML/CFT risks currently faced by the Bank, and then putting in place measures to mitigate these risks.

As a basic policy for AML/CFT, the Bank has created and publicly released its Anti-Money Laundering/Countering the Financing of Terrorism Policy.

Anti-Money Laundering/Countering the Financing of Terrorism Policy

The Bank of Kyoto Group establishes the governance structure and sets the policies, procedures and approaches in order to comply with all legal and regulatory requirements and obligations to implement appropriate Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) measures for ensuring business adequacy.

1. Management Policy
2. Organizational Framework
3. Risk-Based Approach
4. Customer Due Diligence
5. Sanctions and Asset Freezing
6. Reporting of Suspicious Transactions
7. Correspondent Banking Due Diligence
8. Training
9. Monitoring and Testing

Risk Management Structures

While the ongoing globalization of Japan's financial system and economy coupled with advances in financial and information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk.

Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

We have established a set of Comprehensive Risk Management Guidelines and maintain a self-managed risk management framework for comparing and contrasting aggregate risk to the Bank's capital, with the aims of completely and accurately identifying risks inherent in conducting operations and ensuring stability and soundness of the Bank's management base.

We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our Head Office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). As regards the amount of risk, the amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. The estimated risk amount is reported to the management at the monthly ALM meetings. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting, is subject to semiannual review. Specifically, core capital (before applying transitional measures), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by the corporate officer responsible for the Risk Management Division) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Section is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the section analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes consolidated subsidiaries in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to audit the validity of write-offs and allowances based on asset self-assessments.

In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines. Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating solution plans based on self-assessment results as policies for dealing with individual borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses. While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

The Bank has established Market Risk Guidelines, putting in place a risk management approach and ensuring adequate management of market risk. The Risk Management Division, which oversees these activities, centralizes the understanding and management of market risks arising from assets and liabilities including deposits, loans and securities.

Specifically, it manages and analyzes risks by measuring value-at-risk (VaR) and decrease in economic value against interest rate shocks (delta EVE) for its assets and liabilities, in addition to conducting stress tests supposing a variety of different stress scenarios and utilizing them in risk checks. The Bank also employs tools such as back-testing to verify the suitability and effectiveness of its metrics and management methods.

To ensure appropriate management of market risk involving securities, derivatives and other market transactions, the Bank works to regularly measure and understand proper, accurate market pricing. At the same time, we manage the risk of positions we hold by first considering a balance with capital, net business income and other factors involving the Bank's strength and income, then setting risk tolerance levels for position and loss limit amounts, etc. For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amounts based on the Bank's capital and appraisal gains on stocks and other securities. We also conduct adequate risk management, including calculating the daily positions, profits and losses, and risk levels and reporting them to management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and consolidated subsidiaries, the results of which are audited by the Internal Audit Division.

Moreover the Bank conducts semiannual reviews of risk management policy. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and consider measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component of risk take responsibility for managing those risks from a specialist's perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges and has accordingly established an Operational Risk Committee, which is chaired by the corporate officer responsible for the Risk Management Division who acts as an assistant to the President. The committee provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Money Laundering / Financing of Terrorism Risk

Described on page 19.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the cases where it is likely to manifest.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews.

We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy. We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Financial Section and Corporate Profile

I Financial Section

II Corporate Profile

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets:			
Cash and due from banks (Notes 5 and 27)	¥ 2,606,209	¥ 1,085,260	$ 23,540,870
Call loans and bills bought (Note 27)	194,649	92,130	1,758,194
Monetary claims bought	13,233	13,231	119,535
Trading securities	175	196	1,584
Money held in trust (Note 7)	13,093	13,068	118,264
Securities (Notes 6, 12, 17 and 27)	3,230,019	2,867,102	29,175,499
Loans and bills discounted (Notes 9, 13 and 27)	6,059,467	5,818,355	54,732,790
Foreign exchanges (Note 10)	6,986	9,993	63,104
Lease receivables and investment assets (Note 24)	12,773	12,764	115,377
Other assets (Notes 12 and 27)	71,034	93,945	641,626
Tangible fixed assets (Note 11):	75,889	75,998	685,482
Buildings	26,517	27,389	239,518
Land (Note 14)	43,619	43,617	394,000
Construction in progress	2,440	1,066	22,043
Other tangible fixed assets	3,312	3,925	29,919
Intangible fixed assets:	2,850	3,017	25,747
Software	2,545	2,713	22,991
Other intangible fixed assets	305	304	2,755
Deferred tax assets (Note 26)	1,074	1,215	9,703
Deferred tax assets for land revaluation (Note 14)	58	58	526
Customers' liabilities for acceptances and guarantees (Note 17)	15,101	14,577	136,410
Allowance for loan losses	(28,709)	(22,455)	(259,323)
Total Assets	¥12,273,908	¥10,078,463	$110,865,396
Liabilities and Equity			
Liabilities:			
Deposits (Notes 12, 15 and 27)	¥ 8,687,962	¥ 7,998,796	$ 78,474,958
Call money and bills sold (Note 12)	459,000	447,618	4,145,966
Payables under securities lending transactions (Notes 12 and 27)	429,312	429,624	3,877,814
Borrowed money (Notes 12 and 16)	1,108,636	72,716	10,013,879
Foreign exchanges (Note 10)	162	232	1,465
Borrowed money from trust account	4,170	3,178	37,673
Other liabilities (Note 27)	82,750	94,843	747,453
Liability for employees' retirement benefits (Note 25)	28,647	30,641	258,762
Liability for reimbursement of deposit losses	412	564	3,721
Liability for contingent losses	919	949	8,303
Reserves under special laws	0	0	2
Deferred tax liabilities (Note 26)	288,678	149,734	2,607,517
Acceptances and guarantees (Note 17)	15,101	14,577	136,410
Total liabilities	11,105,754	9,243,476	100,313,928
Equity (Notes 18, 19 and 31):			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2021 and 2020	42,103	42,103	380,306
Capital surplus	34,190	34,260	308,833
Stock acquisition rights	356	488	3,221
Retained earnings	388,575	376,249	3,509,847
Treasury stock — at cost, 234 thousand shares in 2021 and 283 thousand shares in 2020	(1,279)	(1,550)	(11,556)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 8)	711,922	407,222	6,430,513
Deferred losses on derivatives under hedge accounting	(7,747)	(22,168)	(69,980)
Land revaluation surplus (Note 14)	(132)	(132)	(1,194)
Defined retirement benefit plans	(2,261)	(3,735)	(20,424)
Total	1,165,728	832,737	10,529,567
Noncontrolling interests	2,424	2,249	21,900
Total equity	1,168,153	834,987	10,551,468
Total Liabilities and Equity	¥12,273,908	¥10,078,463	$110,865,396

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 44,814	¥ 45,723	$404,788
Interest and dividends on securities	30,807	30,134	278,270
Other interest income	1,246	1,975	11,258
Trust fees	12	17	116
Fees and commissions	18,720	19,310	169,091
Other operating income (Note 20)	9,960	11,282	89,972
Other income (Note 21)	2,595	5,380	23,440
Total income	108,156	113,823	976,938
Expenses:			
Interest expenses:			
Interest on deposits	1,752	4,943	15,828
Interest on borrowed money	233	637	2,112
Other interest expenses	2,361	3,175	21,329
Fees and commissions	5,748	7,497	51,920
Other operating expenses (Note 22)	6,708	5,925	60,592
General and administrative expenses	56,905	58,363	514,007
Other expenses (Note 23)	11,403	4,593	103,006
Total expenses	85,113	85,137	768,797
Income Before Income Taxes	23,043	28,686	208,140
Income Taxes (Note 26):			
Current	8,126	7,321	73,399
Deferred	(2,053)	890	(18,546)
Net Income	16,970	20,474	153,288
Net Income Attributable to Noncontrolling Interests	110	90	995
Net Income Attributable to Owners of the Parent	¥ 16,860	¥ 20,383	$152,292

	Yen		U.S. dollars
	2021	2020	2021
Per Share Information (Notes 2. r and 31):			
Basic net income	¥223.03	¥269.81	$2.01
Diluted net income	222.78	269.41	2.01
Cash dividends applicable to the year	60.00	60.00	0.54

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net Income	¥ 16,970	¥ 20,474	$ 153,288
Other Comprehensive Income (Losses) (Note 29):	320,663	(28,949)	2,896,425
Unrealized gains (losses) on available-for-sale securities	304,768	(11,413)	2,752,849
Deferred gains (losses) on derivatives under hedge accounting	14,420	(17,141)	130,258
Defined retirement benefit plans	1,474	(393)	13,317
Comprehensive Income (Losses)	¥337,633	¥ (8,475)	$3,049,714
Total Comprehensive Income (Losses) Attributable to:			
Owners of the parent	¥337,455	¥ (8,512)	$3,048,099
Noncontrolling interests	178	37	1,614

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2021

	Thousands	Millions of yen											
							Accumulated other comprehensive income						
	Outstanding number of shares of common stock*	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at April 1, 2019	75,508	¥42,103	¥34,331	¥ 598	¥363,391	¥(1,815)	¥418,582	¥ (5,026)	¥(105)	¥(3,341)	¥ 848,719	¥2,215	¥ 850,934
Net income attributable to owners of the parent					20,383						20,383		20,383
Cash dividends, ¥100.00 per share*					(7,552)						(7,552)		(7,552)
Purchases of treasury stock	(0)					(3)					(3)		(3)
Disposals of treasury stock	49		(71)			267					196		196
Reversal of revaluation reserve for land					26						26		26
Net change in the year				(110)			(11,360)	(17,141)	(26)	(393)	(29,033)	34	(28,999)
Balance at March 31, 2020	75,556	42,103	34,260	488	376,249	(1,550)	407,222	(22,168)	(132)	(3,735)	832,737	2,249	834,987
Net income attributable to owners of the parent					16,860						16,860		16,860
Cash dividends, ¥60.00 per share					(4,534)						(4,534)		(4,534)
Purchases of treasury stock	(1)					(7)					(7)		(7)
Disposals of treasury stock	51		(69)			278					208		208
Reversal of revaluation reserve for land													
Net change in the year				(131)			304,699	14,420		1,474	320,463	175	320,638
Balance at March 31, 2021	75,606	¥42,103	¥34,190	¥ 356	¥388,575	¥(1,279)	¥711,922	¥ (7,747)	¥(132)	¥(2,261)	¥1,165,728	¥2,424	¥1,168,153

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at March 31, 2020	$380,306	$309,464	$ 4,407	$3,398,516	$(14,008)	$3,678,282	$(200,238)	$(1,194)	$(33,741)	$ 7,521,794	$20,316	$ 7,542,110
Net income attributable to owners of the parent				152,292						152,292		152,292
Cash dividends, $0.54 per share				(40,962)						(40,962)		(40,962)
Purchases of treasury stock					(65)					(65)		(65)
Disposals of treasury stock		(630)			2,517					1,887		1,887
Reversal of revaluation reserve for land												
Net change in the year			(1,186)			2,752,231	130,258		13,317	2,894,621	1,584	2,896,205
Balance at March 31, 2021	$380,306	$308,833	$ 3,221	$3,509,847	$(11,556)	$6,430,513	$ (69,980)	$(1,194)	$(20,424)	$10,529,567	$21,900	$10,551,468

* Cash dividends, ¥40.00 per share are special dividends.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Operating Activities:			
Income before income taxes	¥ 23,043	¥ 28,686	$ 208,140
Depreciation	3,393	3,695	30,651
Losses on impairment of long-lived assets		131	
Equity in earning of an affiliated company	(22)	(15)	(201)
Increase (decrease) in allowance for loan losses	6,253	(561)	56,489
Increase (decrease) in liability for employees' retirement benefits	131	(255)	1,185
Decrease in liability for reimbursement of deposit losses	(152)	(189)	(1,372)
(Decrease) increase in liability for contingent losses	(29)	77	(269)
Interest income	(76,867)	(77,833)	(694,317)
Interest expense	4,347	8,757	39,270
Gains on securities	(2,165)	(4,949)	(19,559)
Gains on money held in trust	(25)	(69)	(226)
Foreign exchange (gains) losses	(5,970)	4,447	(53,928)
Losses on sales of fixed assets	722	414	6,522
Net decrease (increase) in trading securities	21	(51)	194
Net increase in loans	(241,111)	(338,965)	(2,177,868)
Net increase in deposits	872,568	30,599	7,881,572
Net decrease in negotiable certificates of deposit	(183,402)	(62,293)	(1,656,606)
Net increase in borrowed money (excluding subordinated loans)	1,035,920	14,772	9,357,063
Net increase in due from banks (excluding due from Bank of Japan)	(5,781)	(6,085)	(52,226)
Net (increase) decrease in call loans and bills bought	(102,521)	4,761	(926,034)
Net increase in call money	11,381	437,629	102,808
Net decrease in payables under securities lending transactions	(311)	(12,716)	(2,817)
Net decrease in foreign exchanges (assets)	3,007	32,536	27,165
Net (decrease) increase in foreign exchanges (liabilities)	(70)	18	(633)
Net increase in lease receivables and investment assets	(8)	(1,786)	(77)
Net increase in borrowed money from trust account	992	2,660	8,966
Interest and dividends received (cash basis)	77,864	80,130	703,319
Interest paid (cash basis)	(5,235)	(9,588)	(47,291)
Other, net	27,473	(2,270)	248,156
Subtotal	1,443,445	131,686	13,038,077
Income taxes — paid	(5,917)	(16,306)	(53,454)
Net cash provided by operating activities	1,437,527	115,379	12,984,623
Investing Activities:			
Purchases of securities	(358,514)	(687,310)	(3,238,322)
Proceeds from sales of securities	91,545	238,835	826,895
Proceeds from redemption of securities	352,969	474,652	3,188,239
Decrease in money held in trust		17,074	
Purchases of tangible fixed assets	(2,422)	(2,067)	(21,877)
Proceeds from sales of tangible fixed assets	0	0	1
Purchases of intangible fixed assets	(911)	(892)	(8,230)
Other, net	(490)	(118)	(4,434)
Net cash provided by investing activities	82,176	40,173	742,271
Financing Activities:			
Dividends paid by the Bank	(4,534)	(7,552)	(40,962)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(3)	(29)
Net cash used in financing activities	(4,538)	(7,555)	(40,991)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	(1)	6
Net Increase in Cash and Cash Equivalents	1,515,166	147,996	13,685,908
Cash and Cash Equivalents at Beginning of Year	1,046,629	898,633	9,453,795
Cash and Cash Equivalents at End of Year (Note 5)	¥2,561,796	¥1,046,629	$23,139,704

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2021

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2021 and 2020 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.71 to $1, the approximate rate of exchange at March 31, 2021. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. *Consolidation* — The consolidated financial statements as of March 31, 2021 include the accounts of the Bank and its 7 significant subsidiaries (together, the "Group").

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

Investments in 1 affiliated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and an affiliated company are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. *Cash Equivalents* — For purposes of the consolidated statement of cash flows, the Group considers deposits with Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

c. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

d. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Committee Practical Guidelines No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Committee Practical Guidelines No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

f. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

g. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

h. *Long-Lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective fixed assets.

i. *Allowance for Loan Losses* — The amount of the allowance for loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as "legal bankruptcy" or "virtual bankruptcy," a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as "possible bankruptcy," a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors with a certain amount of credit or more who are classified as "possible bankruptcy" and debtors with restructured loans, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying amounts of the loans (the "DCF method").

Debtors classified as "caution" are the ones that the Bank pays attention due to a certain level of concern about their operation and repayment of the loans. Among the debtors classified as "caution," for claims to debtors to whom the Bank pays more attention due to the higher level of concern, an allowance is provided for expected losses for the subsequent 3 years. Expected losses are estimated using the expected loss rate which is based on the average rate of historical loan loss experience for the past 3 years with the long-term perspective. For claims to debtors classified as "caution" excluding the above and as "normal" who do not have specific operational and financial problem, an allowance is provided for expected losses for the subsequent 1 year. Expected losses are estimated using the expected loss rate which is based on the rate of historical loan loss experience for the past 1 year with the long-term perspective.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. *Reserve under Special Laws* — The Reserve under special laws represents financial instruments transaction liability reserve recorded by a consolidated subsidiary as determined in accordance with the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business to provide for losses arising from security-related accidents.

k. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to calculate the retirement benefit expenses and the liability for retirement benefits for employees.

The Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

l. *Liability for Reimbursement of Deposit Losses* — A liability for reimbursement of deposits which was derecognized as a liability is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. *Liability for Contingent Losses* — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

n. *Foreign Currency Transactions* — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

o. *Stock Options* — Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

p. *Leases*

Lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

Lessor

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

q. *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. *Per Share Information* — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

s. *New Accounting Pronouncements*

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued in July 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued in July 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued in July 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued in March 2020)

(1) Summary

ASBJ developed and issued "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter, "Fair Value Measurement Standard etc.") to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards.

Fair Value Measurement Standard etc. is applied to the fair value of financial instruments as defined in the "Accounting Standard for Financial Instruments."

(2) Effective date

The Group expects to apply the new standards and guidance effective from the beginning of the year ending March 31, 2022.

(3) Effects of application of the standards and guidance

The effects on consolidated financial statements are immaterial.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued in March 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued in March 2021)

(1) Summary

It is a comprehensive accounting standard for revenue recognition. The Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligation in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Effective date

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

(3) Effects of application of the standards and guidance

The effects on consolidated financial statements are immaterial.

3. Significant Accounting Estimate

Allowance for Loan Losses

(1) Allowance for loan losses at March 31, 2021 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Allowance for loan losses	¥28,709	$259,323

(2) Information concerning important accounting estimates

Method of calculating allowance for loan losses is described in the Note 2.i.

The debtor classification is determined based on the financial information about the debtors. For the debtors with a poor financial results, rationality and feasibility of business improvement plans of debtors are also considered. Therefore, for classification of debtors, certain assumptions about debtors' business outlook and business environment have been used.

At the end of the previous fiscal year, the Bank expected the emergence of COVID-19 to have a significant impact on financial markets and assets globally, with broader economic and social disruption and anticipated the impact to continue in the near term. The Bank expects that the effect of COVID-19 will continue to some extent with a gradual recovery with the roll-out of vaccinations and that it will continue to affect some debtors' business in the near term. The impact of COVID-19 has affected credit risks and has factored into the determination of allowance for loan losses specifically regarding a more frequent modification of classification of debtors based on the most recent information about the debtors.

Allowance for loan losses is provided based on the debtor classification, after asset assessments for all loans based on the self-assessment standards. However, the assumption has uncertainty because debtors' business outlook and business environment change constantly and especially business improvement plans continue to be executed in subsequent years. As a result, losses are subject to increases or decreases depending on COVID-19's pandemic situations and its impacts on the economy.

4. Changes in Presentation

The Group applies "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued in March 2020) to the consolidated financial statements for the end of the current fiscal year, and notes on significant accounting estimates are included in the consolidated financial statements.

However, in accordance with the transitional measures prescribed in the provision of ASBJ Statement No. 31-11, the details of the previous fiscal year are not included in the notes.

5. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2021 and 2020, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥2,606,209	¥1,085,260	$23,540,870
Due from banks, excluding due from Bank of Japan	(44,413)	(38,631)	(401,166)
Cash and cash equivalents	¥2,561,796	¥1,046,629	$23,139,704

6. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japanese government bonds	¥ 376,091	¥ 383,285	$ 3,397,091
Japanese local government bonds	658,813	695,463	5,950,802
Japanese corporate bonds	653,145	716,893	5,899,609
Japanese corporate stocks	1,166,497	735,328	10,536,516
Other securities	375,470	336,131	3,391,480
Total	¥3,230,019	¥2,867,102	$29,175,499

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥2,677 million ($24,181 thousand) and ¥2,515 million as of March 31, 2021 and 2020, respectively.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥40,362 million ($364,574 thousand) and ¥35,586 million for the years ended March 31, 2021 and 2020, respectively.

Held-to-maturity debt securities at March 31, 2021 and 2020 were as follows:

	Millions of yen				
	2021				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	¥3,617	¥3,619	¥1	¥10	¥8
Japanese corporate bonds	2,003	2,008	4	4	
Japanese bonds — total	¥5,621	¥5,627	¥6	¥14	¥8

	Millions of yen				
	2020				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	¥2,501	¥2,510	¥ 8	¥ 8	
Japanese corporate bonds	2,505	2,508	2	2	
Japanese bonds — total	¥5,006	¥5,018	¥11	¥11	

	Thousands of U.S. dollars				
	2021				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	$32,677	$32,692	$14	$ 91	$76
Japanese corporate bonds	18,100	18,141	41	41	
Japanese bonds — total	$50,778	$50,834	$55	$132	$76

The cost and aggregate fair value of available-for-sale securities at March 31, 2021 and 2020 were as follows:

	Millions of yen				
	2021				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 160,846	¥1,163,108	¥1,002,262	¥1,003,883	¥1,620
Japanese government bonds	375,642	376,091	449	3,523	3,074
Japanese local government bonds	653,323	655,195	1,872	3,170	1,298
Japanese corporate bonds	650,035	651,141	1,106	1,934	828
Japanese bonds — total	1,679,001	1,682,429	3,427	8,628	5,201
Foreign bonds	175,701	184,103	8,401	9,548	1,146
Other	169,175	178,959	9,784	10,150	366
Other — total	344,876	363,063	18,186	19,699	1,513
Total	¥2,184,724	¥3,208,601	¥1,023,876	¥1,032,211	¥8,334

	Millions of yen				
	2020				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 163,653	¥ 731,971	¥568,318	¥573,356	¥ 5,037
Japanese government bonds	378,693	383,285	4,591	5,954	1,362
Japanese local government bonds	688,821	692,962	4,140	4,822	682
Japanese corporate bonds	712,614	714,388	1,773	2,733	959
Japanese bonds — total	1,780,130	1,790,635	10,505	13,510	3,004
Foreign bonds	173,412	196,566	23,153	24,210	1,056
Other	146,331	129,339	(16,992)	2,111	19,103
Other — total	319,744	325,906	6,161	26,321	20,159
Total	¥2,263,527	¥2,848,513	¥584,986	¥613,188	¥28,202

	Thousands of U.S. dollars				
	2021				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,452,860	$10,505,905	$9,053,044	$9,067,683	$14,638
Japanese government bonds	3,393,034	3,397,091	4,056	31,825	27,768
Japanese local government bonds	5,901,214	5,918,124	16,909	28,640	11,731
Japanese corporate bonds	5,871,512	5,881,508	9,995	17,475	7,479
Japanese bonds — total	15,165,761	15,196,724	30,962	77,941	46,979
Foreign bonds	1,587,046	1,662,935	75,888	86,248	10,359
Other	1,528,091	1,616,472	88,381	91,687	3,306
Other — total	3,115,138	3,279,407	164,269	177,935	13,666
Total	$19,733,760	$28,982,037	$9,248,276	$9,323,560	$75,284

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2021 and 2020.

Available-for-sale securities sold during the fiscal years were as follows:

	Millions of yen		
	2021		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	¥ 3,415	¥1,254	¥ 697
Debt securities	31,739	149	19
Other securities	52,038	2,906	1,406
Total	¥87,192	¥4,310	¥2,123

	Millions of yen		
	2020		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	¥ 8,228	¥2,693	¥ 754
Debt securities	124,387	1,037	16
Other securities	109,293	3,874	1,072
Total	¥241,909	¥7,605	¥1,843

	Thousands of U.S. dollars		
	2021		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 30,849	$11,330	$ 6,301
Debt securities	286,687	1,348	175
Other securities	470,040	26,252	12,705
Total	$787,578	$38,931	$19,182

The classification of securities has not changed in the years ended March 31, 2021 and 2020.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥15 million ($144 thousand) and ¥819 million, respectively, for the years ended March 31, 2021 and 2020.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank's self-assessment guidelines.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) For securities issued by obligors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

7. Money Held in Trust

(1) Money held in trust classified as trading:

	Millions of yen	
	2021	
	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥13,093	

	Millions of yen	
	2020	
	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥13,068	

	Thousands of U.S. dollars	
	2021	
	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	$118,264	

(2) No money held in trust was classified as held-to-maturity at March 31, 2021 and 2020.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2021 and 2020.

8. Net Unrealized Gains/Losses on Available-for-Sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains on available-for-sale securities	¥1,023,876	¥ 584,986	$ 9,248,276
Deferred tax liabilities	(311,663)	(177,541)	(2,815,138)
Other	(54)	(54)	(495)
Net unrealized gains on valuation (before adjustment)	712,157	407,389	6,432,643
Noncontrolling interests	(235)	(167)	(2,129)
Net unrealized gains on valuation	¥ 711,922	¥ 407,222	$ 6,430,513

9. Loans and Bills Discounted

Loans and bills discounted at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bills discounted	¥ 11,474	¥ 18,824	$ 103,642
Loans on bills	71,044	93,352	641,721
Loans on deeds	5,495,168	5,109,138	49,635,703
Overdrafts	481,779	597,040	4,351,723
Total	¥6,059,467	¥5,818,355	$54,732,790

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the JICPA Industry Committee Practical Guidelines No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥12,238 million ($110,544 thousand) and ¥19,957 million at March 31, 2021 and 2020, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans in legal bankruptcy	¥ 2,797	¥ 4,193	$ 25,271
Nonaccrual loans	72,783	61,380	657,425
Restructured loans	8,298	1,274	74,959
Total	¥83,880	¥66,848	$757,656

Loans in legal bankruptcy are nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law and exclude the portion written off as bad debts. For those loans, the interest accrual is discontinued, based on management's judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors.

Nonaccrual loans are loans in which interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payments to debtors in financial difficulty to assist them in their recovery.

Restructured loans are loans on which the Bank grants concessions (e.g., reductions of the stated interest rate, deferrals of interest payments, extensions of maturity dates, waivers of the face amount, or other measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans, and accruing loans contractually past due by three months or more are excluded.

10. Foreign Exchanges

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Due from foreign correspondents	¥5,940	¥8,469	$53,657
Foreign bills of exchange purchased	764	1,133	6,902
Foreign bills of exchange receivable	281	390	2,545
Total	¥6,986	¥9,993	$63,104
Liabilities:			
Foreign bills of exchange sold	¥ 84	¥ 210	$ 766
Accrued foreign bills of exchange	77	21	699
Total	¥ 162	¥ 232	$ 1,465

11. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2021 and 2020, amounted to ¥83,484 million ($754,083 thousand) and ¥83,676 million, respectively.

12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥921,229	¥522,918	$8,321,103
Loans and bills	628,996		5,681,481

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deposits	¥ 36,188	¥ 35,885	$ 326,873
Payables under securities lending transactions	429,312	429,624	3,877,814
Borrowed money	1,108,409	72,386	10,011,830

In addition, securities totaling ¥368,165 million ($3,325,498 thousand) and ¥380,457 million at March 31, 2021 and 2020, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash collateral paid for financial instruments	¥53,210	¥71,617	$480,625
Surety deposits	1,587	1,728	14,336

13. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2021 and 2020, such commitments amounted to ¥1,736,796 million ($15,687,801 thousand) and ¥1,528,976 million, respectively, of which ¥1,625,601 million ($14,683,424 thousand) and ¥1,441,839 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses where the Group can reject the application from customers or reduce the contract amounts where economic conditions change, such as when there is a deterioration in the customer's creditworthiness, or when such other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, upon execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

14. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

15. Deposits

Deposits at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current deposits	¥ 426,743	¥ 356,778	$ 3,854,603
Ordinary deposits	5,043,639	4,216,424	45,557,213
Savings deposits	89,034	84,313	804,215
Deposits at notice	14,739	11,879	133,138
Time deposits	2,105,177	2,199,720	19,015,243
Other deposits	310,265	247,915	2,802,503
Subtotal	7,989,599	7,117,030	72,166,918
Negotiable certificates of deposit	698,363	881,765	6,308,039
Total	¥8,687,962	¥7,998,796	$78,474,958

16. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Borrowing from banks and other	¥1,108,636	¥72,716	$10,013,879
Total	¥1,108,636	¥72,716	$10,013,879

At March 31, 2021 and 2020, the weighted average interest rates applicable to borrowed money were 0.0055% and 0.77%, respectively.

Annual maturities of borrowed money at March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2021	2021
2022	¥1,108,606	$10,013,608
2023	20	180
2024	10	90
2025		
2026		
2027 and thereafter		
Total	¥1,108,636	$10,013,879

17. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥47,729 million ($431,121 thousand) and ¥39,910 million as of March 31, 2021 and 2020, respectively.

18. Equity

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. *Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On October 1, 2017, the Bank made the one-for-five reverse stock split for each outstanding share.

19. Stock Options

Stock-based compensation expenses were ¥77 million ($700 thousand) and ¥86 million for the years ended March 31, 2021 and 2020, respectively.

The stock options outstanding as of March 31, 2021, were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock Option	12 directors and 6 executive officers of the Bank	17,420 shares	July 29, 2008	¥1 ($0.01)	From July 30, 2008, to July 29, 2038
2009 Stock Option	12 directors and 5 executive officers of the Bank	22,380 shares	July 29, 2009	¥1 ($0.01)	From July 30, 2009, to July 29, 2039
2010 Stock Option	12 directors and 7 executive officers of the Bank	28,740 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010, to July 29, 2040
2011 Stock Option	12 directors and 8 executive officers of the Bank	29,960 shares	August 1, 2011	¥1 ($0.01)	From August 2, 2011, to August 1, 2041
2012 Stock Option	13 directors and 10 executive officers of the Bank	32,960 shares	July 30, 2012	¥1 ($0.01)	From July 31, 2012, to July 30, 2042
2013 Stock Option	13 directors and 8 executive officers of the Bank	28,880 shares	July 30, 2013	¥1 ($0.01)	From July 31, 2013, to July 30, 2043
2014 Stock Option	13 directors and 10 executive officers of the Bank	24,880 shares	July 30, 2014	¥1 ($0.01)	From July 31, 2014, to July 30, 2044
2015 Stock Option	10 directors and 14 executive officers of the Bank	15,020 shares	July 30, 2015	¥1 ($0.01)	From July 31, 2015, to July 30, 2045
2016 Stock Option	9 directors and 14 executive officers of the Bank	31,680 shares	July 28, 2016	¥1 ($0.01)	From July 29, 2016, to July 28, 2046
2017 Stock Option	8 directors and 11 executive officers of the Bank	15,900 shares	July 30, 2017	¥1 ($0.01)	From July 31, 2017, to July 30, 2047
2018 Stock Option	9 directors and 10 executive officers of the Bank	17,520 shares	July 30, 2018	¥1 ($0.01)	From July 31, 2018, to July 30, 2048
2019 Stock Option	7 directors and 10 executive officers of the Bank	21,220 shares	July 30, 2019	¥1 ($0.01)	From July 31, 2019, to July 30, 2049
2020 Stock Option	6 directors and 14 executive officers of the Bank	20,740 shares	July 30, 2020	¥1 ($0.01)	From July 31, 2020, to July 30, 2050

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

The stock option activity was as follows:

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option	2019 Stock option
Year ended March 31, 2020												
Non-vested												
March 31, 2019 — Outstanding											17,520	
Granted												21,220
Canceled												
Vested											17,520	
March 31, 2020 — Outstanding												21,220
Vested												
March 31, 2019 — Outstanding	6,420	8,340	11,440	11,720	15,640	14,780	13,100	9,840	22,540	15,580		
Vested											17,520	
Exercised	3,480	4,520	5,020	5,140	6,880	6,320	5,200	1,960	4,360	2,940	3,200	
Canceled												
March 31, 2020 — Outstanding	2,940	3,820	6,420	6,580	8,760	8,460	7,900	7,880	18,180	12,640	14,320	

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option	2019 Stock option	2020 Stock option
Year ended March 31, 2021													
Non-vested													
March 31, 2020 — Outstanding												21,220	
Granted													20,740
Canceled													
Vested												21,220	
March 31, 2021 — Outstanding													20,740
Vested													
March 31, 2020 — Outstanding	2,940	3,820	6,420	6,580	8,760	8,460	7,900	7,880	18,180	12,640	14,320		
Vested												21,220	
Exercised	1,920	2,500	4,860	4,980	5,300	5,240	4,640	2,820	5,960	3,740	3,920	5,160	
Canceled													
March 31, 2021 — Outstanding	1,020	1,320	1,560	1,600	3,460	3,220	3,260	5,060	12,220	8,900	10,400	16,060	
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	¥3,845 ($34.73)	
Fair value price at grant date	¥4,890 ($44.17)	¥4,025 ($36.36)	¥3,430 ($30.98)	¥3,390 ($30.62)	¥2,630 ($23.76)	¥3,810 ($34.41)	¥4,510 ($40.74)	¥7,195 ($64.99)	¥3,295 ($29.76)	¥5,225 ($47.20)	¥5,450 ($49.23)	¥3,917 ($35.38)	¥3,651 ($32.98)

"Average stock price at exercise" and "Fair value price at grant date" has been converted to the price after the one-for-five reverse stock split implemented on October 1, 2017.

The fair value of stock options granted in 2021 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	38.9%
Estimated remaining outstanding period:	Four years and eight months
Estimated dividend:	¥60 per share
Risk free interest rate:	(0.12)%

20. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains on foreign exchange transactions — net	¥ 983	¥ 493	$ 8,883
Gains on trading securities	1,296	1,020	11,714
Gains on sales of bonds	2,150	4,398	19,422
Lease receipts	4,751	4,625	42,915
Other	779	744	7,037
Total	¥9,960	¥11,282	$89,972

21. Other Income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Recovery of loans previously charged off	¥ 0	¥ 1	$ 1
Gains on sales of stocks and other securities	2,159	3,212	19,509
Gains on invests in money held in trust	32	120	292
Gains on sales of tangible fixed assets	0	0	1
Equity in earning of an affiliated company	22	15	201
Other	380	2,030	3,435
Total	¥2,595	¥5,380	$23,440

22. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Losses on sales of bonds	¥1,425	¥ 772	$12,880
Lease costs	4,152	4,032	37,507
Other	1,129	1,120	10,205
Total	¥6,708	¥5,925	$60,592

23. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Provision for allowance for loan losses	¥ 8,180	¥1,119	$ 73,890
Charge-off claims	32	27	289
Losses on sales of stocks and other securities	697	1,071	6,301
Losses on devaluation of stocks and other securities	5	819	45
Losses on invests in money held in trust	7	50	65
Losses on sales of tangible fixed assets	722	414	6,523
Losses on impairment of long-lived assets		131	
Other	1,759	959	15,889
Total	¥11,403	¥4,593	$103,006

24. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥ 140	¥ 195	$ 1,266
Due after one year	1,635	1,513	14,769
Total	¥1,775	¥1,708	$16,035

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gross leased investment assets	¥13,272	¥13,717	$119,888
Estimated residual values	2	5	26
Unearned interest income	(1,136)	(1,219)	(10,263)
Leased investment assets	¥12,139	¥12,503	$109,652

Maturities of lease receivables and investment assets for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2021	2021	2021	2021
2022	¥144	$1,308	¥4,044	$ 36,531
2023	104	946	3,392	30,647
2024	91	830	2,651	23,949
2025	73	667	1,756	15,861
2026	68	615	943	8,525
2027 and thereafter	170	1,544	484	4,373
Total	¥654	$5,911	¥13,272	$119,888

The minimum future rentals to be received under noncancelable operating leases at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥3	¥5	$30
Due after one year	1	1	14
Total	¥5	¥6	$45

25. Employees' Retirement Benefits

The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to state the retirement benefit expenses and the liability for retirement benefits for employees.

(1) The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥56,646	¥56,062	$511,665
Current service cost	2,191	2,189	19,796
Interest cost	282	279	2,554
Actuarial gains	672	30	6,070
Benefits paid	(2,156)	(1,917)	(19,481)
Others	1	1	13
Balance at end of year	¥57,637	¥56,646	$520,619

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥26,005	¥25,733	$234,894
Expected return on plan assets	520	514	4,697
Actuarial gains (losses)	1,909	(807)	17,243
Contributions from the employer	2,088	2,044	18,865
Benefits paid	(1,534)	(1,481)	(13,857)
Others	1	1	13
Balance at end of year	¥28,990	¥26,005	$261,857

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 46,282	¥ 45,517	$ 418,049
Plan assets	(28,990)	(26,005)	(261,857)
	17,292	19,512	156,192
Unfunded defined benefit obligation	11,355	11,128	102,570
Net liability arising from defined benefit obligation	¥ 28,647	¥ 30,641	$ 258,762

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liability for retirement benefits	¥28,647	¥30,641	$258,762
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥28,647	¥30,641	$258,762

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥2,191	¥2,189	$19,796
Interest cost	282	279	2,554
Expected return on plan assets	(520)	(514)	(4,697)
Recognized actuarial gains	888	270	8,022
Net periodic benefit costs	¥2,842	¥2,224	$25,675

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gains (losses)	¥2,125	¥(567)	$19,194

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial gains	¥3,259	¥5,384	$29,437

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2021	2020
Debt investments	50%	51%
Equity investments	27	23
Cash and cash equivalents	7	11
Others	16	15
Total	100%	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets was determined considering the long-term rates of return which were expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	2.0	2.0
Expected salary increase rate	3.8	3.9

The amount to be paid to defined contribution pension plan was ¥340 million ($3,077 thousand) and ¥340 million, respectively, for the years ended March 31, 2021 and 2020.

26. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2021 and 2020, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 8,512	¥ 6,528	$ 76,886
Liability for employees' retirement benefits	8,774	9,385	79,257
Devaluation of stocks and other securities	2,563	2,673	23,154
Deferred gains or losses on derivatives under hedge accounting	3,419	9,783	30,884
Other	3,692	3,714	33,356
Less valuation allowance	(2,845)	(3,004)	(25,698)
Total	¥ 24,117	¥ 29,082	$ 217,841
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥311,663	¥177,541	$2,815,138
Other	57	59	517
Total	¥311,721	¥177,601	$2,815,656
Net deferred tax assets	¥ 1,074	¥ 1,215	$ 9,703
Net deferred tax liabilities	¥288,678	¥149,734	$2,607,517

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, with the corresponding figures for 2020, was as follows:

	2021	2020
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.2	0.2
Income not taxable for income tax purposes	(4.6)	(3.1)
Per capita inhabitant tax	0.4	0.3
Increase in valuation allowance for deferred tax assets	(0.3)	0.2
Others	0.0	0.4
Actual effective tax rate	26.3%	28.6%

27. Financial Instruments and Related Disclosures

(1) Basic policy for financial instruments

The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

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

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as a result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2021. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed-rate loans and currency-denominated available-for-sale securities.

③ The Bank assesses the hedge effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management compilation of a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of non-performing loans, and provisions for loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. In managing credit for specific borrowers, the Bank has established a Credit Examination Division independent from business divisions, and the Bank is implementing strict credit screening. Obligor's ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank is taking steps to strengthen market risk management, based on the Market Risk Guidelines. The Risk Management Division, which is responsible for conducting market risk management, unifies the management of market risk (including risk for deposits, loans, stocks and other securities), credit risk, and other risks, and adequately controls risks within the scope of the Bank's capital to secure stable earnings.

To this end, the Risk Management Division manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

To effectively control market risk for stocks and other securities of instruments which has market risk, the Bank sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability. Regarding the Bank's investment in securities, the Bank regularly monitors the market value of securities and reports these to management.

For stocks, the Bank sets the limits on acceptable risk quantities based on the economic capital and profit, and a semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities, the results of which are subject to audit by the Bank's Internal Audit Division.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management based on risk appetite at monthly ALM meetings by reporting on market risk quantities of each instrument, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges, as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks," "Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2021 and 2020 was ¥52.9 billion ($477 million) and ¥41.5 billion.

VaR by risk type at March 31, 2021 and 2020, was as follows:

	Billions of yen		Millions of U.S. dollars
	2021	2020	**2021**
Interest rate fluctuation risk	**¥17.0**	¥20.1	**$153**
Market price fluctuation risk (*)	**35.8**	21.3	**323**
Foreign currency fluctuation risk	**0.1**	0.1	**0**
Total	**¥52.9**	¥41.5	**$477**

(*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

③ Liquidity risk management
The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on 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 latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments
Accounts that had immaterial amounts on the consolidated balance sheet were not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined were not included in the following table (see (b)).

	Millions of yen		
March 31, 2021	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 2,606,209	¥2,606,209	
Call loans and bills bought	194,649	194,649	
Securities:			
Held-to-maturity bonds	5,621	5,627	¥ 6
Available-for-sale securities	3,208,601	3,208,601	
Loans and bills discounted	6,059,467		
Allowance for loan losses (*1)	(27,914)		
	6,031,553	6,051,655	20,102
Total	¥12,046,635	¥12,066,744	¥20,108
Deposits (other than negotiable certificates of deposit)	¥ 7,989,599	¥ 7,989,646	¥ 47
Negotiable certificates of deposit	698,363	698,361	(1)
Call money and bills sold	459,000	459,000	
Payables under securities lending transactions	429,312	429,312	
Borrowed money	1,108,636	1,108,659	23
Total	¥10,684,911	¥10,684,981	¥ 69
Derivatives (*2):			
Hedge accounting not applied	¥ (125)	¥ (125)	
Hedge accounting applied (*3)	(12,893)	(12,893)	
Total	¥ (13,018)	¥ (13,018)	

	Millions of yen		
March 31, 2020	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥1,085,260	¥1,085,260	
Securities:			
Held-to-maturity bonds	5,006	5,018	¥ 11
Available-for-sale securities	2,848,513	2,848,513	
Loans and bills discounted	5,818,355		
Allowance for loan losses (*1)	(21,508)		
	5,796,846	5,813,339	16,492
Total	¥9,735,628	¥9,752,132	¥16,504
Deposits (other than negotiable certificates of deposit)	¥7,117,030	¥7,117,134	¥ 104
Negotiable certificates of deposit	881,765	881,761	(4)
Call money and bills sold	447,618	447,618	
Payables under securities lending transactions	429,624	429,624	
Total	¥8,876,039	¥8,876,139	¥ 99
Derivatives (*2):			
Hedge accounting not applied	¥ 232	¥ 232	
Hedge accounting applied	(32,126)	(32,126)	
Total	¥ (31,894)	¥ (31,894)	

	Thousands of U.S. dollars		
March 31, 2021	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	$ 23,540,870	$23,540,870	
Call loans and bills bought	1,758,194	1,758,194	
Securities:			
Held-to-maturity bonds	50,778	50,834	$ 55
Available-for-sale securities	28,982,037	28,982,037	
Loans and bills discounted	54,732,790		
Allowance for loan losses (*1)	(252,136)		
	54,480,653	54,662,232	181,578
Total	$108,812,535	$108,994,169	$181,634
Deposits (other than negotiable certificates of deposit)	$ 72,166,918	$ 72,167,345	$ 427
Negotiable certificates of deposit	6,308,039	6,308,029	(9)
Call money and bills sold	4,145,966	4,145,966	
Payables under securities lending transactions	3,877,814	3,877,814	
Borrowed money	10,013,879	10,014,087	208
Total	$ 96,512,618	$ 96,513,244	$ 626
Derivatives (*2):			
Hedge accounting not applied	$ (1,130)	$ (1,130)	
Hedge accounting applied (*3)	(116,461)	(116,461)	
Total	$ (117,592)	$ (117,592)	

(*1) General and specific allowances for loan losses corresponding to "Loans and bills discounted" were deducted.
(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.
(*3) Hedge accounting was applied to the derivatives, including interest rate swaps, that are designated as hedging instruments to fix the cash flows of securities and other assets or liabilities. The Bank applies ASBJ Practical Issues Task Force (PITF) No. 40.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value. For deposits with maturity, the carrying amount is presented as the fair value, because of their short maturities (within one year).

Call loans and bills bought

The carrying amount approximates fair value because of their short maturities (within one year).

Securities

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

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings, and terms of the bonds. Information on securities by classification is included in Note 6.

Loans and bills discounted

For floating rate loans, the carrying amount is presented as a fair value, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed-rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings, and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees, net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value based on the estimated loan periods, interest rates, and other conditions.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flows discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

Call money and bills sold and payables under securities lending transactions

The terms of all liabilities whose terms are short (within one year) and therefore carrying value approximates fair values.

Borrowed money

Floating-rate borrowed money reflect market interest rates in short periods, and the credit standing of the Bank and its consolidated subsidiaries has not significantly changed from when the money was borrowed. The fair value of floating-rate borrowed money is, therefore considered to approximate the carrying value and is deemed equal to the carrying value. The fair value of fixed-rate borrowed money which is classified based on its contract term is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money. The Bank uses the carrying value as fair value for short term borrowed money because discounted future cash flows approximates the carrying value.

Derivatives

Fair value information for derivatives is included in Note 28.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

The following instruments were not included in "Securities: Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Non-listed stocks (*1) (*2)	¥ 3,388	¥ 3,356	$ 30,610
Investments in venture funds (*3)	12,407	10,225	112,072
Total	¥15,796	¥13,582	$142,683

(*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

(*2) With respect to non-listed stocks, losses on devaluation of ¥5 million ($45 thousand) and ¥0 million were recorded for the years ended March 31, 2021 and 2020, respectively.

(*3) The fair values of investments in venture funds cannot be reliably determined, so they are not subject to fair value disclosure.

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
March 31, 2021	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥2,524,194					
Call loans and bills bought	194,649					
Securities:						
Held-to-maturity bonds	1,000	¥ 1,500	¥ 1,000	¥ 1,000		¥ 1,000
Available-for-sale	235,493	444,517	298,253	152,094	¥ 256,052	458,686
Loans and bills discounted (*)	1,190,129	994,718	925,192	745,186	775,481	1,342,841
Total	¥4,145,467	¥1,440,735	¥1,224,445	¥898,280	¥1,031,534	¥1,802,528

	Millions of yen					
March 31, 2020	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥1,006,660					
Securities:						
Held-to-maturity bonds	500	¥ 2,000	¥ 1,000	¥ 1,500		
Available-for-sale	248,087	462,849	409,887	198,777	¥271,146	¥ 359,038
Loans and bills discounted (*)	1,298,337	976,191	818,005	685,119	670,671	1,291,748
Total	¥2,553,586	¥1,441,041	¥1,228,893	¥885,396	¥941,818	¥1,650,787

March 31, 2021	Thousands of U.S. dollars 1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	$22,800,061					
Call loans and bills bought	1,758,194					
Securities:						
Held-to-maturity bonds	9,032	$ 13,548	$ 9,032	$ 9,032		$ 9,032
Available-for-sale	2,127,120	4,015,148	2,694,004	1,373,812	$2,312,823	4,143,136
Loans and bills discounted (*)	10,749,975	8,984,903	8,356,899	6,730,973	7,004,618	12,129,362
Total	$37,444,384	$13,013,600	$11,059,937	$8,113,818	$9,317,442	$16,281,531

(*) At March 31, 2021 and 2020, loans and bills discounted of ¥75,581 million ($682,696 thousand) and ¥65,574 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, were not included in the table. At March 31, 2021 and 2020, loans and bills discounted of ¥10,335 million ($93,360 thousand) and ¥12,706 million, respectively, that did not have fixed maturities were not included as well.

(d) Maturity analysis for interest bearing liabilities

March 31, 2021	Millions of yen 1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥ 7,583,390	¥381,653	¥24,555			
Negotiable certificates of deposit	668,363	30,000				
Call money and bills sold	459,000					
Payables under securities lending transactions	429,312					
Borrowed money	1,108,606	30				
Total	¥10,248,672	¥411,683	¥24,555			

March 31, 2020	Millions of yen 1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥6,738,532	¥351,821	¥26,676			
Negotiable certificates of deposit	881,765					
Call money and bills sold	447,618					
Payables under securities lending transactions	429,624					
Total	¥8,497,541	¥351,821	¥26,676			

March 31, 2021	Thousands of U.S. dollars 1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	$68,497,788	$3,447,327	$221,802			
Negotiable certificates of deposit	6,037,061	270,978				
Call money and bills sold	4,145,966					
Payables under securities lending transactions	3,877,814					
Borrowed money	10,013,608	270				
Total	$92,572,239	$3,718,576	$221,802			

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

28. Derivatives

The contractual amounts of swap agreements, forward exchange contracts, option agreements, and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

	Millions of yen 2021 Contractual amount	 Contractual amount due after one year	 Fair value	 Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥19,653	¥18,921	¥ 572	¥ 572
Receive floating and pay fixed	19,653	18,921	(341)	(341)
Total			¥ 230	¥ 230

	Millions of yen 2020 Contractual amount	 Contractual amount due after one year	 Fair value	 Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥28,406	¥22,096	¥ 681	¥ 681
Receive floating and pay fixed	28,406	22,096	(385)	(385)
Total			¥ 295	¥ 295

	Thousands of U.S. dollars 2021 Contractual amount	 Contractual amount due after one year	 Fair value	 Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$177,523	$170,911	$ 5,167	$ 5,167
Receive floating and pay fixed	177,523	170,911	(3,085)	(3,085)
Total			$ 2,081	$ 2,081

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

(2) Currency-related transactions

	Millions of yen			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Currency swaps	¥ 5,535	¥ 5,535	¥ (177)	¥ (177)
Forward exchange contracts:				
Sold	¥71,520	¥ 749	¥(2,112)	¥(2,112)
Bought	51,475	586	1,933	1,933
Currency options:				
Sold	¥49,506	¥13,827	¥ (936)	¥ (48)
Bought	49,506	13,827	936	287
Total			¥ (355)	¥ (116)

	Millions of yen			
	2020			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥70,738	¥ 1,596	¥(480)	¥(480)
Bought	74,083	1,159	435	435
Currency options:				
Sold	¥38,683	¥16,467	¥(647)	¥ 311
Bought	38,683	16,467	647	(63)
Total			¥ (45)	¥ 203

	Thousands of U.S. dollars			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Currency swaps	$ 50,000	$ 50,000	$ (1,599)	$ (1,599)
Forward exchange contracts:				
Sold	$646,013	$ 6,770	$(19,080)	$(19,080)
Bought	464,956	5,300	17,468	17,468
Currency options:				
Sold	$447,172	$124,896	$ (8,461)	$ (442)
Bought	447,172	124,896	8,461	2,598
Total			$ (3,212)	$ (1,055)

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

(3) Stock-related transactions

	Millions of yen			
	2020			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Stock index options:				
Sold	¥1,008		¥(18)	¥0
Bought				
Total			¥(18)	¥0

Notes: 1. There were no stock-related transactions for the year ended March 31, 2021.
2. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
3. The fair values of the above derivatives were principally based on closing prices in Osaka Exchange.

(4) Other

	Millions of yen			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	¥8,560		¥(95)	
Bought	8,560		95	
Weather derivatives:				
Sold	¥ 200		¥ (4)	
Bought	200		4	
Total			¥ 0	

	Millions of yen			
	2020			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	¥7,930		¥(87)	
Bought	7,930		87	
Total			¥ 0	

	Thousands of U.S. dollars			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	$77,319		$(861)	
Bought	77,319		861	
Weather derivatives:				
Sold	$ 1,806		$ (36)	
Bought	1,806		36	
Total			$ 0	

Notes: 1. The fair values of the above derivatives were principally based on carrying amount considered terms and other elements of derivatives.
2. There were no weather derivative transactions for the year ended March 31, 2020.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related transactions

	Millions of yen		
	2021		
	Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥113,312	¥93,312	¥(11,422)

	Millions of yen		
	2020		
	Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥144,049	¥114,049	¥(32,076)

	Thousands of U.S. dollars		
	2021		
	Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$1,023,510	$842,858	$(103,171)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (cash flow hedge) based on the rules of the JICPA Industry Committee Practical Guidelines No. 24.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans, available-for-sale securities which are not classified as held-to-maturity debt securities, and time deposits.

(2) Currency-related transactions

	Millions of yen		
	2021		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	¥31,955	¥15,348	¥(1,471)

	Millions of yen		
	2020		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	¥31,905	¥10,139	¥(49)

	Thousands of U.S. dollars		
	2021		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	$288,640	$138,640	$(13,290)

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Committee Practical Guidelines No. 25.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were currency-denominated available-for-sale securities.

29. Other Comprehensive Income (Losses)

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥441,061	¥(11,068)	$3,983,931
Reclassification adjustments to profit or loss	(2,170)	(4,941)	(19,604)
Amount before income tax effect	438,890	(16,010)	3,964,326
Income tax effect	134,122	(4,596)	1,211,476
Total	¥304,768	¥(11,413)	$2,752,849
Deferred gains (losses) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 18,644	¥(26,595)	$ 168,410
Reclassification adjustments to profit or loss	2,140	1,888	19,336
Amount before income tax effect	20,785	(24,707)	187,746
Income tax effect	6,364	(7,565)	57,487
Total	¥ 14,420	¥(17,141)	$ 130,258
Defined retirement benefit plans:			
Gains (losses) arising during the year	¥ 1,236	¥ (838)	$ 11,172
Reclassification adjustments to profit or loss	888	270	8,022
Amount before income tax effect	2,125	(567)	19,194
Income tax effect	650	(173)	5,877
Total	¥ 1,474	¥ (393)	$ 13,317
Total other comprehensive income (losses)	¥320,663	¥(28,949)	$2,896,425

30. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.

The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment of the Group.

The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, trust services, etc.

2. Methods of measurement of operating income, profit (loss), assets, liabilities, and other items for each reportable segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”
The profit of the reportable segment is based on “net operating income.” “Net operating income” does not include certain other income and expenses, income taxes, and noncontrolling interests.

3. Information about operating income, profit (loss), assets, liabilities, and other items was as follows.

	Millions of yen				
	2021				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 97,194	¥10,962	¥ 108,156		¥ 108,156
Intersegment	892	1,409	2,302	¥ (2,302)	
Total	¥ 98,086	¥12,371	¥ 110,458	¥ (2,302)	¥ 108,156
Segment profit (Note 3)	¥ 20,625	¥ 3,152	¥ 23,777	¥ (12)	¥ 23,765
Segment assets (Note 4)	12,256,073	67,054	12,323,128	(49,220)	12,273,908
Segment liabilities (Note 5)	11,106,280	36,341	11,142,621	(36,866)	11,105,754
Other:					
Depreciation	3,281	111	3,393		3,393
Interest income (Note 3)	76,810	119	76,929	(61)	76,867
Interest expense (Note 3)	4,345	50	4,396	(48)	4,347
Equity in earning of an affiliated company		22	22		22
Investments in an affiliated company accounted by equity method		108	108		108
Increase in tangible and intangible fixed assets	3,258	74	3,333		3,333

	Millions of yen				
	2020				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 102,949	¥10,874	¥ 113,823		¥ 113,823
Intersegment	964	1,589	2,554	¥ (2,554)	
Total	¥ 103,913	¥12,464	¥ 116,377	¥ (2,554)	¥ 113,823
Segment profit (Note 3)	¥ 26,634	¥ 2,613	¥ 29,247	¥ (15)	¥ 29,232
Segment assets (Note 4)	10,065,875	61,268	10,127,143	(48,680)	10,078,463
Segment liabilities (Note 5)	9,245,547	32,758	9,278,306	(34,830)	9,243,476
Other:					
Depreciation	3,579	115	3,695		3,695
Interest income (Note 3)	77,762	130	77,892	(58)	77,833
Interest expense (Note 3)	8,752	50	8,802	(45)	8,757
Equity in earning of an affiliated company		15	15		15
Investments in an affiliated company accounted by equity method		85	85		85
Increase in tangible and intangible fixed assets	2,872	87	2,960		2,960

	Thousands of U.S. dollars				
	2021				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 877,917	$ 99,019	$ 976,936		$ 976,936
Intersegment	8,062	12,731	20,794	$ (20,794)	
Total	$ 885,980	$111,750	$ 997,731	$ (20,794)	$ 976,936
Segment profit (Note 3)	$ 186,300	$ 28,474	$ 214,774	$ (110)	$ 214,664
Segment assets (Note 4)	110,704,306	605,677	111,309,984	(444,587)	110,865,396
Segment liabilities (Note 5)	100,318,671	328,261	100,646,933	(333,004)	100,313,928
Other:					
Depreciation	29,641	1,010	30,651		30,651
Interest income (Note 3)	693,797	1,076	694,874	(557)	694,317
Interest expense (Note 3)	39,253	454	39,707	(436)	39,270
Equity in earning of an affiliated company		201	201		201
Investments in an affiliated company accounted by equity method		977	977		977
Increase in tangible and intangible fixed assets	29,432	674	30,107		30,107

Notes: 1. “Operating income” was presented as a substitute for sales in industries. “Operating income” did not include certain other income.
2. “Other” included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, security business, and several other businesses.
3. “Reconciliations” were eliminations of intersegment transactions.
4. “Reconciliations” were eliminations of intersegment assets.
5. “Reconciliations” were eliminations of intersegment liabilities (decrease by ¥39,128 million ($353,428 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥2,261 million ($20,424 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2021			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥45,959	¥35,117	¥27,079	¥108,156

	Millions of yen			
	2020			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥47,039	¥37,745	¥29,038	¥113,823

	Thousands of U.S. dollars			
	2021			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$415,134	$317,201	$244,600	$976,936

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020; therefore, geographical operating income information was not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2021 and 2020; therefore, geographical tangible fixed assets information was not presented.

3. Information about major customers

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal years ended March 31, 2021 and 2020; therefore, major customer information was not presented.

31. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2021				
Basic EPS — Net income available to common shareholders	¥16,860	75,594	¥223.03	$2.01
Effect of dilutive securities — stock acquisition rights		84		
Diluted EPS — Net income for computation	¥16,860	75,679	¥222.78	$2.01
For the year ended March 31, 2020				
Basic EPS — Net income available to common shareholders	¥20,383	75,545	¥269.81	
Effect of dilutive securities — stock acquisition rights		114		
Diluted EPS — Net income for computation	¥20,383	75,659	¥269.41	

32. Subsequent Events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2021, was approved at the Bank's general meeting of shareholders held on June 29, 2021:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30.00 ($0.27) per share	¥2,268	$20,487

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

Opinion

We have audited the consolidated financial statements of The Bank of Kyoto, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The Determination of the Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recorded an allowance for loan losses of ¥28,709 million in the consolidated balance sheet as of March 31, 2021 in accordance with the policies set out in Note 2.i. to Consolidated Financial Statements, Summary of Significant Accounting Policies - Allowance for Loan Losses. In the Group's asset quality assessment of borrowers, on which the allowance for loan losses is based, the evaluation of borrowers' business improvement plans that take into account future growth or recovery of their businesses may be a significant factor, in addition to their financial position and results of operation. This also includes re-evaluation of business improvement plans revised by borrowers, as appropriate, due to their facing sudden changes in business environments. Especially, in case of borrowers with significant loan balances for whom the asset quality assessment is required that involves assessing elements of estimates or judgments that take into account mid- to long-term changes in the business environments, or future growth or recovery in their businesses, the results of such assessment may have a significant impact on the consolidated financial statements of the Group. For such borrowers, the reasonableness and feasibility of their business improvement plans may involve the following significant uncertainties: · Reduction of major business facilities or workforce · Projected utilization of major business facilities · Major financial figures, including projected sales and cash inflows as well as capital amount · Impacts of sudden changes in business environments on the above-mentioned factors The Group reviews its borrower classification and internal ratings, as appropriate, in accordance with its policy and rules for self-assessment of asset quality, and determines the reasonableness and feasibility of the borrowers' business improvement plans, including the significant uncertainties mentioned above, that may have significant impacts on the asset quality assessment. In the assessment process, a multi-layer management system has been established. Under the system, the first assessment is conducted by operating branches in charge of the loans. In case of large borrowers exceeding a certain threshold of size, the second assessment is additionally conducted by the Credit Examination Division, which is independent of the operating branches, the results of which are periodically referred to the Executive Committee for review, and subsequently reported to the Board of Directors. As for the second assessment by the Credit Examination Division, which is an especially significant part of the system, dedicated personnel with thorough knowledge about the borrowers' industries are assigned, and the assessment involves understanding of their situations through regular meetings with borrowers and examining the progress of their business plans by confirming facts.	We performed the following audit procedures, among others, in considering the evaluation of significant business improvement plans served as the basis for the asset quality assessment by the Group. Tests of internal controls We tested the design and operating effectiveness of the controls related to the Group's asset quality assessment, by inquiring of the Credit Examination Division, examining the determination process based of the borrowers' recent situations, and inspecting regular reports on situations of borrowers submitted to meeting bodies such as the Executive Committee. Substantive procedures · With regard to plans of borrowers to reduce their major business facilities or workforce, we determined whether there have been any significant changes to major policies of the plans as well as the progress thereof, by inquiring of those inside and outside the Group and inspecting documents such as the borrowers' business reports. · To evaluate the estimation of the projected utilization of borrowers' major business facilities, we inquired of those inside and outside the Group, observed related meetings within or outside of the Group, and inspected documents about actual utilization of the facilities. We also evaluated consistency of the estimation with the restructuring plans of the facilities. · We evaluated whether financial figures projected by borrowers were consistent with major policies of their business improvement plans. We also tested the precision of the estimates made in the future projections by comparing them with market conditions, which take into account industry-specific information, analyzing relationships among the planned figures, and performing comparisons between the planned figures and the actual results. · With regard to potential revisions to borrowers' business improvements plans due to sudden changes in business environments, we evaluated the probability of revised plans being developed by examining their policies to deal with impacts of such changes on the above-mentioned factors as well as the expected time of the completion of the revisions, inquiring of those inside and outside the Group and inspecting documents analyzing the impacts.

- 2 -

The Determination of the Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described above, when significant uncertainties are involved in the determination of the reasonableness and feasibility of business improvement plans of borrowers in the asset quality assessment, the result of such assessment may have a significant impact on the amount of allowance recorded in the consolidated financial statements of the Group. Therefore, we identified the determination of the allowance for loan losses from loans to such borrowers as a key audit matter.	

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Deloitte Touche Tohmatsu LLC

June 29, 2021

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Cash and due from banks	¥ 2,599,277	¥ 1,081,281	$ 23,478,253
Call loans	194,649	92,130	1,758,194
Monetary claims bought	8,019	7,922	72,435
Trading securities	175	196	1,584
Money held in trust	13,093	13,068	118,264
Securities	3,232,904	2,870,856	29,201,556
Loans and bills discounted	6,069,212	5,828,449	54,820,811
Foreign exchanges	6,986	9,993	63,104
Other assets	64,742	88,612	584,792
Tangible fixed assets:	75,237	75,328	679,594
Buildings	26,158	27,027	236,280
Land	43,362	43,359	391,675
Construction in progress	2,440	1,066	22,043
Other tangible fixed assets	3,276	3,875	29,595
Intangible fixed assets:	2,640	2,774	23,850
Software	2,340	2,475	21,142
Other intangible fixed assets	299	299	2,708
Deferred tax assets	58	58	526
Customers' liabilities for acceptances and guarantees	15,101	14,577	136,410
Allowance for possible loan losses	(26,024)	(19,375)	(235,072)
Total Assets	¥12,256,073	¥10,065,875	$110,704,306
Liabilities and Equity			
Liabilities:			
Deposits	¥ 8,716,969	¥ 8,026,760	$ 78,736,969
Call money	459,000	447,618	4,145,966
Payables under securities lending transactions	429,312	429,624	3,877,814
Borrowed money	1,108,416	72,406	10,011,891
Foreign exchanges	162	232	1,465
Borrowed money from trust account	4,170	3,178	37,673
Other liabilities	57,002	73,171	514,877
Liability for employees' retirement benefits	25,316	25,180	228,675
Liability for reimbursement of deposit losses	412	564	3,721
Liability for contingent losses	919	949	8,303
Deferred tax liabilities	289,495	151,283	2,614,901
Acceptances and guarantees	15,101	14,577	136,410
Total liabilities	11,106,280	9,245,547	100,318,671
Equity:			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2021 and 2020	42,103	42,103	380,306
Capital surplus	30,475	30,544	275,269
Stock acquisition rights	356	488	3,221
Retained earnings	374,237	363,894	3,380,340
Treasury stock — at cost, 234 thousand shares in 2021 and 283 thousand shares in 2020	(1,279)	(1,550)	(11,556)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	711,779	407,148	6,429,227
Deferred losses on derivatives under hedge accounting	(7,747)	(22,168)	(69,980)
Land revaluation surplus	(132)	(132)	(1,194)
Total equity	1,149,793	820,328	10,385,635
Total Liabilities and Equity	¥12,256,073	¥10,065,875	$110,704,306

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted.
Accordingly, breakdown figures may not add up to sums.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.71 to $1, the approximate rate of exchange at March 31, 2021.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd. Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥44,802	¥ 45,693	$404,683
Interest and dividends on securities	30,784	30,104	278,064
Other interest income	1,223	1,964	11,049
Trust fees	12	17	116
Fees and commissions	15,544	15,828	140,409
Other operating income	3,096	4,894	27,969
Other income	2,622	5,742	23,688
Total income	98,086	104,244	885,981
Expenses:			
Interest expenses:			
Interest on deposits	1,753	4,945	15,843
Interest on borrowed money	232	636	2,102
Other interest expenses	2,359	3,170	21,308
Fees and commissions	5,849	7,447	52,834
Other operating expenses	1,706	1,091	15,416
General and administrative expenses	54,692	55,966	494,019
Other expenses	11,566	4,565	104,475
Total expenses	78,161	77,824	705,999
Income before Income Taxes	19,925	26,420	179,981
Income Taxes:			
Current	7,250	6,406	65,492
Deferred	(2,203)	853	(19,898)
Net Income	¥14,878	¥ 19,159	$134,387

	Yen		U.S. dollars
	2021	2020	2021
Per Share Information:			
Basic net income	¥196.81	¥253.62	$1.77
Diluted net income	196.59	253.23	1.77
Cash dividends applicable to the year	60.00	60.00	0.54

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted.
Accordingly, breakdown figures may not add up to sums.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.71 to $1, the approximate rate of exchange at March 31, 2021.

The Bank's Organization (As of July 1, 2021)

- General Meeting of Shareholders
  - Audit & Supervisory Board
    Audit & Supervisory Board Members
    - Audit & Supervisory Board Secretariat
  - Board of Directors
    - Internal Audit Division
  - Executive Committee
    - Branch Strategy Head Office Secretariat
    - Corporate Planning Division
    - Innovation & Digital Strategy Division
    - Risk Management Division
    - Business Headquarters
    - Public & Regional Affairs Division
    - Business departments: Head Office Business Department, Osaka Business Department, Tokyo Business Department, Domestic branches and Sub-branches
    - Credit Examination Division
    - Treasury & Investment Division
    - International Division
      - Hong Kong Representative Office
      - Shanghai Representative Office
      - Dalian Representative Office
      - Bangkok Representative Office
    - General Secretariat
    - Human Resources & General Affairs Division
    - Kyoto Banking College
    - Business Administration Division
    - Operations Support Division
    - Systems Division

Board of Directors and Audit & Supervisory Board Members (As of June 29, 2021)

President
Nobuhiro Doi

Senior Managing Director
Masaya Anami

Managing Directors
Toshiro Iwahashi
Mikiya Yasui
Hiroyuki Hata

Directors
Junko Otagiri (external)
Chiho Oyabu (external)
Eiji Ueki (external)

Standing Audit & Supervisory Board Member
Masahiko Naka

Audit & Supervisory Board Members
Hiroyuki Ando
Hiroyuki Nakatsukasa (external)
Motoko Tanaka (external)

Managing Executive Officers
Kazuhiro Waki
Hiroshi Nishimura
Minoru Wada
Kenji Hashi
Hiroyuki Tsuji

Executive Officers
Hisamitsu Ito
Minako Okuno
Kazuhito Aoki
Kenichi Uegaki
Hiroyuki Shikata
Takashi Kawasaki
Motoyoshi Tanaka
Takanori Nakajima
Shintaro Morimoto
Kanji Habuchi
Etsuji Motomasa

Corporate Data (As of March 31, 2021)

Date of Establishment
October 1, 1941

Number of Employees
3,430 (Non-consolidated)

Number of Authorized Shares
200,000,000

Number of Issued Shares
75,840,688

Capital (Paid-in)
¥42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A

S&P* Rating *Standard & Poor's
A-

Major Shareholders (Number of shares in thousands and percentage)

The Master Trust Bank of Japan, Ltd. (trust account)	4,945	(6.54%)
Nippon Life Insurance Company	3,033	(4.01%)
Custody Bank of Japan, Ltd. (trust account)	2,566	(3.39%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,537	(3.35%)
Meiji Yasuda Life Insurance Company	2,500	(3.30%)
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement Business Department)	1,996	(2.64%)
KYOCERA Corporation	1,596	(2.11%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service)	1,588	(2.10%)
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust — OMRON Corporation account)	1,528	(2.02%)
SUMITOMO LIFE INSURANCE COMPANY	1,318	(1.74%)

International Service Network

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Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services
Kyogin Securities Co., Ltd.	October 2016	3,000	Securities business

Bank of Kyoto

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