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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Juroku Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of The Juroku Bank, 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.

Determination of the allowance for loan losses from loans and bills discounted (Note 2: Summary of Significant Accounting Policies, (j) Allowance for loan losses, Note 3: Significant Accounting Estimates)	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Juroku Bank, Ltd. (the "Bank") maintains an allowance for loan losses in accordance with the internal standards for write-offs and allowances. In addition, the quality of all loans is assessed in accordance with its policies and rules for self-assessment of asset quality.</p> <p>As of March 31, 2021, loans and bills discounted of ¥4,481,149 million and an allowance for loan losses of ¥25,852 million against these loans and bills were recorded on the consolidated balance sheet.</p> <p>In the Bank's self-assessment of asset quality, debtors are classified based on a comprehensive consideration of: the debtor's repayment ability as evidenced by its financial position, cash flows and earnings ability, the forecast for its business continuity and profitability, the ability to pay the debt at maturity from its cash flows, the reasonableness and feasibility of its business improvement plan and support provided by financial institutions, among others. The determination of the debtor classification requires various estimates, which involve uncertainty and subjective judgment made by management.</p> <p>In particular, the determination of the reasonableness and feasibility of debtors' business improvement plans, which are formulated based on their forecasts of future business performance such as future sales, cost reductions and cash flow, may be highly dependent upon trends in the industries to which the debtors belong as well as the feasibility of individual business improvement measures included in such plans. In addition, the Bank assumed that the effect of the spread of the new coronavirus (COVID-19) infection on the economy would continue in the following fiscal year, and determined the debtor classification based on the assumption that the credit risk of loans and bills would be affected with the degree of the effect varying from debtor to debtor. As these estimates are affected by changes in the internal and external business environments of debtors, including the effect of COVID-19 infection, there is relatively a higher degree of uncertainty and subjective judgment made by management.</p>	<p>To address the key audit matter, we evaluated the reasonableness of the assumptions used in the business performance forecasts included in debtors' business improvement plans for determining the classification of those debtors by making a selection of debtors who have formulated business improvement plans in consideration of the magnitude of potential misstatement and performing the following audit procedures, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls over the determination of classification of debtors, including assessment of the reasonableness of the business improvement plans formulated by the debtors. • We compared the estimates used in the business improvement plans with the actual figures, and based on the difference between them, determined whether revisions to the determinations as to the reasonableness and feasibility of such plans were necessary and evaluated whether the assumptions underlying such plans were still reasonable. • We inspected documents concerning the results of a study conducted by the Bank about the effect of COVID-19 on its debtors, and evaluated the consistency between the results of the study and the debtors' business improvement plans. • We inspected the underlying materials that served as the basis for the Bank's assumptions regarding the effect of COVID-19, and determined whether such materials were unbiased, including both information with negative impacts and that with positive impacts on the debtors' business activities, and whether the assumptions used fell within a reasonable range even under highly uncertain environment by comparing them with available external information, such as reports published by external organizations.

<p>If the debtor classification is determined incorrectly due to these subjective judgments by management, there is a risk that the allowance for loan losses may not be appropriately calculated. Accordingly, auditing the allowance for loan losses, including the significant estimates and the related assumptions, requires significant judgment by the auditor. Therefore, we have determined the judgment about classification of debtors based on their business improvement plans to be a key audit matter.</p>	<p>In addition, we performed the following procedures for specific debtors whose classification, if determined incorrectly, may have a significant impact on the allowance for loan losses.</p> <ul style="list-style-type: none"> • We evaluated the forecasts of sales and costs, by testing the consistency between the materials used by the Bank as the basis for the determination and available external information about trends of the industries which the debtors operate in. Specifically, we evaluated such forecasts by determining whether projected sales were at attainable levels in light of the debtors' historical results and business environments, and whether projected cost reductions were at achievable levels supported by individual business improvement measures planned by the debtors. We also determined whether the debtors' future cash flow forecasts were in line with the above forecasts of sales and costs included in their business improvement plans.
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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.

園生 裕之



Hiroyuki Sono
Designated Engagement Partner
Certified Public Accountant

鈴木 晴久



Haruhisa Suzuki
Designated Engagement Partner
Certified Public Accountant

石原 由寛



Yoshihiro Ishihara
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

June 17, 2021
(June 18, 2021 as to Note 33)