



A Snapshot of Juroku Bank Now and Future

JUROKU BANK
ANNUAL REPORT

2021

PROFILE

The Juroku Bank, Ltd., has its business base in Gifu and Aichi prefectures, the industrial center of the Chubu region of Japan. During the over 140 years since its founding in 1877, it has played a pivotal role as a leading financial institution in its area.

We will continue to follow our philosophy of “serving our community by fulfilling our social mission as a financial institution.” We will also pursue reforms by staying open-minded, managing our operations rationally and steadily, creating a strong management style through stronger earnings power, and improving our personnel and organization.

The head office of the Bank is located in Gifu prefecture. The Bank has 162 domestic branch offices, mainly in Gifu and Aichi prefectures, as well as representative offices in Shanghai, Singapore, Bangkok and Hanoi. On a consolidated basis, as of the end of March 2021, the Bank had total deposits of ¥6,072.5 bil (US\$54,850 mil), total assets of ¥7,238.4 bil (US\$65,381 mil), and a capital ratio of 9.93% based on domestic standards.



Head Office

Financial Highlights (Consolidated)

The Juroku Bank, Ltd. and Subsidiaries Year Ended March 31, 2021

| For the Fiscal Year | Millions of Yen | | Thousands of U.S.Dollars |
|---|-----------------|------------|--------------------------|
| | 2021 | 2020 | 2021 |
| Total income | ¥ 111,347 | ¥ 106,863 | \$ 1,005,754 |
| Total expenses | 88,822 | 87,588 | 802,294 |
| Net Income Attributable to Owners of the Parent | 14,723 | 12,862 | 132,987 |
| Cash dividends | (2,990) | (2,615) | (27,007) |
| At Year-End | | | |
| Total assets | ¥7,238,375 | ¥6,472,454 | \$65,381,402 |
| Loans and bills discounted | 4,481,150 | 4,345,574 | 40,476,470 |
| Securities | 1,558,600 | 1,251,602 | 14,078,222 |
| Deposits | 6,072,473 | 5,610,659 | 54,850,267 |
| Total equity | 403,010 | 366,404 | 3,640,231 |
| Cash Flows | | | |
| Net cash provided by (used in) operating activities | ¥ 580,590 | ¥ 84,244 | \$ 5,244,242 |
| Net cash (used in) provided by investing activities | (274,207) | 63,122 | (2,476,805) |
| Net cash used in financing activities | (4,624) | (3,734) | (41,766) |
| Cash and cash equivalents, end of year | 930,918 | 629,152 | 8,408,617 |

Note: Amounts stated in United States dollars have been computed, solely for convenience, at the rate of ¥110.71 = US\$1, the approximate rate of exchange at March 31, 2021.

Forward-Looking Statement

This annual report contains certain forward-looking statements. Those forward-looking statements are subject to risks and uncertainties, and Juroku Bank's actual results may differ from those described in the forward-looking statements. We are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise.

Potential of the Regional Economy

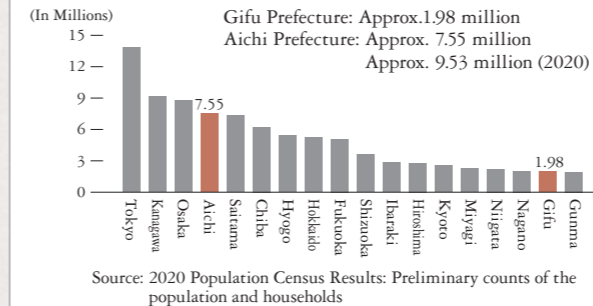
The Juroku Bank Group provides comprehensive financial services in Greater Nagoya, the third largest region after Tokyo and Osaka, primarily covering Gifu and Aichi prefectures. These prefectures have clusters of automotive and other manufacturing companies that support Japan's manufacturing, and the Group's growth is closely related to the region's growth.

New infrastructures being developed in the region include Tokai-Kanjo (ring) Expressway connecting Gifu, Aichi and Mie prefectures and a longer-term project, the Linear Chuo Shinkansen (SCMAGLEV), which are expected to have positive impacts on the region's economy.

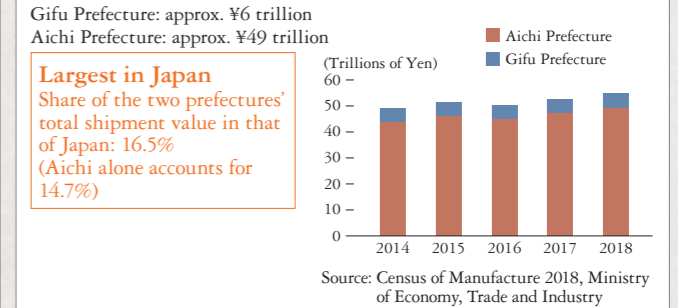
Industrial Structure: Region Supporting Japan's Manufacturing

Gifu and Aichi prefectures are characterized by a large population with a high percentage of people working in manufacturing industries. The value of shipments of products manufactured in these prefectures is among the largest in Japan. They thus support Japan's industries and manufacturing.

7.5% of Japan's population



Shipment value of manufactured products



High percentage of manufacturing sector

Gifu Prefecture: 27.9%
Aichi Prefecture 37.9% (2017)

Significantly exceeding the nationwide average of 21.9%

Source: Prefectural Accounts 2017, Cabinet Office

Gross prefectural product

Gifu Prefecture: Approx. ¥7.8 trillion
Aichi Prefecture: Approx. ¥40.3 trillion
= Approx. ¥48 trillion (2017)

Accounts for 8.6% of Japan's GDP

Source: Prefectural Accounts 2017, Cabinet Office

Japan's largest trading port

Total amount of exports from the Port of Nagoya
Approx. ¥10,410.0 billion (2020)

Largest port in Japan

Source: Trade Statistics of Japan, Ministry of Finance

Economic Zone: Expectations of Extensive Economic Impact

The infrastructures being developed are expected to help revitalize the industry and hence the region is expected to enjoy extensive positive impacts.

Tokai-Kanjo Expressway to connect Gifu, Aichi, and Mie prefectures in a circle

Travel time shortened

Tokai-Kanjo Expressway would function as a detour route for Tomei, Meishin, Chuo, Tokai-Hokuriku Expressways when they are congested or in the event of accidents and as an alternate route in the event of a large-scale natural disaster.

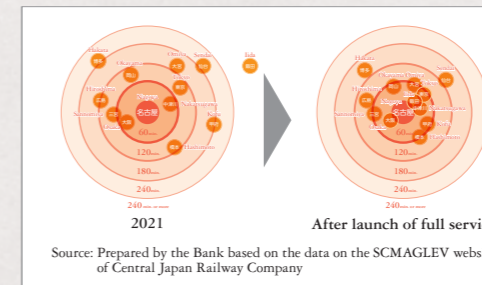


Launch of Linear Chuo Shinkansen (SCMAGLEV) [A super mega-region initiative based on a huge economic zone being created along the SCMAGLEV]

Travel time shortened/Access improved

Shinagawa ⇄ Nagoya
Approx. 1 hr. 30 min. ⇒ Approx. 40 min.
Shinagawa ⇄ Gifu Prefecture station (Nakatsugawa City)
Approx. 2 hr. 30 min. ⇒ Approx. 60 min.

Forming dual networks with the Tokaido Shinkansen bullet train to provide an alternative route and thereby to prevent suspension of economic activities in the event of a contingency



Super Mega-region

Faster access to cities around Japan

The full launch of the Linear Chuo Shinkansen service will greatly reduce the travel time to cities along the line and provide faster access to cities around Japan.

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We aspire to become a
 “comprehensive financial
 group that builds a future
 with local communities and
 achieves sustainable growth
 with local economies”
 in partnerships with our
 customers and the region.

Yukio Murase
 Chairman and President,
 The Juroku Bank

Launch of the 15th Medium-Term Management Plan

The year ended March 31, 2021 has a particular significance as it began with the launch of the “15th Medium-Term Management Plan ~ Engagement to the future ~.”

In this plan, we uphold a long-term vision toward our 150th anniversary in 2027, aspiring to be a “comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies.”

To realize this vision, we are seeking to shift our business model by implementing three reforms: “business reform,” “operation process/channel reform” and “human resources/organization reform” while working to create shared value with an eye to the future needs of our customers and the region we serve.

Initiatives for COVID-19

The start of the year ended March 31, 2021 coincided with the outbreak of COVID-19, which triggered an unprecedented crisis for which past experience offered little guidance. Prioritizing the health and safety of our customers, officers and employees, the Group has been making its best effort to provide the required financial services as much as possible, paying more attention than ever to communities and customers.

We swiftly provided support to customers affected by and suffered damage from the COVID-19 pandemic, centering on cash flow support programs.

▶ Cash flow support provided by the Bank

| | |
|---|----------------|
| Number of COVID-19-related loans executed | 11,491 |
| Amount of COVID-19-related loans executed | ¥300.6 billion |
| [Of which, amount of interest free loans executed] | ¥181.7 billion |
| Number of applications for revisions of the terms and conditions of mortgage loans in view of the impact of the COVID-19 pandemic | 316 |
| Amount of mortgage loans whose terms and conditions were revised | ¥4.4 billion |

(as of March 31, 2021)

In the COVID-19 pandemic, besides cash flow support programs, we strove to enhance engagement with customers while implementing the market-in approach (customer-first marketing strategy).

The Corporate Consulting Group established in April 2021 is spearheading our efforts to provide corporate customers support tailored to their individual situations in combination with the conventional core business support as well as our swift responding capability. Personnel of the head office visit corporate customers in cooperation with sales branches to ensure close communication with their management.

■ Holding of business matchmaking conferences

We hold business matchmaking conferences in which the general managers of the Bank’s branches, on behalf of their customers’ sales managers, make presentations on their customers’ products and services to general managers of other branches of the Bank in the vicinity. Preparing presentation materials is a great opportunity to gain in-depth understanding of customers. At the conferences, likely partners are proposed and efforts are made to speed cooperation, leading to deals. The Bank’s conferences are increasingly viewed as valuable opportunities for new business matching and fruitful engagement.



■ Serving as an intermediary for utilization of human resources

We are aware that certain customers who have a steady stream of orders are in need of additional human resources. Meanwhile, there are customers whose human resources exceed their needs because of decreased production amid the COVID-19 pandemic. We are endeavoring to serve as an intermediary between these customers. We made referrals in cooperation with our branches, and by pairing customers with matching needs, we were able to arrange for the employment of some 20 people. Both customers were also able to use the government’s subsidy system. This is an example of fruitful engagement with customers.



The Citrus Ribbon Project aims to eliminate discrimination and prejudice associated with COVID-19 throughout the region, whether at home or in workplaces, and contribute to the resumption of a happy carefree life. In February 2021, the Bank endorsed the Citrus Ribbon Project and is working to realize a compassionate community.

Every member of the Bank is resolved to engage with people in the communities and take action, always mindful of what they can usefully do now.

Review of the First Year of the 15th Medium-Term Management Plan

Progress of the 15th Medium-Term Management Plan

| Numerical targets | | FY2022 targets | At the launch of the plan (FY2019 results) | FY2020 results |
|-------------------|---------------------------------|----------------|--|----------------|
| Profitability | Net income (consolidated) | ¥12.0 billion | ¥12.8 billion | ¥14.7 billion |
| Efficiency | Adjusted OHR (non-consolidated) | Around 67% | 67.18% | 65.38% |

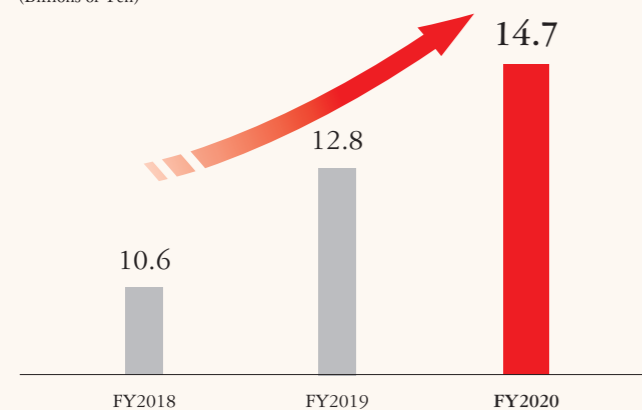
| Long-term targets | | Targets | At the launch of the plan (FY2019 results) | FY2020 results |
|-------------------|-----------------------------------|-------------|--|----------------|
| Profitability | ROE (consolidated) | 5% or more | 3.65% | 3.98% |
| Soundness | Core capital ratio (consolidated) | 10% or more | 9.27% | 9.93% |

In the year ended March 31, 2021, the first year of the 15th Medium-Term Management Plan, we refrained from face-to-face sales so as to prevent the spread of COVID-19 and our business was affected, particularly in the first half. However, our financial performance recovered in the second half once we had established a sales system in response to the COVID-19 pandemic. On a non-consolidated basis, net core operating profit increased by ¥1.0 billion year on year to ¥21.5 billion, ordinary profit increased by ¥4.0 billion year on year to ¥22.5 billion, and net income increased by ¥1.4 billion to ¥14.1 billion.

On a consolidated basis, ordinary profit increased by ¥5.2 billion year on year to ¥24.6 billion and net income attributable to owners of the parent increased by ¥1.9 billion to ¥14.7 billion. Regarding both “net income (consolidated)” and “adjusted OHR (non-consolidated),” which are the key performance indicators for our numerical targets of the 15th Medium-Term Management Plan, our results in the first year of the plan exceeded the targets for FY2022, the final year of the plan.

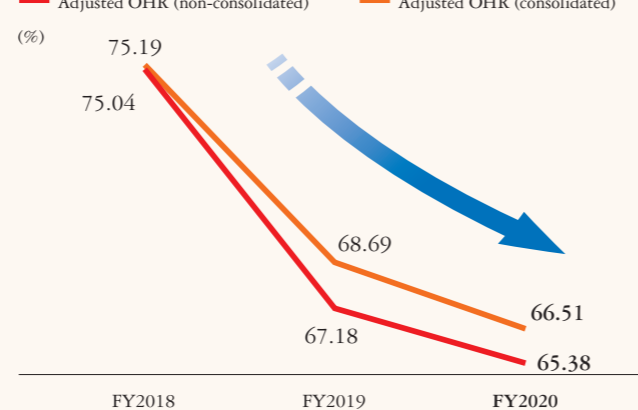
Net income attributable to owners of the parent

(Billions of Yen)



Adjusted OHR

(%)



Capital Policy

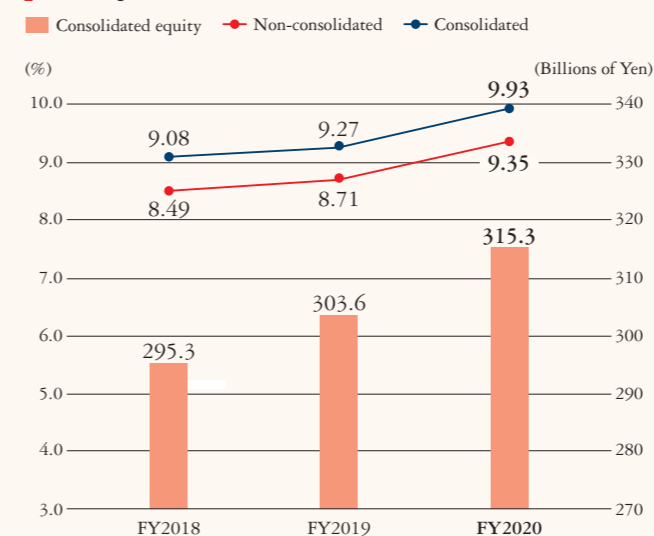
In regard to our capital, as profits have been accumulated, a consolidated core capital ratio of 10% or above, which is a long-term target under the 15th Medium-Term Management Plan, is within reach.

Regarding dividends for the year ended March 31, 2021, we paid a year-end dividend of ¥55 per share. Whereas our initial plan was to pay a year-end dividend of ¥35, we revised it in November 2020 to ¥45, an increase of ¥10 per share. However, since our business results for the year ended March 31, 2021 exceeded the forecast announced in November and in view of the imminent transition to a holding company structure in October 2021, we added another ¥10 per share as a commemorative dividend.

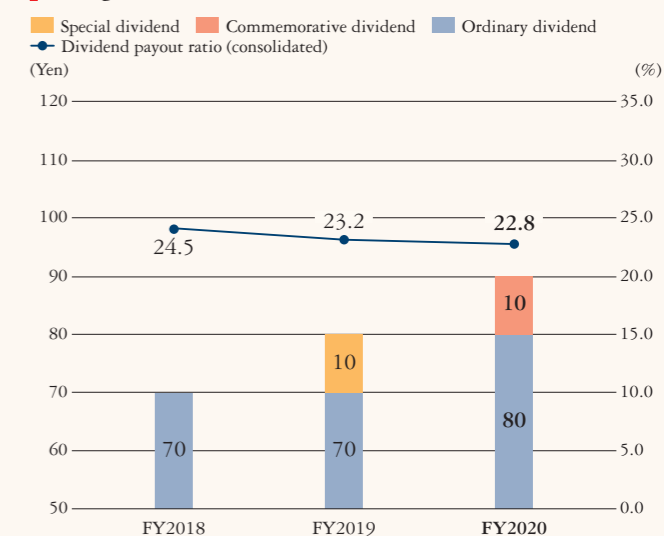
As a result, annual dividends amounted to ¥90, including the interim dividend of ¥35.



Core capital ratio



Changes in dividends



Reorganization

In April 2021, we executed a reorganization to upgrade the organizational structure of the Bank's headquarters in view of the imminent transition to a holding company structure in October 2021.

As well as transforming the Bank's organizational structure to facilitate effective collaboration with the holding company, we will continue to implement the market-in approach (customer-first marketing strategy) and strengthen our initiatives for "digital transformation," "regional revitalization," and the "SDGs."

1. Implementation of the market-in approach (customer-first marketing strategy)

Change of the Personal Business Division to the **Retail Business Division**
Reorganization within the division: Establishment of the Retail Planning Group, the Retail Business Group, and the Personal Loan Group

Change of the Corporate Business Division to the **Solutions Business Division**
Reorganization within the division: Establishment of the Finance Group and the Solutions Group

Establishment of the **Corporate Consulting Group** within the Enterprise Support Division

2. Strengthening of the initiatives for "digital transformation"

Change of the Operational Reform Division to the **Digital Reform Division**
Establishment of the **Digital Transformation Promotion Group** within the division

3. Strengthening of the initiatives for "regional revitalization"

Change of the Public Business Division to the **Regional Revitalization Division**
Establishment of the **Regional Revitalization Group** within the division

4. Strengthening of the initiatives for the "SDGs"

Establishment of the **SDGs Promotion Office** within the Regional Revitalization Division

▶ Promoting digital transformation



Digital technology can dramatically enhance the productivity of existing industry and drive economic growth by contributing to the transformation of business models and the creation of new businesses. Responding to these developments, we changed the Operational Reform Division to the Digital Reform Division and established the Digital Transformation Promotion Group within the division.

We will vigorously promote digital transformation (DX) to achieve two principal objectives: "improvement of usability" through enrichment of non-face-to-face channels and data-driven mass-marketing and "improvement of productivity" by expanding the scope of centrally executed business processes and through business process reengineering utilizing digital technology.

▶ Promoting regional revitalization



To step up our initiatives contributing to sustainable growth of the regional economy in collaboration with local governments and community development organizations and earn Gifu and Aichi prefectures' deep and enduring confidence in the Bank, since those prefectures constitute our main field of our business operations, we changed the Public Business Division to the Regional Revitalization Division and established the Regional Revitalization Group within the division.

We will identify and analyze issues for sustainable growth of the region and implement effective measures to resolve the issues in collaboration with Group companies, local governments, community development organizations, etc. by leveraging not only our financial intermediary functions but also our knowledge and network.

▶ Addressing the SDGs

In accordance with The Juroku Bank Group SDGs Declaration announced in February 2020, the Group has been addressing the Sustainable Development Goals (SDGs). To step up the initiatives, we established the SDGs Promotion Office within the Regional Revitalization Division.

In June 2021, we announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with the aim of providing useful information to our stakeholders while strengthening our climate change countermeasures. We are working to establish systems and ensure information disclosure in accordance with the TCFD recommendations.

In view of the growing interest in the SDGs throughout society, addressing the SDGs may become a precondition for doing business or a crucial factor in being chosen by investors and consumers.

The Group is committed to playing a central role in inculcating the SDGs among customers and people in the region by offering diverse solutions through financial services. All officers and employees of the Group will address the SDGs to help achieve a sustainable society.



Transition to a Holding Company Structure

As a financial institution with its operating bases in Gifu and Aichi prefectures, the Bank's aim has been to become a comprehensive financial group that achieves sustainable growth with local economies by creating shared value through dialogues with people in the local communities so as to contribute to revitalization of the local economy.

At the same time, there have been major changes in the business environment in which regional financial institutions operate, such as the ongoing low-interest policy, and intensifying competition across industries and business categories. In order to contribute to the realization of a sustainable society, regional financial institutions must transform their business models and adapt to deregulation.

For these reasons, the Group has decided to transition to a holding company structure in order to expand its business domain such as by establishing new businesses, strengthen collaboration and optimize the allocation of resources within the Group by reforming the thinking and behavior of our officers and employees, enhance auditing and supervisory functions, and accelerate business execution.

Under the holding company structure, the Group will create a business structure that can respond flexibly to changes in the business environment in order to support its customers' businesses by concentrating the Group's management resources and to fulfill its obligations toward sustainable growth of the region so as to enhance corporate value.



Establishment of NOBUNAGA Capital Village Co., Ltd.



In April 2021, ahead of the transition to a holding company structure, NOBUNAGA Capital Village Co., Ltd., a wholly-owned subsidiary of the Bank, was established as a company specializing in investment, and commenced its operations.

Through corporate venture capital firms investing in startups that can unleash synergies with "regional economies" and "finance," and regional venture capital firms investing in "future leaders in

the region," NOBUNAGA Capital Village will vigorously support and foster startups while also tackling business succession and business rehabilitation. By offering new services and products through collaboration between the Group and the enterprises in which NOBUNAGA Capital Village invests, we will contribute to the growth and development of customers and the regional economy.

To Achieve Sustainable Growth Together with Stakeholders

By transitioning to a holding company structure to achieve further development of the Group and sustainable growth with its stakeholders, we will redouble our efforts to create shared value with our stakeholders and enhance corporate value so as to meet their expectations.

I would greatly appreciate the continued support of our stakeholders.



Transition to a Holding Company Structure

“Creating the future of the region together,” we will contribute to achieving growth and prosperity for our customers and the local community by demonstrating the Group’s comprehensive capabilities as a provider of comprehensive financial services to the region.

Naoki Ikeda
Deputy President

The Group's history



Objectives of the transition to a holding company structure

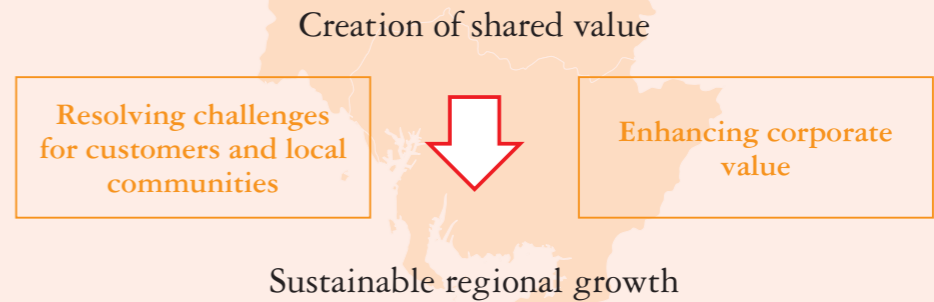
1. Expand the business domain
2. Optimize allocation of Group management resources
3. Enhance auditing and supervisory functions and accelerate business execution

- Change in market scale
- Transformation of the business model
- Change in society

Respond flexibly to change in the environment

October 2021

Transition to a holding company structure



Group Management Philosophy

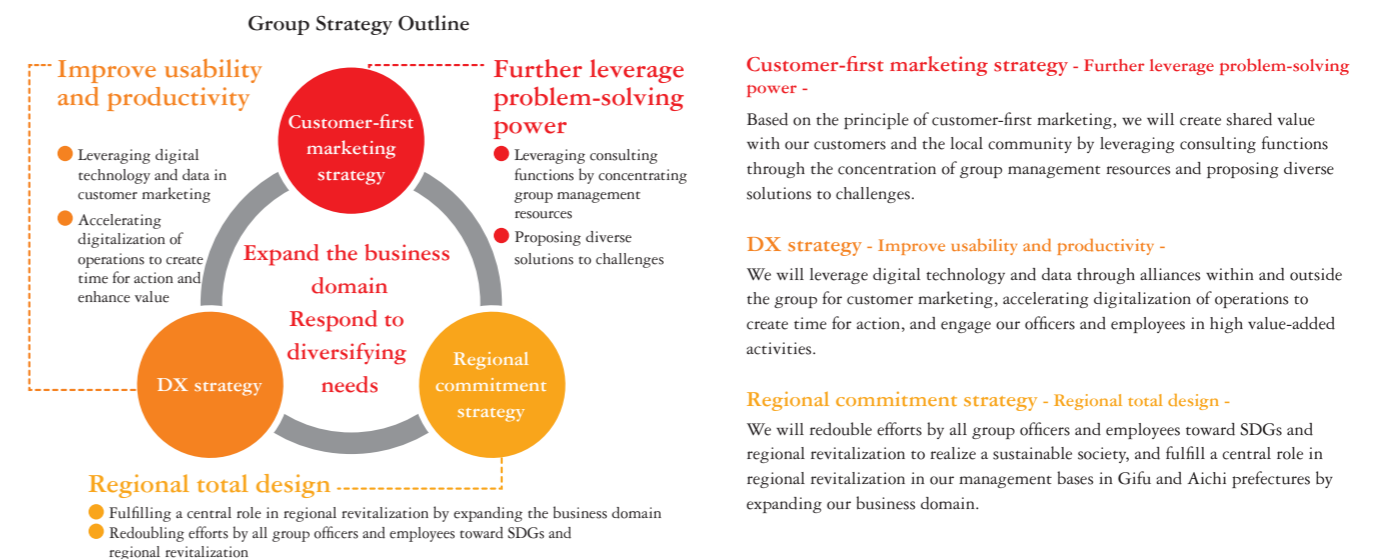


Our group management philosophy is inherited from the basic philosophy of The Juroku Bank, and represents the fundamental spirit of the Juroku Financial Group and the foundation for all of our officers’ and employees’ activities. It consists of three parts: Mission, Vision, and Values. When putting our philosophy into practice, the specific conduct of our staff is governed by the Code of Conduct.

Juroku Financial Group: Creating the future of the region together

1st Management Plan (Outline)

The Juroku Financial Group intends to formulate its 1st Management Plan covering the period from October 2021 to March 2023. The Juroku Financial Group seeks to maximize synergies through its three group strategies, with “expand the business domain” and “respond to diversifying needs” as its growth drivers, to become a “comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies.”



Corporate Governance

Basic Policy

At Juroku Bank, we believe that retaining the trust of our stakeholders by conducting all of our activities in a sound manner is vital to our role as a financial institution. Therefore, we place the highest priority on building a solid organizational structure and establishing systems that continually reinforce corporate governance.

In association with the entry into effect of the Companies Act, we established a Basic Policy related to the Establishment of an Internal Control System at a meeting of the Board of Directors held on May 24, 2006. Since that time, we have revised this basic policy as necessary and in a timely manner, and have endeavored to develop and continuously refine the system to ensure the appropriate execution of business at the Bank and the corporate group comprising the Bank and its subsidiaries. Under this basic policy, we will pursue initiatives to enhance corporate governance.

Progress Thus Far

The Board of Directors comprises nine members including three Outside Directors (as of June 18, 2021) and it is held at least once a month, in principle, to deliberate and decide matters stipulated in laws and regulations and important management issues, and it also monitors directors' conduct of business operations by having each director report his/her own execution of duties at least once every three months, pursuant to Article 363, Paragraph 2 of the Companies Act. Additionally, in order to further ensure the transparency and fairness of the Board of Directors' decision-making activities, a Management Advisory Council has been established as an advisory body to the Board of Directors. The Council is chaired by an Outside Director, and a majority of its members are external figures.

The Bank has adopted the executive officer system and ensures that executive officers appointed by the Board of Directors responsibly execute the business operations of the sections in their charge. The adoption of the executive officer system allows the Board of Directors to take on the functions of management supervision in a more effective manner, while also enabling quick decision making by the management team. In terms of important matters affecting the daily conduct of business operations, a Management Council, comprising the Chairman and President, deputy president and director and managing executive officers, has been established to enable quick and bold decision making.

Furthermore, an Operational Audit Committee has been established to enhance the supervisory functions of the Board of Directors on the execution of business operations, thereby further enhancing the corporate governance system.

The Audit & Supervisory Board comprises four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members and two Standing Audit & Supervisory Board Members (as of June 18, 2021). The Audit &

Supervisory Board is held at least once a month, in principle. To support the Audit & Supervisory Board Members, we have established the Audit & Supervisory Board Members' Office, which monitors the execution of business operations objectively and ensures appropriate auditing functions.

With regard to internal controls, the Internal Audit Division conducts internal audits, and at least once per year The Bank seeks outside opinions regarding the development and management of the internal control system.

Based on these objective opinions, we work to further improve the internal control system. Moreover, to reinforce the compliance system, we have established a whistle-blower system and have improved the effectiveness of the system by using an external lawyer as the point of contact.

With respect to the risk control system, we have established the Integrated Risk Management Council, the Compliance Council, and the Anti-Money Laundering Council, chaired by the President, in principle, held once in every three months, once a month, and once a month, respectively, as well as the Operational Risk Management Council chaired by the Managing Officer in charge of Risk Management Division and held once or more in every half year. At these meetings, the appropriateness of operations is reviewed and risk management is applied to minimize loss due to unforeseen circumstances.

We have also signed consultation agreements with six lawyers, who provide advice on legal matters and perform a variety of legal checks when necessary.

In response to risks associated with cyberattacks, extreme weather and natural disasters, new strain of influenza, the prolonged COVID-19 crisis and other factors, the Bank has formulated business continuity plans to prepare for each of them, anticipating possible risk events. It continues to improve its business continuity readiness including by conducting first-response drills as appropriate.

The Bank's accounts are audited by the independent auditing firm Deloitte Touche Tohmatsu LLC (as of June 30, 2021). This firm provides accurate audits on the basis of appropriate information disclosure.

Going forward, we will work to further enhance our corporate governance standards and ensure the soundness of our ethical conduct and financial position.

Basic Policy on Strengthening Internal Control System

We are currently making efforts to build an internal control system based on the policies described below.

1. System to ensure that the execution of duties by directors of the Bank and its affiliates comply with all relevant laws, ordinances, regulations, and the Bank's Articles of Incorporation

(1) Our Basic Policy establishes the Bank's commitment to serve local communities by fulfilling its mission as a financial institution, and to seek business growth through sound practices founded on a broad and rational perspective.

(2) To implement this policy, directors and executive officers of the Bank are responsible for the establishment of various standards including the Code of Ethics and Compliance Policy, and for ensuring that business is conducted in accordance with these standards and that laws, ordinances, and the Articles of

Incorporation are adhered to. In addition, directors are responsible for steadfastly confronting any anti-social forces that pose a threat to social order and safety; thereby directors consolidate a system to sever all ties to these forces.

(3) The Bank's affiliates make best efforts to pursue legitimate and fair business practices that respond to social obligations, based on their own basic policy and management philosophy that are adequate for the nature and scale of their business. In addition, the affiliates are responsible for the establishment of the Code of Ethics and Compliance Policy to ensure that business is conducted in accordance with laws and ordinances as well as social norms.

2. System for storage and management of information related to the execution of duties by directors of the Bank

To ensure efficient verification of proper business practices, regulations will be created and followed on the handling and control of information and documents related to business operations (including electronic records); adherence to these regulations will be monitored, and regulations will be revised when necessary.

In addition, a system will be established to enable directors and Audit & Supervisory Board Members to view this information and the relevant documents when necessary.

3. Risk management regulations and other structures related to risk of loss at the Bank and its affiliates

(1) The Bank positions the risk management as an important duty to ensure the soundness and safety of business, and regulations related to each type of risk, including a Comprehensive Risk Management Regulation, will be established in order to manage risks associated with the business of the Bank and its affiliates in an exhaustive and comprehensive manner. Efforts will be made to appropriately improve the measurement, evaluation, and management of risk by following these regulations.

An independent third party will regularly evaluate the Bank's management of major risks, and the Bank will continually work to improve risk management level evaluations.

(2) In addition to designating one department to comprehensively manage risk, individual departments will be made specifically responsible for each category of risk, ensuring effective risk management. In addition, an organizational structure will be established, including the Integrated Risk Management Council chaired by the president and CEO and the Operational Risk Management Council chaired by the director in charge of the department responsible for comprehensive risk management. Risk management reports will be made to the Board of Directors on a regular basis, or as necessary.

(3) The following are risks to be managed at the Bank. When new risks arise, a department to handle them will be promptly established by the Board of Directors.

1) credit risk, 2) market risk, 3) liquidity risk, 4) operational risk, and 5) money laundering and terrorist financing risk, 6) other risks that could have a serious impact on the Bank's business.

(4) In addition to establishing a Risk Management Council, the Bank's affiliates will manage risks in a proper and comprehensive manner, and set up a system to report any issues related to risk management to the Bank. The Internal Audit Department of the Bank conducts auditing of the Bank's affiliates to assess their risk management.

4. System to ensure the efficient execution of duties by directors of the Bank and its affiliates

(1) Duties of the Bank will be executed centered on the Basic Policy and an Action Plan. A Management Plan will be created, and guidelines based on this plan will be established for each six-month period.

(2) Progress made in implementing these plans will be reported to the Board of Directors in a timely manner, and steps will be taken in response as needed.

(3) Items that should be taken up by the Board of Directors of the Bank will be clearly stated in regulations such as the Board of Directors Regulations, and important items will be discussed as necessary by the Management Council, which comprises managing directors or above and other related personnel, to ensure that issues are sufficiently examined. In addition, Regulations on Decision-Making Authority Related to Operations will stipulate the appropriate delegation of authority to subordinates based on such factors as the importance of the operation, making the directors' execution of duties more efficient.

(4) The Bank will reinforce collaboration with its affiliates and facilitate information sharing. In addition, the management of the Bank and representatives of its affiliates will exchange opinions on a regular basis in order to resolve various issues efficiently.

(5) The Bank will establish regulations for top management, organizations, risk management and others, and provide its affiliates with necessary information in order to have them create their own systems efficiently in compliance with these regulations.

5. System to ensure that the execution of duties by employees of the Bank and its affiliates complies with laws, ordinances, and the Articles of Incorporation

(1) In addition to positioning compliance with laws and ordinances as one of our most important business responsibilities and establishing regulations such as the Code of Ethics and Compliance Policy, the Bank will establish a department to provide overall control. In addition, a Compliance Council, chaired by the president and CEO, will be created, and this council will be tasked with handling compliance-related issues.

(2) In addition to establishing a Compliance Council, the Bank's affiliates will manage and operate in-house compliance system appropriately and set up a system to report any compliance violation to the Bank. The Internal Audit Department of the Bank conducts auditing of the Bank's affiliates regarding their compliance with laws, ordinances, and others.

(3) At the Bank and its affiliates, an in-house system will be created for reporting violations of laws and ordinances and other compliance-related issues, and a whistle-blower system that employs an independent lawyer to receive reports will be maintained. Efforts will be made to prevent or promptly detect problems such as violations of laws.

6. System to ensure appropriate operations of the corporate group, which is composed of the Bank and its affiliates

(1) An internal auditing agreement will be concluded with the Bank's affiliates, and operations are audited by the Internal Audit Department of the Bank to ensure proper business operations by the corporate group, which is centered on the Bank. Operations at affiliates will be audited through various activities, including appointing officers or employees of the Bank as officers of affiliates and having them attend the meeting of the Board of Directors of the affiliates.

(2) The management of the Bank and representatives of its affiliates will exchange opinions on a regular basis to prevent problems such as inappropriate transactions between the Bank and its affiliates.

(3) When engaging in transactions with the Bank's affiliates and other entities, steps will be taken to verify that the terms of the transaction conform to the arms-length principle.

(4) A whistle-blower system will be established at the Bank

and all affiliates, making it possible for parties such as affiliate employees to make reports or seek advice.

(5) A system will be created to ensure the reliability of the financial reporting of the Group, centered on the Bank.

7. System to report matters related to the execution of duties by directors of the Bank's affiliates to the Bank

(1) By having officers of the Bank dispatched to its affiliates, the Bank will receive reports related to the execution of duties by directors of its affiliates at the meeting of the Board of Directors of the affiliates.

(2) The Bank will deliberate or request reports, on a regular basis or as necessary, to accurately understand business operation of its affiliates, pursuant to the Group Companies Management Regulation established by the Bank.

(3) The department undertaking overall control of the Bank's affiliates and individual departments responsible for each affiliate will monitor the status of affiliates in a timely and appropriate manner, and promptly report any matters deemed important to the management of the Bank, while taking necessary steps.

8. Items related to employees whose assignment to assist Audit & Supervisory Board Members of the Bank in their duties is requested by them

An Audit & Supervisory Board Members' Office will be created to assist the Audit & Supervisory Board Members in the performance of their duties, and at least one full-time employee will be assigned to work in that office. Upon obtaining the opinions of the Audit & Supervisory Board, decisions will be made on the positions and qualifications of employees to be assigned to engage in this work, and a roster of such employees will be created.

9. Ensuring the independence of the above employees from directors and the effectiveness of instructions given to those employees

The appointment, transfer, and evaluation of employees who assist the Audit & Supervisory Board Members in their duties will be subject to the approval of the Audit & Supervisory Board. The said employees will solely comply with instructions and orders given by the Audit & Supervisory Board Members.

10. System for officers and employees of the Bank and its affiliates to report to Audit & Supervisory Board Members of the Bank and a system for other reports to Audit & Supervisory Board Members

Officers and employees of the Bank and its affiliates and persons who received reports from them shall submit reports and provide information in response to requests from the Audit & Supervisory Board or individual Audit & Supervisory Board Members. The following are the main topics of the reports and information to be provided.

- (1) Department activities related to creating the Bank's internal control system
- (2) Activities of the Bank's affiliates
- (3) Matters that may inflict a significant loss on the Bank and its affiliates
- (4) Significant accounting policies and standards and changes to them
- (5) Content of disclosed earnings, projections, and other important disclosure materials
- (6) Serious violations of the laws and ordinances
- (7) Operation of the whistle-blower system and notifications
- (8) Circulation of documents such as draft proposals and the minutes of important conference/committee meetings
- (9) Other items deemed necessary by the Audit & Supervisory Board Members

11. System to ensure that a person who made a report in accordance with the preceding paragraph does not receive unfair treatment on the grounds of making such report

The Bank and its affiliates prohibit a dismissal or any other disadvantageous treatment of the person who made a report in accordance with the preceding paragraph on the grounds of making such report, etc. and take appropriate steps to ensure that such person will not receive unfair treatment.

12. Matters related to treatment of expenses incurred in the execution of duties by Audit & Supervisory Board Members

In the event that Audit & Supervisory Board Members made a request for reimbursement of expenses incurred in the execution of their duties, it will be granted unless the expenses are proved to be unnecessary to the execution of their duties.

13. System to ensure effective audits by Audit & Supervisory Board Members

The representative director will regularly meet and cooperate with the Audit & Supervisory Board Members to ensure the effectiveness of audits, and will regularly exchange opinions on management problems and progress in auditing to ensure high accuracy.

Compliance System

Recognizing that the survival of financial institutions depends on trust, we put top priority on earning the firm trust of the general public.

We are further strengthening our compliance system under our 15th Medium-Term Management Plan through our policy which is designed to "promote awareness of the crucial importance of compliance among our staff."

- 1) Earn the firm trust of the general public through the maintenance of high corporate ethical standards and awareness of the importance of legal compliance;
- 2) Promote awareness of the crucial importance of compliance among our staff; and
- 3) Raise standards of compliance rigor still higher.

To further enhance the compliance system that we have built to date, we formulate and implement a compliance program each fiscal year. Specifically, all departments regularly hold study meetings on compliance, and we have implemented curriculums related to compliance for various training programs in order to boost the awareness of compliance and ingrain a compliance-oriented corporate culture.

Organizational Structure

Compliance Council

Chaired by the president and CEO, consisting of managing directors and the general managers from relevant divisions, the Compliance Council examines, discusses, and issues directives concerning matters of compliance.

Compliance Office (Risk Management Division)

As the entity responsible for overseeing compliance, the Compliance Office promotes compliance programs and serves as the secretariat for the Compliance Council.

Inspection Section (Internal Audit Division)

The section conducts audits and other investigations related to the compliance conditions in each division.

Compliance at Each Division

Compliance officers are appointed in each of the divisions to check the day-to-day compliance of those divisions.

Customer Protection Management System

The Bank set up a Customer Protection Management Policy in September 2007 to develop and establish a system to ensure customer protection. Under the Customer Protection Management Policy, we have clearly stated protection measures that we had taken as part of compliance and risk management. We are focusing more heavily on customer-oriented management. The purpose of the policy is to improve the protection and convenience of customers through the following initiatives:

- (i) Providing appropriate information and explanations on products and services for customers
- (ii) Responding properly to requests, consultation, inquiries and complaints from customers
- (iii) Appropriately managing customer information
- (iv) Properly managing outsourced operations
- (v) Properly managing of conflicts of interest so avoid unfair detriment to the interests of our customers

Information Security, Management of Customer Information

In line with the top priority that we assign to ensuring the confidentiality of our customers' personal data, information security risk is addressed by the Bank's Information Security Management Rules. We have publicly announced our Declaration of Personal Information Protection (Privacy Policy).

As stipulated in the aforementioned Security Management Rules, we have also appointed a chief information officer at the Bank's headquarters and an information officer in each

department and branch. We are making every effort to educate employees about the handling procedures and to bolster their awareness of security issues so that we can ensure the maximum degree of protection for customer data in daily operations.

Money Laundering and Terrorist Financing Risk Management Framework

Towards a more enhanced management framework for money laundering and terrorist financing risks

There is a strong international pressure for financial institutions to prevent money laundering and terrorist financing (hereinafter, "Money Laundering, etc."), amid increasing threats of international terrorism and the internationalization and expansion of fund transfers by criminal groups and terrorists.

The Bank has placed the prevention of Money Laundering, etc. as one of its most important management issues, and will aim to further enhance such risk management by constructing an effective risk management framework.

Organizational Structure

Anti-Money Laundering Council
Chaired by the president and CEO, consisting of managing directors and the general managers from relevant divisions, the Anti-Money Laundering Council reports on problematic cases relating to the prevention of Money Laundering, etc., discusses policies on necessary responses, and issues directives to the divisions in charge.

First Line (Business Divisions and Branches)
Fully understanding policies, procedures, and plans, etc. related to countermeasures for Money Laundering, etc., the First Line accurately implements reduction measures commensurate with the risks.

Second Line (Risk Management Division, Operations Administration Division)
Checks the autonomous risk management of the First Line, while concurrently providing information and answering questions.

Third Line (Internal Audit Division)
Regularly performs audits from an independent position regarding the effectiveness of measures to prevent Money Laundering, etc. and the proper functioning of the First and Second Lines.

Risk-Based Approach

The risk-based approach for Money Laundering, etc. countermeasures involves identification and evaluation of Money Laundering, etc. risks as well as implementation of effective measures to reduce such risks. At the Bank, we compile a risk evaluation document regarding the risk reduction measures formulated by applying the risk-based approach, and use it as a guideline for when each of the sales division and branch conducts business. The various products and services of the Bank that we provide to our sound customers should never be abused by criminals. The Bank aims to further enhance its risk management framework towards preventing Money Laundering, etc., thereby fulfilling social responsibility.

Risk Management

The importance of risk management has grown as the risks confronting financial institutions have become more complex and diverse. Recognizing risk management as crucial for safe and sound operations, we have established a Comprehensive Risk Management Policy and other policies and rules relating to risk management that enable an appropriate and prompt response to various types of risk.

We have established the Risk Management Division to step up our commitment in this area. We aim to further strengthen our risk management system through use of the PDCA cycle, by laying down policy (planning), creating internal rules and organizations (doing), assessing results of these measures (checking) and making improvements where needed (acting).

In addition, to ensure that our risk management mechanisms function effectively with regard to sections within the Group subject to auditing (the Bank's head office divisions, branches and consolidated affiliates), regular, planned, on-site audits of such departments are carried out by staff of the Internal Audit Division, which is independent from business operation departments. In this way the Bank verifies the effectiveness of its risk management systems.

Comprehensive Risk

The Bank has formulated a comprehensive risk management framework by determining a Comprehensive Risk Management Policy and Rules.

The Bank's risk management does not stop at managing various risks individually, but extends a step ahead to control the total amount of risks to keep it within the range of distributable capital, which is defined as "core capital (full implementation basis) less allowance for doubtful accounts," through the risk quantification using statistical methods, thereby enforcing a comprehensive risk management aiming at ensuring soundness of management.

We adopt a flexible approach to required responses by getting the current state of such comprehensive risks checked by the Integrated Risk Management Council and Committee, which meet regularly and report directly to the Board of Directors, etc.

Credit Risk

To appropriately adapt to changes in the credit risk in relation to assets held by the Bank, and to ensure stable profitability and maintain sound operations, we conduct management appropriately with reference to our Credit Risk Management Policies and Credit Risk Management Rules.

In order to objectively determine a borrower company's credit state and its capacity to repay loans, we perform a credit rating system in a timely manner and reflect the result of the credit rating in our credit risk management. More specifically, we endeavor to maintain a sound asset base by implementing our own assessment of loan assets and by making appropriate provision for possible loan losses and write-offs based on the credit rating system.

Meanwhile, the credit rating system enables a quantification of the credit risk, controls concentration of risk with particular borrowers or industries, and further ensures profits that are balanced by credit costs, and thereby enables the Bank to improve its credit portfolio.

Regarding examination of loan applications, we have clearly separated the sales promotion and credit screening functions and undertake strict reviews and management under a policy of screening by borrower business sector. Individual cases are screened by verifying various aspects including the use of funds, income and expenditure plans, and investment outcomes, and by carefully examining a borrower's resources and plans for repayment.

Market Risk

For market risk, the Market Risk Management Rules have been established, which stipulates the policies for monitoring, control and mitigation of the risk, along with specific arrangements.

The Risk Management Division manages interest rate risk related to deposits and loans, as well as the risk associated with securities, derivatives and other markets. Our current positions, unrealized gains/losses and risk indicators such as BPV and VaR are measured and evaluated on a daily or monthly basis and reported to management. From the perspective of managing assets and liabilities together, we hold the monthly Integrated Risk Management Committee, forecast interest rates, stock prices and exchange rates, as a set of measures to enable an appropriate response to risk.

Liquidity Risk

We manage liquidity risk through our Liquidity Risk Management Policies and Liquidity Risk Management Rules and regard stable cash flows as the primary objective. Moreover, we have in place a system (Liquidity Risk Contingency Plan) that can respond to a wide variety of circumstances promptly and appropriately.

Operational Risk

We have drawn up an Operational Risk Management Policies and Operational Risk Management Rules, with separate provisions for administrative risk, system risk, legal risk, personnel risk, fixed asset risk and reputational risk. We implement necessary measures for required responses by getting the current management status of such risks checked regularly by the Operational Risk Management Council and reported to the Board of Directors. For the important categories of administrative and system risk, we have drawn up the following sub-policies and procedures.

[Administrative Risk]

We manage administrative risk through our own Administrative Risk Management Policies and Administrative Risk Management Rules. While adapting to the growing diversification and complexity of banking operations, our administration has become more rigorous in an effort to retain and strengthen the trust of our customers.

[System Risk]

System risk refers to the risk of incurring a loss due to computer system failure, malfunction and other errors or system flaws and other deficiencies, as well as the risk of incurring a loss due to the improper use of computers. This includes "cyber security risk" that threatens the safety of computer systems and computer networks as a result of cyber attacks. We have established a framework that swiftly responds to system failure through our Computer System Failure Action Rules and Center Failure Rules.

In regards to cyber security incidents that are increasingly becoming a threat, the Bank has set up the Computer Security Incident Response Team (CSIRT), an internal body with its

secretariat administered by the Risk Management Division and the Operations Administration Division, that is expected to stay alert in ordinary times and to promptly respond to and solve any incident.

To prepare for contingencies that cannot be dealt with using our conventional risk management mechanisms, we have compiled a Business Continuity Plan, and have taken measures that would enable us to continue major business operations even under emergency conditions.

At Juroku Bank, we recognize the importance of integrated risk management, and we will continue working to enhance the sophistication of our risk management system.

Business Continuity Plan

In response to the recent surge of risks associated with cyberattacks, extreme weather and natural disasters, new strain of influenza, the prolonged COVID-19 crisis and other factors, the Bank has formulated business continuity plans to prepare for each of them, anticipating possible risk events. It continues to improve its business continuity readiness including by conducting first-response drills.

| Structure of the business continuity plan (BCP) | |
|---|--|
| Rules on Business Continuity Readiness and Management | Basic rules concerning the Bank's business continuity plan and readiness |
| └ Basic Plan | Provides a general concept of business continuity, the Bank's policy and other basic matters |
| └ Crisis Response Plan | Provides first responses commonly applicable to different risks and other basic matters |
| └ Large-scale Earthquake Response Plan | Plan concerning responses to anticipated earthquakes |
| └ Large-scale Earthquake Response Plan | (Response procedures for essential operations) |
| └ Large-scale Earthquake Response Plan | (Version for the so-called ("Nankai megathrust earthquakes" countermeasures) anticipated to occur in the Tokai region) |
| └ New Influenza Virus Response Plan | Response plan anticipating the epidemic of new strain of influenza and other diseases |
| └ Core System Emergency Response Plan | Response plan anticipating failures in the core system and other similar problems |
| └ Cyberattack Response Plan | Response plan anticipating cyberattacks |
| └ Contingency Plan for Liquidity Risk | Response plan anticipating actualization of liquidity risk |

In regards to COVID-19, the Bank set up an Emergency Response Task Force in its early stage based on the above-mentioned New Influenza Virus Response Plan and implements the following measures to prevent the spread of infection and concurrently to continue its essential operations that are needed for supporting people's livelihood and continuing the Bank's operations.

<Examples of the Bank's business continuity and infection prevention measures>

- Working from home; staggered work hours; and splitting operations
- Partial changes in business days and hours; suspension of customer visits
- Ensuring sterilization of branches; installment of plastic shields at the counters; and social distancing between customers

Stakeholder Engagement

The Bank emphasizes engagement with all stakeholders. We have progressed from taking action "for" our stakeholders to acting "with" them.

The 15th Medium-Term Management Plan launched in April 2020 centers on running a continuous "engagement cycle." To do so, our officers and employees are encouraged to bear in mind four basic stances in their daily work: "Let's say," "Let's listen," "Let's act" and "Let's think" and to proactively exchange opinions with all stakeholders.

The Bank provides information about the status of its assets in three different ways. First, we conduct self assessment to calculate appropriate write-offs and reserves by classifying borrowers according to their financial soundness. Second, disclosure based on "The Financial Reconstruction Law" is used to classify prob-

lem assets. Third, we disclose the value of Risk-Monitored Loans based on the Banking Law, which excludes non-loan assets such as foreign exchange, accrued interest and advance payments.

Asset Self-Assessment / Assets Disclosed under the Financial Reconstruction Law / Risk-Monitored Loans under the Banking Law (as of March 31, 2021)

(Non-consolidated)

| Borrower category Balances of credits | Classification For all assets | | | |
|--|----------------------------------|-------|---------------|------------|
| | I | II | III | IV |
| Legally bankrupt borrowers 2.5 [0.8] | 2.0 | 0.5 | — (0.1) | — (1.7) |
| Virtually bankrupt borrowers 9.6 [4.1] | 7.7 | 1.9 | — (0.8) | — (5.5) |
| Potentially bankrupt borrowers 54.4 | 33.3 | 11.4 | 9.8 (9.1) | |
| Borrowers requiring caution | | | | |
| Substandard borrowers 3.0 | 0.5 | 2.5 | | |
| Others*1 433.3 | 160.8 | 272.6 | | |
| Normal borrowers 4,082.9 | 4,082.9 | | | |
| Total 4,585.8 [4,578.5] | 4,287.1 | 288.8 | 9.8 (10.0) | — (7.3) |

*1 Borrowers requiring caution, excluding substandard borrowers
*2 Portion of claims secured by collateral or guarantees

| Classification Balances of claims | Portion of claims secured*2 | Reserves | Coverage ratio |
|---|-----------------------------|----------------|----------------|
| | | | |
| Bankrupt and quasi-bankrupt assets 12.1 [4.9] | 4.0 | 8.1 | 100.0% |
| Doubtful assets 54.4 | 35.5 | 9.1 | 82.0% |
| Substandard loans*3 2.7 | 2.0 | 0.3 | 84.5% |
| Sub-total 69.3 [62.0] | 41.5 | 17.6 | 85.2% |
| Normal assets 4,516.5 | | 1.5% [1.3%] | |
| Total 4,585.8 [4,578.5] | | | |

*3 Substandard claims consist of loans only.

| Classification | Loan balances |
|--------------------------------------|----------------|
| | |
| Bankrupt loans | 2.4 [0.7] |
| Non-accrual loans | 63.8 [58.3] |
| Past due loans (3 months or more) | 0.0 |
| Restructured loans | 2.6 |
| Total | 69.0 [61.8] |

Ratio of risk-monitored loans to total loans
Figures in brackets are those after application of partial charge-offs (direct deduction).
1.5%
[1.3%]

Notes:

- Amounts in asset self-assessment and claims disclosed under the Financial Reconstruction Law and the coverage of claims are rounded to the nearest 100 million yen. Amounts in risk-monitored loans are rounded down to the nearest 100 million yen. Figures for ratios are rounded down to the first decimal place.
- All credit items = Loans + Customers' liabilities for acceptances and guarantees + Bonds issued through private placements covered by guarantees of the Bank + Foreign exchanges + Suspense payments with a similar nature to loans + Accrued interest.

- Amounts in asset self-assessment are those after deduction of specific reserves for possible loan losses, and the amounts in parentheses are specific reserves for each classification.
- The Bank does not implement partial charge-offs (direct deduction). If partial charge-offs were implemented, relevant figures would decline to the figures shown in brackets.

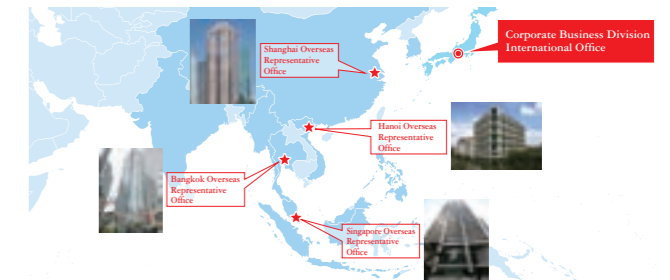
Activities to Revitalize the Regional Economy

Juroku Bank's Support for Overseas Business Development

Overseas Business Support

<The Bank's International Network>

Utilizing our overseas network of four representative offices and 15 overseas partnering financial institutions spanning 11 countries, we vigorously support our customers in their efforts to cultivate overseas sales channels and develop overseas local production as well as disseminate the latest overseas business information. Through such initiatives, we seek to capture new business opportunities together with our customers in local communities.



<Video clips to deliver the latest overseas business information>

Although the COVID-19 pandemic is making it difficult for customers to travel overseas for business purposes, there are increasing needs for the latest overseas business information with a view to the post-pandemic era. In these circumstances, we launched JUROKU CROSSBORDER VIEW, an information service in which staff members of the Bank's overseas representative offices in Shanghai, Singapore, Bangkok, and Hanoi disseminate the latest overseas business information.

JUROKU CROSSBORDER VIEW is a tool for directly delivering the local information our customers need. In addition to providing video reports, these staff members of the Bank's overseas representative offices offer online advice to customers and they also conduct field surveys and visit sites on their behalf.

Through these activities, we will continue supporting our customers' overseas business development.

SDGs Festival in Nagoya Marunouchi

From November 2020 to January 2021, SDGs Festival in Nagoya Marunouchi, an event disseminating information on the SDGs, was held at Nagoya Tokio Marine & Nichido Building and Juroku Bank Nagoya Building.

Sponsored by Tokio Marine & Nichido Fire Insurance Co., Ltd. and co-sponsored by the Bank, Aichi prefecture, and Nagoya city, the objective of this event was to give added momentum to SDG-related activities in the Tokai and Hokuriku areas by disseminating information from Nagoya's central business district and to strengthen collaboration among municipalities and companies addressing the SDGs in order to promote sustainable development of the region.

While the event was running, the Bank's Nagoya Building was wrapped in a banner bearing the SDG logo and in the ATM lobby, there were panels to raise awareness of the SDGs and introduce the Bank's SDG initiatives.



Foundation of the Bank's sustainable growth

Response to Environmental Issues

Based on the environmental policy that the Bank established in April 2013, the divisions at headquarters and sales branches set environmental objectives every year and conduct environmental activities. We are also systematizing the PDCA management cycle to continue environmental protection initiatives. In June 2021 we announced our endorsement of the TCFD recommendations and are working to establish systems and ensure information disclosure in accordance with the TCFD recommendations.

By sincerely conducting environmental activities in the course of business, including education and other initiatives to raise environmental awareness of each officer and employee, we will strive to contribute to the sustainable growth of local communities, which will lead to creation of corporate value.

Response to the TCFD Recommendations

Extreme weather and large-scale natural disasters have caused devastation around the world in recent years and the region we serve have also frequently suffered major damage. Climate change has become an omnipresent issue, having emerged as a factor with a significant impact not only on the business environment but also the businesses of our customers and ourselves. In these circumstances, aiming to strengthen our response to climate change and to provide useful information to stakeholders, we announced our endorsement of the TCFD recommendations and are working to establish systems and ensure information disclosure in accordance with the TCFD recommendations.

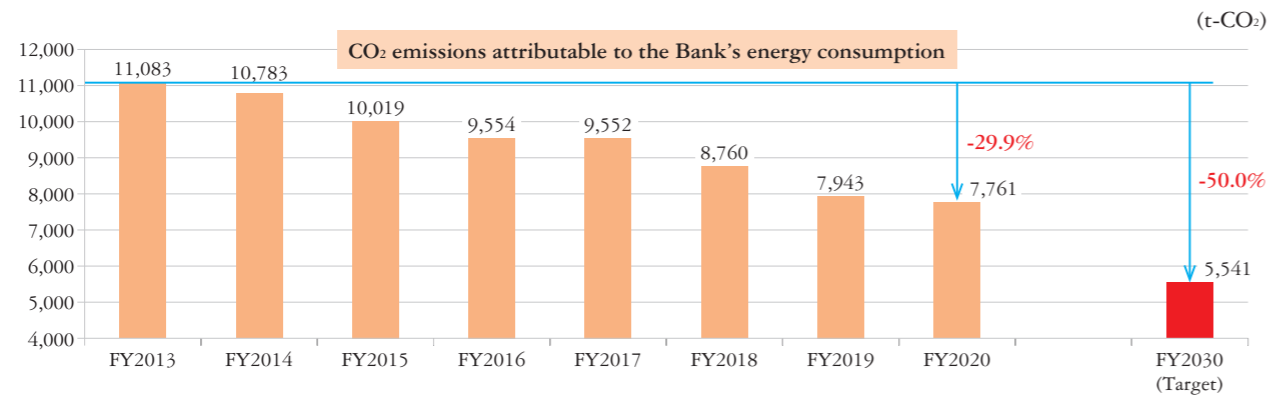


* Abbreviation of the Task Force on Climate-related Financial Disclosures
The TCFD is an international organization established by the Financial Stability Board (FSB) in December 2015 to support stability of financial systems. The TCFD recommends assessment of climate-related risks and opportunities and disclosure of financial impacts to help promote a smooth transition to a low-carbon society.

| | |
|----------------------------|--|
| Governance | The policy on response to climate change and other important matters are discussed at the Management Council and the results are reflected in management strategy and risk management. The Management Council periodically reviews the situation. |
| Strategy | Positioning response to climate change as an important management task, the Bank promotes initiatives in terms of both risks and opportunities. ◆ Risks We recognize climate-related risks, which are classified into two categories: physical risks and transition risks. Going forward, we will consider the methodology for identifying and analyzing the impacts of the risks. ◆ Opportunities Business opportunities are expected to increase in line with the expansion of the market for climate-related financing and solutions. |
| Risk Management | We have established the "Investment and Lending Policy for Creation of a Sustainable Society." Recognizing climate-related risks as material risks, we are striving to establish a system for managing them within the framework of integrated risk management. |
| Metrics and Targets | Our target is to reduce our CO ₂ emissions in FY2030 by 50% compared with FY2013. We aim to become carbon neutral by FY2050. |

► **Initiatives for Reduction of Greenhouse Gas Emissions**

We aim to become carbon neutral by FY2050 and our target is to reduce CO₂ emissions in FY2030 by 50% compared with FY2013.



Investment and Lending Policy for Creation of a Sustainable Society

We have established the "Investment and Lending Policy for Creation of a Sustainable Society" in order to clarify the Juroku Bank Group's commitment to the resolution of environmental and social issues.

► **Basic Policy**

The Juroku Bank Group strives to contribute to medium- to long-term enhancement of corporate value and sustainable growth of customers by vigorously supporting initiatives to resolve environmental and social issues through investment and lending.
Moreover, the Group strives to mitigate or avert the impact of investment and lending that may pose a significant risk or have a negative impact on the environment and society by subjecting any such investment and lending to meticulous consideration.

► **Sector-specific Policies**

| Sector | Policy |
|-------------------------------------|--|
| Coal-fired thermal power generation | The Group will not engage in investment or lending for the purpose of constructing new coal-fired thermal power stations or expanding existing facilities. However, the Group may do so in exceptional cases, always proceeding with caution, such as if responding to a disaster or participating in projects that are in accordance with the energy policy of the Japanese government. |
| Weapons | In view of the inhumane nature of cluster bombs, antipersonnel landmines, and biological and chemical weapons, the Group will not engage in investment or lending to companies that manufacture such weapons regardless of the use of the funds. |
| Deforestation | The Group will not engage in investment or lending to businesses involving illegal logging or incineration of forest. The Group will adopt a cautious approach to investment and lending if the funds in question may be related to deforestation, taking into consideration the impact on the local economy and the environment. |

Investment in ESG Bonds

► **Supporting efforts to realize a sustainable society through investment in ESG bonds**

We are vigorously investing in corporate bonds whose use is restricted to projects that are expected to contribute to sustainable development of society, such as projects concerning the renewable energy business and social infrastructure development.

We will continue our initiatives to realize a sustainable society.

► **Investment in ESG bonds in recent years**

| Fiscal year in which investment was made | Number of cases | Total amount |
|--|-----------------|---------------|
| FY2018 | 2 | ¥0.9 billion |
| FY2019 | 3 | ¥1.9 billion |
| FY2020 | 19 | ¥21.3 billion |

Board of Directors and Audit & Supervisory Board Members

The Juroku Bank, Ltd. (as of June 30, 2021)

Chairman and President

Yukio Murase

Deputy President

Naoki Ikeda

Director and Managing Executive Officers

Yukiyasu Shiraki

Akihide Ishiguro

Shin Mishima

Tsutomu Niimi

Outside Directors

Yuji Kume

Kikuo Asano

Satoko Ito

Managing Executive Officers

Koichi Tokoro

Etsuro Ono

Executive Officers

Shigeki Fujii

Hiroaki Sugino

Hirokazu Kusui

Eiji Kodama

Masayasu Toyoda

Fumitaka Yoshimura

Daisuke Sawada

Tatsuhiko Satake

Hiroataka Asai

Standing Audit & Supervisory Board Members

Naohiko Ishikawa

Shunsuke Uchigashima

Outside Audit & Supervisory Board Members

Shinji Ishihara

Takuo Yoshikawa



Yukio Murase
Chairman and President



Naoki Ikeda
Deputy President



Yukiyasu Shiraki
Director and Managing Executive Officer and Chief General Manager, Business Support Division



Akihide Ishiguro
Director and Managing Executive Officer



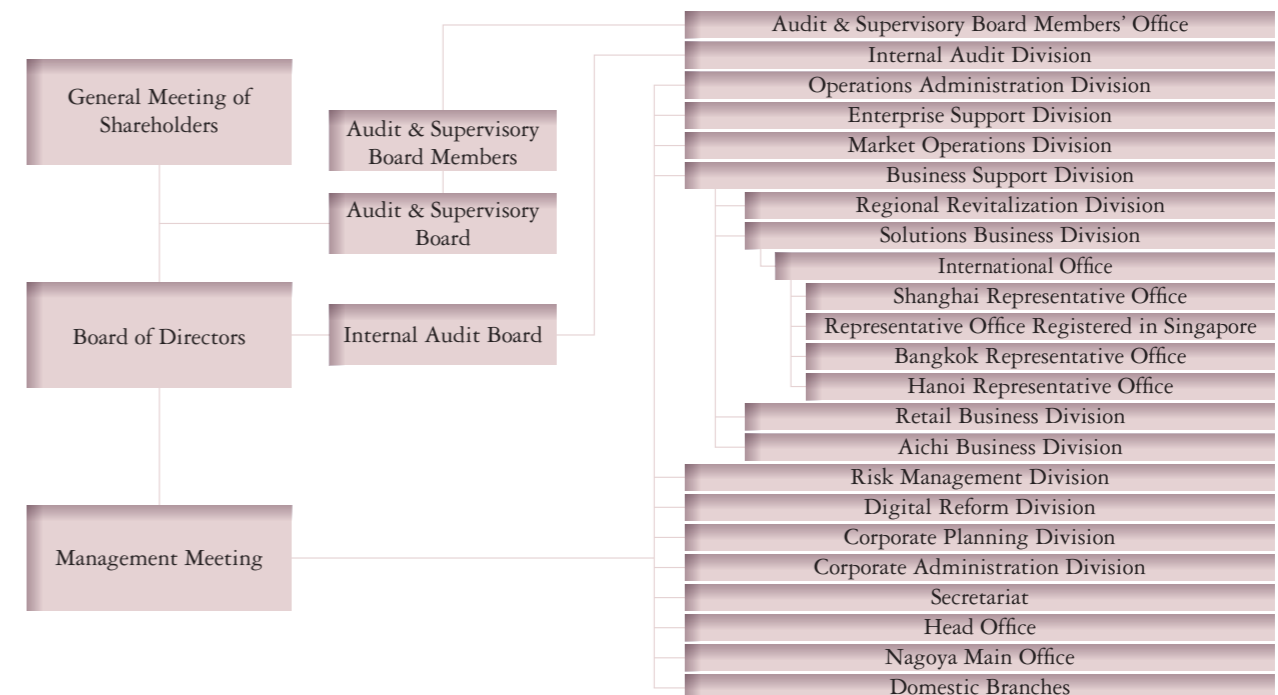
Shin Mishima
Director and Managing Executive Officers



Tsutomu Niimi
Director and Managing Executive Officer and General Manager, Enterprise Support Division

Organization Chart

The Juroku Bank, Ltd. (as of June 30, 2021)



Business Environment

The Japanese economy remained in a difficult situation during the current fiscal year with severe restrictions on social and economic activities due to the impact of the COVID-19 global pandemic, but there were some signs of recovery. In the corporate sector, capital investment was restrained due to declining profits and uncertainty about the future of the global economy, but with the resumption of economic activities in each country, automobile-related exports recovered and production recovered to an increasing trend. In the household budget sector, employment and income conditions remained weak, and although personal consumption showed signs of recovery after the first state of emergency was lifted, consumption of services fell as a result of the second and third waves of the pandemic and announcement of the second state of emergency.

Although there have been continued movements to curb capital investment in both Gifu and Aichi prefectures, which make up the main business base of the Bank, there were signs of resilience such as exports and production returning to an increasing trend mainly in the automobile industry. In the household budget sector, personal consumption showed signs of recovery amid continued weakness in employment and income conditions, but consumption of services such as lodging and dining fell with the suspension of the “Go To Travel” campaign to stimulate tourist demand at the end of last year and announcement of the second state of emergency at the beginning of this year.

Performance

Ordinary income from banking operations increased by ¥2,408 million year on year to ¥79,063 million owing to an increase in other operating income. Ordinary expenses decreased by ¥1,575 million to ¥56,557 million due to decreases in interest expense and operating expenses. As a result, ordinary profit increased by ¥3,983 million year on year to ¥22,506 million.

In the leasing business, ordinary income increased by ¥724 million year on year to ¥25,859 million, ordinary expenses increased by ¥1,230 million year on year to ¥25,379 million, and ordinary profit decreased by ¥506 million year on year to ¥480 million.

In other businesses, including the credit card business and credit guarantee business, ordinary income increased by ¥1,495 million year on year to ¥9,282 million, and ordinary expenses decreased by ¥44 million year on year to ¥7,171 million, and ordinary profit increased by ¥1,539 million year on year to ¥2,111 million.

As a result, ordinary income on a consolidated basis increased by ¥4,486 million year on year to ¥111,346 million, and ordinary expenses decreased by ¥624 million year on year to ¥86,738 million. Ordinary profit increased by ¥5,111 million year on year to ¥24,608 million, and net income attributable to owners of the parent increased by ¥1,860 million to ¥14,722 million.

Net cash provided by operating activities amounted to ¥580,590 million (¥84,244 million was provided in the previous fiscal year) mainly as a result of an increase in deposits. Net cash used in investing activities amounted to ¥274,206 million (¥63,122 million was provided in the previous fiscal year) mainly as a result of purchase of securities. Net cash used in financing activities amounted to ¥4,624 million (¥3,734 million was used in the previous fiscal year) mainly as a result of dividends paid. As a result, the closing balance of cash and cash equivalents increased by ¥301,765 million during the fiscal year under review to ¥930,917 million.

Financial Position

As a “comprehensive financial group that builds a future with its local communities and achieves sustainable growth with local economies,” we have endeavored to provide high-quality customer-oriented services tailored to life events so that our customers and their families can achieve their dreams.

The balance of deposits as of March 31, 2021 increased by ¥454.1 billion year on year to ¥6,137.8 billion, mainly due to an increase in personal and corporate deposits.

In addition, as a result of responding to the diverse needs of individual customers with a wide range of products such as personal pension insurance and investment trusts, our balance of individual customer assets including deposits increased by ¥315.0 billion to ¥4,971.6 billion.

With regard to loans, the balance increased by ¥133.1 billion year on year to ¥4,509.8 billion, reflecting our proactive engagement in financing consultations with customers in the region amid the COVID-19 pandemic and our initiatives for personal loans centering on mortgage loans.

With regard to securities, we have endeavored to manage securities appropriately in accordance with a basic policy of expanding total profit over the medium to long term by building a portfolio that maintains a balance between risk and return while flexibly responding to changes in market conditions.

As a result, the balance of securities as of March 31, 2021 increased by ¥309.1 billion year on year to ¥1,572.1 billion.

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-------------------|-------------------|------------------------------------|
| | 2021 | 2020 | 2021 |
| ASSETS: | | | |
| Cash and due from banks (Notes 5 and 28) | ¥ 947,016 | ¥ 632,783 | \$ 8,554,024 |
| Trading securities (Notes 6 and 28) | 291 | 408 | 2,628 |
| Money held in trust (Notes 7 and 28) | 12,312 | 8,512 | 111,209 |
| Securities (Notes 6, 12, 13 and 28) | 1,558,600 | 1,251,602 | 14,078,222 |
| Loans and bills discounted (Notes 8, 28 and 29) | 4,481,150 | 4,345,574 | 40,476,470 |
| Foreign exchanges (Notes 8 and 9) | 7,986 | 7,979 | 72,135 |
| Lease receivables and investments in leases (Note 27) | 57,217 | 59,219 | 516,819 |
| Other assets (Notes 10, 13, 28 and 30) | 104,968 | 99,249 | 948,135 |
| Premises and equipment (Note 11) | 59,415 | 62,333 | 536,672 |
| Goodwill | 4,098 | 4,550 | 37,016 |
| Intangible assets | 3,485 | 4,075 | 31,479 |
| Asset for retirement benefits for employees (Note 17) | 12,428 | 2,332 | 112,257 |
| Deferred tax assets (Note 26) | 690 | 853 | 6,233 |
| Customers' liabilities for acceptances and guarantees (Note 12) | 14,572 | 17,028 | 131,623 |
| Allowance for loan losses (Notes 3 and 28) | (25,853) | (24,043) | (233,520) |
| Total Assets | ¥7,238,375 | ¥6,472,454 | \$65,381,402 |
| LIABILITIES AND EQUITY: | | | |
| Liabilities: | | | |
| Deposits (Notes 13, 14 and 28) | ¥6,072,473 | ¥5,610,659 | \$54,850,267 |
| Negotiable certificates of deposit (Note 28) | 28,100 | 38,050 | 253,816 |
| Payables under repurchase agreements (Notes 13 and 28) | 126,701 | 140,754 | 1,144,440 |
| Payables under securities lending transactions (Note 13) | 29,672 | 15,153 | 268,016 |
| Borrowed money (Notes 13, 15 and 28) | 467,151 | 208,421 | 4,219,592 |
| Foreign exchanges (Note 9) | 1,089 | 982 | 9,837 |
| Other liabilities (Notes 15, 16, 18, 27, 28 and 30) | 64,076 | 53,124 | 578,774 |
| Liability for retirement benefits for employees (Note 17) | 6,239 | 6,353 | 56,354 |
| Liability for retirement benefits for directors and Audit & Supervisory Board members | 6 | 8 | 54 |
| Provision required under the Special Act | 5 | 2 | 45 |
| Deferred tax liabilities (Note 26) | 18,735 | 8,433 | 169,226 |
| Deferred tax liabilities for land revaluation surplus | 6,546 | 7,083 | 59,127 |
| Acceptances and guarantees (Note 12) | 14,572 | 17,028 | 131,623 |
| Total Liabilities | 6,835,365 | 6,106,050 | 61,741,171 |
| Commitments and Contingent Liabilities (Note 29) | | | |
| Equity (Notes 19, 20 and 33): | | | |
| Common stock: | | | |
| authorized, 46,000,000 shares in 2021 and 2020; | | | |
| issued, 37,924,134 shares in 2021 and 37,924,134 in 2020 | 36,839 | 36,839 | 332,752 |
| Capital surplus (Note 4) | 53,396 | 51,435 | 482,305 |
| Stock acquisition rights | 169 | 161 | 1,527 |
| Retained earnings | 224,571 | 211,679 | 2,028,462 |
| Treasury stock—at cost, | | | |
| 551,242 shares in 2021 and 555,674 shares in 2020 | (1,537) | (1,554) | (13,883) |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities (Note 6) | 59,291 | 39,918 | 535,552 |
| Deferred gain (loss) on derivatives under hedge accounting | 259 | (174) | 2,340 |
| Land revaluation surplus | 12,766 | 13,925 | 115,310 |
| Defined retirement benefit plans (Note 17) | 3,993 | (1,997) | 36,067 |
| Total | 389,747 | 350,232 | 3,520,432 |
| Noncontrolling interests | 13,263 | 16,172 | 119,799 |
| Total Equity | 403,010 | 366,404 | 3,640,231 |
| Total Liabilities and Equity | ¥7,238,375 | ¥6,472,454 | \$65,381,402 |

See notes to consolidated financial statements.

Consolidated Statement of Income

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

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|---------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Income: | | | |
| Interest on: | | | |
| Loans and discounts | ¥ 38,766 | ¥ 39,184 | \$350,158 |
| Securities | 11,845 | 15,171 | 106,991 |
| Other | 464 | 407 | 4,191 |
| Fees and commissions | 21,244 | 21,447 | 191,889 |
| Other operating income (Note 21) | 32,741 | 28,562 | 295,737 |
| Other income (Note 22) | 6,287 | 2,092 | 56,788 |
| Total income | 111,347 | 106,863 | 1,005,754 |
| Expenses: | | | |
| Interest on: | | | |
| Deposits | 383 | 657 | 3,459 |
| Borrowings and re-discounts | 200 | 287 | 1,807 |
| Payables under repurchase agreements | (117) | 1,940 | (1,057) |
| Other | 70 | 48 | 632 |
| Fees and commissions | 5,653 | 5,645 | 51,061 |
| Other operating expenses (Note 6) | 27,542 | 24,788 | 248,776 |
| General and administrative expenses (Note 23) | 46,809 | 48,410 | 422,807 |
| Allowance for loan losses | 4,005 | 3,683 | 36,176 |
| Impairment loss on long-lived assets (Note 24) | 2,005 | 133 | 18,110 |
| Other expenses (Note 25) | 2,272 | 1,997 | 20,523 |
| Total expenses | 88,822 | 87,588 | 802,294 |
| Income before Income Taxes | 22,525 | 19,275 | 203,460 |
| Income Taxes (Note 26): | | | |
| Current | 8,109 | 6,072 | 73,245 |
| Deferred | (939) | (13) | (8,481) |
| Total Income Taxes | 7,170 | 6,059 | 64,764 |
| Net Income | 15,355 | 13,216 | 138,696 |
| Net Income Attributable to Noncontrolling Interests | 632 | 354 | 5,709 |
| Net Income Attributable to Owners of the Parent | ¥ 14,723 | ¥ 12,862 | \$132,987 |

| | Yen | | U.S. Dollars |
|--|---------|---------|--------------|
| | 2021 | 2020 | 2021 |
| Per Share of Common Stock (Notes 2.v and 32): | | | |
| Basic net income | ¥393.94 | ¥344.22 | \$3.56 |
| Diluted net income | 393.26 | 343.70 | 3.55 |
| Cash dividends applicable to the year—common stock | 90.00 | 70.00 | 0.81 |

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|------------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Net income | ¥ 15,355 | ¥ 13,216 | \$138,696 |
| Other Comprehensive Income (Loss) (Note 31): | | | |
| Unrealized gain (loss) on available-for-sale securities | 19,355 | (13,864) | 174,826 |
| Deferred gain (loss) on derivatives under hedge accounting | 433 | (174) | 3,911 |
| Defined retirement benefit plans | 5,990 | (1,566) | 54,105 |
| Total other comprehensive income (loss) | 25,778 | (15,604) | 232,842 |
| Comprehensive Income (Loss) | ¥ 41,133 | ¥ (2,388) | \$371,538 |
| Total Comprehensive Income (Loss) Attributable to: | | | |
| Owners of the parent | ¥ 40,518 | ¥ (2,659) | \$365,983 |
| Noncontrolling interests | 615 | 271 | 5,555 |

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

| | Thousands | Millions of Yen | | | | | | | | | | | |
|--|--|-----------------|-----------------|--------------------------|-------------------|----------------|--|---|--------------------------|----------------------------------|----------|--------------------------|--------------|
| | | Common Stock | Capital Surplus | Stock Acquisition Rights | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income | | | | Total | Noncontrolling Interests | Total Equity |
| | Outstanding Number of Shares of Common Stock | | | | | | Unrealized Gain on Available-for-sale Securities | Deferred loss on derivatives under hedge accounting | Land Revaluation Surplus | Defined Retirement Benefit Plans | | | |
| Balance at April 1, 2019 | 37,357 | ¥36,839 | ¥50,190 | ¥160 | ¥201,322 | ¥(1,585) | ¥ 53,699 | — | ¥14,035 | ¥ (431) | ¥354,229 | ¥15,970 | ¥370,199 |
| Purchase of shares of consolidated subsidiaries | — | — | 1,244 | — | — | — | — | — | — | — | 1,244 | — | 1,244 |
| Net income attributable to owners of the parent | — | — | — | — | 12,862 | — | — | — | — | — | 12,862 | — | 12,862 |
| Cash dividends, ¥70.00 per share on common stock | — | — | — | — | (2,615) | — | — | — | — | — | (2,615) | — | (2,615) |
| Transfer of land revaluation surplus | — | — | — | — | 110 | — | — | — | — | — | 110 | — | 110 |
| Purchase of treasury stock | (2) | — | — | — | — | (4) | — | — | — | — | (4) | — | (4) |
| Disposal of treasury stock | 13 | — | 1 | — | — | 35 | — | — | — | — | 36 | — | 36 |
| Net change in the year | — | — | — | 1 | — | — | (13,781) | ¥(174) | (110) | (1,566) | (15,630) | 202 | (15,428) |
| Balance at April 1, 2020 | 37,368 | 36,839 | 51,435 | 161 | 211,679 | (1,554) | 39,918 | (174) | 13,925 | (1,997) | 350,232 | 16,172 | 366,404 |
| Purchase of shares of consolidated subsidiaries | — | — | 1,963 | — | — | — | — | — | — | — | 1,963 | — | 1,963 |
| Net income attributable to owners of the parent | — | — | — | — | 14,723 | — | — | — | — | — | 14,723 | — | 14,723 |
| Cash dividends, ¥80.00 per share on common stock | — | — | — | — | (2,990) | — | — | — | — | — | (2,990) | — | (2,990) |
| Transfer of land revaluation surplus | — | — | — | — | 1,159 | — | — | — | — | — | 1,159 | — | 1,159 |
| Purchase of treasury stock | (5) | — | — | — | — | (9) | — | — | — | — | (9) | — | (9) |
| Disposal of treasury stock | 10 | — | (2) | — | — | 26 | — | — | — | — | 24 | — | 24 |
| Net change in the year | — | — | — | 8 | — | — | 19,373 | 433 | (1,159) | 5,990 | 24,645 | (2,909) | 21,736 |
| Balance at March 31, 2021 | 37,373 | ¥36,839 | ¥53,396 | ¥169 | ¥224,571 | ¥(1,537) | ¥ 59,291 | ¥259 | ¥12,766 | ¥ 3,993 | ¥389,747 | ¥13,263 | ¥403,010 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | | | |
|--|------------------------------------|-----------------|--------------------------|-------------------|----------------|--|---|--------------------------|----------------------------------|-------------|--------------------------|--------------|
| | Common Stock | Capital Surplus | Stock Acquisition Rights | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income | | | | Total | Noncontrolling Interests | Total Equity |
| | | | | | | Unrealized Gain on Available-for-sale Securities | Deferred loss on derivatives under hedge accounting | Land Revaluation Surplus | Defined Retirement Benefit Plans | | | |
| Balance at April 1, 2020 | \$332,752 | \$464,592 | \$1,454 | \$1,912,013 | \$(14,037) | \$360,564 | \$(1,571) | \$125,779 | \$(18,038) | \$3,163,508 | \$146,075 | \$3,309,583 |
| Purchase of shares of consolidated subsidiaries | — | 17,731 | — | — | — | — | — | — | — | 17,731 | — | 17,731 |
| Net income attributable to owners of the parent | — | — | — | 132,987 | — | — | — | — | — | 132,987 | — | 132,987 |
| Cash dividends, \$0.72 per share on common stock | — | — | — | (27,007) | — | — | — | — | — | (27,007) | — | (27,007) |
| Transfer of land revaluation surplus | — | — | — | 10,469 | — | — | — | — | — | 10,469 | — | 10,469 |
| Purchase of treasury stock | — | — | — | — | (81) | — | — | — | — | (81) | — | (81) |
| Disposal of treasury stock | — | (18) | — | — | 235 | — | — | — | — | 217 | — | 217 |
| Net change in the year | — | — | 73 | — | — | 174,988 | 3,911 | (10,469) | 54,105 | 222,608 | (26,276) | 196,332 |
| Balance at March 31, 2021 | \$332,752 | \$482,305 | \$1,527 | \$2,028,462 | \$(13,883) | \$535,552 | \$ 2,340 | \$115,310 | \$ 36,067 | \$3,520,432 | \$119,799 | \$3,640,231 |

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Juroku Bank, 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 | ¥ 22,525 | ¥ 19,275 | \$ 203,460 |
| Adjustments for: | | | |
| Income taxes—paid | (6,219) | (5,313) | (56,174) |
| Income taxes—refund | 2 | 2 | 18 |
| Depreciation | 3,577 | 3,923 | 32,310 |
| Impairment loss on long-lived assets | 2,005 | 133 | 18,110 |
| Interest income recognized on statements of income | (51,075) | (54,762) | (461,340) |
| Interest expense recognized on statements of income | 536 | 2,932 | 4,841 |
| Net gain on securities | (4,597) | (1,091) | (41,523) |
| Unrealized loss (gain) on derivatives | 498 | (287) | 4,498 |
| Net increase (decrease) in allowance for loan losses | 1,810 | (724) | 16,349 |
| Net increase in asset for retirement benefits for employees | (1,609) | (745) | (14,533) |
| Net decrease in liability for retirement benefits for employees | (53) | (50) | (479) |
| Net decrease in liability for retirement benefits for directors and Audit & Supervisory Board members | (2) | (1) | (18) |
| Net increase in provision required under the Special Act | 3 | 2 | 27 |
| Net increase in loans | (135,576) | (41,335) | (1,224,605) |
| Net increase in deposits | 461,814 | 118,432 | 4,171,385 |
| Net decrease in negotiable certificates of deposit | (9,950) | (17,549) | (89,874) |
| Net increase in borrowed money (excluding subordinated loans) | 258,731 | 145,419 | 2,337,016 |
| Net (increase) decrease in due from banks (excluding cash equivalents) | (12,467) | 2,025 | (112,610) |
| Net decrease in call money and others | (14,053) | (45,317) | (126,935) |
| Net increase in money held in trust | (3,800) | (0) | (34,324) |
| Net increase (decrease) in payables under securities lending transactions | 14,519 | (90,778) | 131,144 |
| Net decrease (increase) in lease receivables and investments in leases | 2,001 | (3,640) | 18,074 |
| Interest income—cash basis | 51,923 | 55,915 | 469,000 |
| Interest expense—cash basis | (1,157) | (3,863) | (10,451) |
| Other—net | 1,204 | 1,641 | 10,876 |
| Total adjustments | 558,065 | 64,969 | 5,040,782 |
| Net cash provided by operating activities—(Forward) | 580,590 | 84,244 | 5,244,242 |
| INVESTING ACTIVITIES: | | | |
| Purchases of securities | (695,422) | (439,772) | (6,281,474) |
| Proceeds from sales of securities | 285,246 | 215,077 | 2,576,515 |
| Proceeds from maturities of securities | 137,927 | 295,175 | 1,245,840 |
| Purchases of premises and equipment | (1,059) | (1,208) | (9,566) |
| Purchases of intangible assets | (922) | (785) | (8,328) |
| Proceeds from sales of premises and equipment | 71 | 149 | 641 |
| Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation (Note 4) | — | (5,465) | — |
| Other—net | (48) | (49) | (433) |
| Net cash (used in) provided by investing activities | (274,207) | 63,122 | (2,476,805) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from sales of treasury stock | 0 | — | 4 |
| Acquisition of treasury stock | (9) | (3) | (81) |
| Acquisition of treasury stock of subsidiaries | — | (558) | — |
| Dividends paid | (3,235) | (2,814) | (29,220) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Note 4) | (1,380) | (359) | (12,465) |
| Net cash used in financing activities | (4,624) | (3,734) | (41,766) |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS | 7 | (5) | 63 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 301,766 | 143,627 | 2,725,734 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 629,152 | 485,525 | 5,682,883 |
| CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5) | ¥930,918 | ¥629,152 | \$8,408,617 |

Notes to Consolidated Financial Statements

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

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations 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 that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Juroku Bank, Ltd. (the “Bank”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations 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 seven (seven in 2020) significant subsidiaries, including Juroku Business Service Co., Ltd., Juroku Research Institute Co., Ltd., Juroku Card Co., Ltd., Juroku Lease Co., Ltd., Juroku Computer Service Co., Ltd., Juroku Credit Guarantee Co., Ltd., and Juroku Tokai Tokyo Securities Co., Ltd. (“Juroku TT Securities”) (together, the “Group”).

Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in eight (seven in 2020) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

The balance sheet date for all consolidated subsidiaries is the end of March for each year, which is consistent with the balance sheet date of the Group.

b. Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Securities

Trading securities are stated at fair value and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

e. Securities

Securities other than trading 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, are reported at fair value with unrealized gains and losses, net of applicable taxes, and are reported in a separate component of equity. Non-marketable available-for-sale securities 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.

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings. Securities included in money held in trust for other purposes are accounted for by the same method as the above (2) available-for-sale securities.

f. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank, except for leased assets, is computed using the declining-balance method over the estimated useful lives of the assets.

The range of useful lives is principally from 15 to 50 years for buildings and from 4 to 20 years for other premises and equipment.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

Under certain conditions, such as exchanges of premises and equipment for similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The deferred gain on premises and equipment resulting from the reduction of the cost of the assets acquired, which is taxable for tax purposes in the future, was ¥989 million (\$8,933 thousand) and ¥989 million as of March 31, 2021 and 2020, respectively.

g. 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.

b. Land Revaluation

Under the “Law of Land Revaluation,” 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, 1998.

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. 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.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥11,362 million (\$102,628 thousand) and ¥14,081 million as of March 31, 2021 and 2020, respectively.

i. Intangible Assets

Amortization of intangible assets is calculated using the straight-line method.

Amortization cost of software for internal use is calculated using the straight-line method over the estimated useful life, principally, five years.

j. Allowance for Loan Losses

The Bank and its consolidated subsidiaries implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which the customers are classified into five categories such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." The credit rating system is used for the self-assessment of asset quality.

With respect to loans to customers who are likely to become bankrupt or to be closely monitored, which are classified within normal and caution loans, the allowance for loan losses is calculated based on the projected future losses for the following three years, whilst for other loans, for the following one year. The projected future losses are calculated by group (i.e. residential loans and non-residential loans), based on the loss ratios, which are based on the average of actual past loss ratios for the past three years or one year, respectively. For loans such as possible bankruptcy, the allowance for loan losses is calculated based on an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the allowance for loan losses is calculated based upon the loan amount after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers and customers who are likely to become bankrupt or to be closely monitored, the discounted cash flow method is applied to calculate the loss provision. In these circumstances, the reserve is determined as the difference between the book value of the loan and the present value of future cash flows, which are discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

k. Liability for Retirement Benefits

The Bank has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that should be paid if employees retired at the consolidated balance sheet date.

The liability for retirement benefits is based on projected benefit obligations and plan assets at the end of the fiscal year. The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are recognized in profit or loss as incurred over three years within the expected average remaining service period of the employees. 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, starting in the fiscal year following the occurrence of such differences.

Retirement benefits to directors and Audit & Supervisory Board members of consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date based on internal policies.

(Additional Information)

The Bank has revised its contributory funded defined benefit pension plan on October 1, 2020, including a reduction in the interest rate used to calculate the retirement benefits. As of July 10, 2020, the relevant parties have been notified of the changes to the policies and rules pursuant to these revisions.

Regarding the accounting treatment of these revisions, the Bank has applied "Accounting for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan ("ASBJ") Guidance No.1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issues Task Force ("PITF") No. 2, February 7, 2007).

As a result, ¥4,408 million (\$39,816 thousand) of past service costs (reduction of defined benefit obligations) were incurred, and the cost processing process (reduction of expenses) was commenced in July 2020.

l. Stock Option

The cost of stock options is measured based at fair value on the date of grant and is recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

m. Leases

In regard to finance leases, sales and cost of sales are recognized when lease payments are received.

All other leases are accounted for as operating leases.

n. Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members of consolidated subsidiaries are accrued at the end of the year to which such bonuses are attributable.

o. Provision for Losses from Reimbursement of Inactive Accounts

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

p. Provision for Contingent Losses

The Bank provides a provision for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

q. Provision Required under the Special Act

The provision required under the Special Act is a financial instruments transaction liability reserve for consolidated subsidiaries engaged in financial instruments business, and is provided to prepare for losses arising from operational incidents incurred in relation to trading and other securities transactions. The amount of the provision is calculated pursuant to the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Order on Financial Instruments Business.

r. Income Taxes

The provision for current 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.

s. Foreign Currency Transactions

Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

t. Derivatives and Hedging Activities

The Bank uses a variety of derivative financial instruments.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The Bank applies the deferral method of hedge accounting to hedges of interest rate risk associated with financial assets and liabilities in accordance with "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry-specific Committees Practical Guideline No. 24 issued by the Japanese Institute of Certified Public Accountants. Under JICPA Industry-specific Committees Practical Guideline No. 24, hedges to offset changes in fair value of fixed rate instruments (such as securities) (fair value hedges) are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

u. Consumption Taxes

The Bank and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method.

v. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders 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 years including dividends to be paid after the end of the year, not retroactively adjusted for a reverse stock split.

w. New Accounting Pronouncements

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue will be recognized based on the following five steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations under the contract
- Step 5: Recognize revenue when (or as) the performance obligation is satisfied

(2) Application date

The Bank will apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Impact of adoption

The Bank is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to increase the international comparability of accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as the "Fair Value Measurement Standards, etc.") were developed, and guidance and other rules were established with regard to the method for fair value measurement. Fair Value Measurement Standards, etc. will be applicable for the fair value of the following items.

- Financial instruments defined in "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include notes regarding the breakdown by each level of fair value of financial instruments.

(2) Application date

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

(3) Impact of adoption

The Bank is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

x. Changes in Presentation

Application of the "Accounting Standard for Disclosure of Accounting Estimates"

The Bank has adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and has disclosed additional information regarding significant accounting estimates.

However, information for the previous fiscal year is not provided in accordance with the transitional treatment stated in Paragraph 11 of the above accounting standard.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for Loan Losses

(1) Amount recorded on the consolidated financial statements in the year ended March 31, 2021

Allowance for loan losses: ¥25,853 million (\$233,520 thousand)

(2) Information contributing to the understanding of details related to significant accounting estimates for certain items

1. Calculation method

The calculation method of allowance for loan losses is described in "Note 2.j, "Allowance for Loan Losses."

2. Primary assumptions

a) The performance forecast of debtors, including those who prepare management improvement plans, used to determine the debtor classification, estimate future cash flows related to the collection of the loan principal and interest, is prepared based on assumptions derived from available information.

Specifically, management improvement plans were developed based on future performance forecasts, which include future sales forecast, prospect of future expense reduction, and future cash flow prospect, among others. Accordingly, the reasonableness and the feasibility of the plan are determined based on industry trends and individual management improvement plans of the debtors.

b) The effect of the spread of the new coronavirus disease on the economy is expected to continue over the next consolidated fiscal year considering the current situation of the infection. Although the extent of the effect is expected to vary by each debtor, the determination of the debtor classification, estimate of future cash flows related to the collection of the loan principal and interest are based on the assumption that the credit risk for loans originating from the Bank and its consolidated subsidiaries will be affected within the range of the above assumptions. The above assumption has been changed from the one in the previous fiscal year end, which stated that the effect of the spread of the new coronavirus disease is expected to converge moderately towards the end of the current fiscal year.

c) For loans other than those for which the discounted cash flow method is applied, it is assumed that "normal" loans will incur approximately the same amount of losses as those from previous years, "caution" loans will incur approximately the same amount of losses as those from previous years and loans to customers who are likely to become bankrupt or to be closely monitored, which are classified within normal and caution loans, will incur approximately the same amount of losses as those from previous years.

3. Impact on the consolidated financial statements for the next fiscal year

If the assumptions used in the initial estimate changes due to changes in the external environment, including the situation of the spread of the new coronavirus disease, or the internal environment of the debtor, among others, there is a possibility that the amount of allowance will increase or decrease due to changes in the debtor classification, fluctuations of cash flow estimates or the occurrence of circumstances in which actual bad debt losses differ from the initial assumption, which may result in a significant impact on the consolidated financial statements.

4. BUSINESS COMBINATIONS

For the Year Ended March 31, 2021

Acquisition of Additional Shares of a Consolidated Subsidiary

On June 29, 2020, the Bank has acquired part of the shares of Juroku Lease Co., Ltd., which is a consolidated subsidiary, owned by noncontrolling interests, in exchange for cash in the amount of ¥1,380 million (\$12,465 thousand). This transaction was made to strengthen the governance and increase profitability of the Bank. The transaction was accounted for as a transaction with noncontrolling interests under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures." As a result, the Bank's voting rights ratio in Juroku Lease Co., Ltd. has increased to 49.81% (36.28% prior to acquisition). The Bank has recognized an increase of capital surplus in the amount of ¥1,963 million (\$17,731 thousand) for the year ended March 31, 2021.

5. CASH AND DUE FROM BANKS

Cash and due from banks as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Cash | ¥ 62,333 | ¥ 67,439 | \$ 563,030 |
| Due from banks | 884,683 | 565,344 | 7,990,994 |
| Total | ¥947,016 | ¥632,783 | \$8,554,024 |

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Cash and due from banks | ¥947,016 | ¥632,783 | \$8,554,024 |
| Due from banks other than the Bank of Japan | (16,098) | (3,631) | (145,407) |
| Cash and cash equivalents | ¥930,918 | ¥629,152 | \$8,408,617 |

Major Breakdown of Assets and Liabilities of the Company, Which Became a Consolidated Subsidiary as a Result of Acquisition of Shares

For the Year Ended March 31, 2020

The major breakdown of assets and liabilities at the start of consolidation of Juroku TT Securities due to acquisition of shares, as well as the relationship between the acquisition value of Juroku TT Securities' shares and the expenditure for the acquisition of Juroku TT Securities' shares, were as follows:

| | Millions of Yen |
|---|-----------------|
| Assets | ¥ 6,887 |
| Cash | 4,016 |
| Liabilities | (1,237) |
| Other liabilities | (976) |
| Noncontrolling interests | (2,261) |
| Goodwill | 2,076 |
| Acquisition value of Juroku TT Securities' shares | 5,465 |
| Expenditure for acquisition of Juroku TT Securities' shares | 5,465 |

There was no transaction applicable as of March 31, 2021.

6. TRADING SECURITIES AND SECURITIES

Trading securities as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------|-----------------|------|---------------------------|
| | 2021 | 2020 | 2021 |
| Japanese government bonds | ¥263 | ¥372 | \$2,375 |
| Japanese local government bonds | 28 | 36 | 253 |
| Total | ¥291 | ¥408 | \$2,628 |

The Bank records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2021 and 2020, the Bank recorded net valuation losses of ¥5 million (\$45 thousand) and ¥6 million, respectively.

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------|-----------------|------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Equity securities | ¥ 147,529 | ¥ 118,933 | \$ 1,332,572 |
| Japanese government bonds | 258,074 | 181,970 | 2,331,081 |
| Japanese local government bonds | 480,454 | 334,349 | 4,339,752 |
| Japanese corporate bonds | 290,757 | 219,332 | 2,626,294 |
| Other securities | 381,786 | 397,018 | 3,448,523 |
| Total | ¥1,558,600 | ¥1,251,602 | \$14,078,222 |

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥58,329 million (\$526,863 thousand) and ¥55,693 million as of March 31, 2021 and 2020, were included in Japanese government bonds, respectively.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2021 and 2020, was as follows:

| March 31, 2021 | Millions of Yen | | | |
|----------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 53,486 | ¥88,922 | ¥1,099 | ¥141,309 |
| Debt securities | 971,656 | 2,796 | 3,245 | 971,207 |
| Other | 366,167 | 4,871 | 7,653 | 363,385 |
| Held-to-maturity—debt securities | 58,079 | 303 | 203 | 58,179 |

| March 31, 2020 | Millions of Yen | | | |
|----------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 56,499 | ¥58,907 | ¥2,974 | ¥112,432 |
| Debt securities | 681,062 | 3,414 | 1,894 | 682,582 |
| Other | 377,161 | 7,419 | 7,784 | 376,796 |
| Held-to-maturity—debt securities | 53,069 | 337 | 148 | 53,258 |

| March 31, 2021 | Thousands of U.S. Dollars | | | |
|----------------------------------|---------------------------|------------------|-------------------|-------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | \$ 483,118 | \$803,198 | \$ 9,927 | \$1,276,389 |
| Debt securities | 8,776,588 | 25,255 | 29,311 | 8,772,532 |
| Other | 3,307,443 | 43,998 | 69,127 | 3,282,314 |
| Held-to-maturity—debt securities | 524,604 | 2,737 | 1,833 | 525,508 |

Proceeds from sales of available-for-sale securities for the years ended March 31, 2021 and 2020, consisted of the following:

| March 31, 2021 | Millions of Yen | | |
|---------------------------|-----------------|----------------|-----------------|
| | Proceeds | Realized Gains | Realized Losses |
| Equity securities | ¥ 22,929 | ¥4,971 | ¥ 875 |
| Debt securities: | | | |
| Japanese government bonds | 9,317 | 19 | 103 |
| Japanese corporate bonds | 3,214 | 14 | — |
| Other | 224,411 | 4,823 | 2,397 |
| Total | ¥259,871 | ¥9,827 | ¥3,375 |

| March 31, 2020 | Millions of Yen | | |
|---------------------------|-----------------|----------------|-----------------|
| | Proceeds | Realized Gains | Realized Losses |
| Equity securities | ¥ 4,107 | ¥1,607 | ¥ 305 |
| Debt securities: | | | |
| Japanese government bonds | 39,682 | 182 | 692 |
| Japanese corporate bonds | 1,907 | 7 | — |
| Other | 132,130 | 2,834 | 894 |
| Total | ¥177,826 | ¥4,630 | ¥1,891 |

| March 31, 2021 | Thousands of U.S. Dollars | | |
|---------------------------|---------------------------|----------------|-----------------|
| | Proceeds | Realized Gains | Realized Losses |
| Equity securities | \$ 207,109 | \$44,901 | \$ 7,904 |
| Debt securities: | | | |
| Japanese government bonds | 84,157 | 172 | 930 |
| Japanese corporate bonds | 29,031 | 126 | — |
| Other | 2,027,016 | 43,564 | 21,651 |
| Total | \$2,347,313 | \$88,763 | \$30,485 |

In addition, held-to-maturity securities amounting to ¥252 million (\$2,276 thousand) and ¥170 million were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2021 and 2020. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

Securities other than trading securities (excluding those securities whose fair value cannot be reliably determined) whose fair value significantly declined below the acquisition cost and is considered not likely to be recovered are written down to their respective fair value, which is recorded as the carrying amount on the consolidated balance sheets.

The fair value is deemed to have significantly declined if the year-end fair value declined by 30% or more from the acquisition cost for securities issued by bankrupt borrowers, virtually bankrupt borrowers, potentially bankrupt borrowers, and borrowers who are likely to become bankrupt or to be closely monitored, and if the fair value declined by 50% or more from the acquisition cost for securities issued by normal borrowers.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2021, was ¥214 million (\$1,933 thousand) of debt securities.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2020, was ¥1,204 million, which consisted of ¥1,090 million of equity securities and ¥114 million of debt securities.

Unrealized gain on available-for-sale securities as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Unrealized gain before deferred tax on: | | | |
| Available-for-sale securities | ¥84,517 | ¥57,038 | \$763,409 |
| Money held in trust—other | 12 | 11 | 108 |
| Deferred tax liabilities | (25,068) | (16,944) | (226,429) |
| Unrealized gain on available-for-sale securities before interest adjustments | 59,461 | 40,105 | 537,088 |
| Noncontrolling interests | (170) | (187) | (1,536) |
| Unrealized gain on available-for-sale securities | ¥59,291 | ¥39,918 | \$535,552 |

Unrealized gain before deferred tax on available-for-sale securities includes ¥155 million (\$1,400 thousand) and ¥117 million of revaluation gain on available-for-sale securities as of March 31, 2021 and 2020, respectively, which are held by an investment limited partnership and similar groups.

Investments in and advances to subsidiaries and associated companies as of March 31, 2021 and 2020, were ¥663 million (\$5,989 thousand) and ¥646 million, respectively.

7. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2021 and 2020, was as follows:

| | Carrying Amount | | |
|---|-----------------|--------|---------------------------|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2021 | 2020 | 2021 |
| Money held in trust classified as trading purpose | ¥ 6,000 | ¥6,000 | \$ 54,195 |
| Money held in trust—other | 6,312 | 2,512 | 57,014 |
| Total | ¥12,312 | ¥8,512 | \$111,209 |

8. LOANS AND BILLS DISCOUNTED

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------|-----------------|------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Bills discounted | ¥ 11,765 | ¥ 20,085 | \$ 106,269 |
| Loans on bills | 93,957 | 123,376 | 848,677 |
| Loans on deeds | 4,038,394 | 3,809,349 | 36,477,229 |
| Overdrafts | 332,355 | 388,685 | 3,002,032 |
| Others | 4,679 | 4,079 | 42,263 |
| Total | ¥4,481,150 | ¥4,345,574 | \$40,476,470 |

"Nonaccrual loans," which include loans to borrowers in bankruptcy and past due loans, are defined as loans upon which the Bank has discontinued the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to the ultimate collectability of either the principal or interest and if the loans are past due for a certain period of time or for other reasons.

"Loans to borrowers in bankruptcy" represent nonaccrual loans to debtors who are legally bankrupt, which is defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporate Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2021 and 2020, were ¥3,072 million (\$27,748 thousand) and ¥3,943 million, respectively.

"Past due loans" are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of a debtor in financial difficulty. Past due loans as of March 31, 2021 and 2020, were ¥65,607 million (\$592,602 thousand) and 58,876 million, respectively.

"Accruing loans past due three months or more" are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded from accruing loans past due three months or more. Accruing loans past due three months or more as of March 31, 2021 and 2020, were ¥52 million (\$470 thousand) and ¥99 million, respectively.

"Restructured loans" are defined as loans in which the Group is providing financial support to a borrower by a reduction of interest rates, deferral of interest payments, extension of maturity dates, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans and accruing loans past due three months or more are excluded from restructured loans. Restructured loans as of March 31, 2021 and 2020, were ¥2,668 million (\$24,099 thousand) and ¥1,958 million, respectively.

The total amount of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2021 and 2020, were ¥71,399 million (\$644,919 thousand) and ¥64,876 million, respectively.

Bills discounted are accounted for as financing transactions in accordance with "Accounting and Auditing Treatments on the Application

of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry-specific Committees Practical Guideline No. 24) issued by the Japanese Institute of Certified Public Accountants. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions. The total fair value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2021 and 2020, were ¥12,267 million (\$110,803 thousand) and ¥20,918 million, respectively.

9. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|--------|---------------------------|
| | 2021 | 2020 | 2021 |
| Assets: | | | |
| Due from foreign correspondent account | ¥7,033 | ¥6,779 | \$63,526 |
| Foreign bills of exchange bought | 502 | 834 | 4,535 |
| Foreign bills of exchange receivable | 451 | 366 | 4,074 |
| Total | ¥7,986 | ¥7,979 | \$72,135 |
| Liabilities: | | | |
| Due to foreign correspondent account | ¥ 816 | ¥ 805 | \$ 7,371 |
| Foreign bills of exchange payable | 273 | 177 | 2,466 |
| Total | ¥1,089 | ¥ 982 | \$ 9,837 |

10. OTHER ASSETS

Other assets as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Accrued income | ¥ 4,149 | ¥ 4,446 | \$ 37,476 |
| Accounts receivable | 9,801 | 10,558 | 88,529 |
| Installment receivables | 16,581 | 15,353 | 149,770 |
| Derivative assets | 6,569 | 6,624 | 59,335 |
| Other | 67,868 | 62,268 | 613,025 |
| Total | ¥104,968 | ¥99,249 | \$948,135 |

11. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Land | ¥43,328 | ¥45,784 | \$391,365 |
| Building | 10,907 | 11,730 | 98,519 |
| Construction in progress | 4 | 2 | 36 |
| Other | 5,176 | 4,817 | 46,752 |
| Total | ¥59,415 | ¥62,333 | \$536,672 |

The accumulated depreciation of premises and equipment as of March 31, 2021 and 2020, amounted to ¥62,369 million (\$563,355 thousand) and ¥61,936 million, respectively.

12. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007, and effective from the fiscal years beginning on and after April 1, 2006. The Bank offsets customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥58,460 million (\$528,046 thousand) and ¥53,242 million arising from guarantees of private placement securities as of March 31, 2021 and 2020, respectively.

13. ASSETS PLEDGED

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Assets pledged as collateral: | | | |
| Securities | ¥659,216 | ¥407,966 | \$5,954,440 |
| Other assets | 56 | 73 | 505 |
| Total | ¥659,272 | ¥408,039 | \$5,954,945 |
| Relevant liabilities to above assets: | | | |
| Deposits | ¥110,382 | ¥ 97,893 | \$ 997,037 |
| Payables under repurchase agreements | 126,700 | 140,754 | 1,144,431 |
| Payables under securities lending transactions | 29,672 | 15,153 | 268,016 |
| Borrowed money | 445,093 | 186,470 | 4,020,351 |
| Total | ¥711,847 | ¥440,270 | \$6,429,835 |

Additionally, initial margins of futures markets, cash collateral received for financial instruments liabilities, guarantee deposits and initial margins of Central Counterparty included in other assets were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Initial margins of future markets | ¥ 1,478 | ¥ 507 | \$ 13,350 |
| Cash collateral received for financial instruments liabilities | 1,602 | 242 | 14,470 |
| Guarantee deposits | 2,070 | 2,181 | 18,698 |
| Initial margins of Central Counterparty | 51,850 | 53,350 | 468,341 |
| Total | ¥57,000 | ¥56,280 | \$514,859 |

14. DEPOSITS

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------|-----------------|------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Current deposits | ¥ 445,581 | ¥ 363,391 | \$ 4,024,758 |
| Ordinary deposits | 3,432,907 | 2,982,591 | 31,008,102 |
| Deposits at notice | 40,895 | 92,737 | 369,389 |
| Savings deposits | 99,018 | 35,040 | 894,391 |
| Time deposits | 1,975,548 | 2,052,819 | 17,844,350 |
| Other deposits | 78,524 | 84,081 | 709,277 |
| Total | ¥6,072,473 | ¥5,610,659 | \$54,850,267 |

15. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Borrowings due serially to February 2026 with weighted average interest rates of 0.01% in 2021 and 0.16% in 2020 | ¥467,151 | ¥208,421 | \$4,219,592 |
| Lease obligation | — | 0 | — |

Weighted average interest rates of lease obligation are not represented because the lease obligation is disclosed on the balance sheet without deducting the interest portion which is included in the amount of the lease obligation.

Annual maturities of borrowings as of March 31, 2021 and 2020, were as follows:

| As of March 31, 2021 Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| 2022 | ¥259,351 | \$2,342,616 |
| 2023 | 33,870 | 305,935 |
| 2024 | 112,362 | 1,014,922 |
| 2025 | 61,193 | 552,732 |
| 2026 | 375 | 3,387 |
| 2027 and thereafter | — | — |
| Total | ¥467,151 | \$4,219,592 |

| As of March 31, 2020 Year Ending March 31 | Millions of Yen |
|--|-----------------|
| 2021 | ¥ 98,222 |
| 2022 | 5,208 |
| 2023 | 32,978 |
| 2024 | 71,513 |
| 2025 | 500 |
| 2026 and thereafter | — |
| Total | ¥208,421 |

There was no lease obligation as of March 31, 2021.

Annual maturities of lease obligation as of March 31, 2020, were as follows:

| As of March 31, 2020 Year Ending March 31 | Millions of Yen |
|--|-----------------|
| 2021 | ¥ 0 |
| 2022 | — |
| 2023 | — |
| 2024 | — |
| 2025 | — |
| 2026 and thereafter | — |
| Total | ¥ 0 |

16. OTHER LIABILITIES

Other liabilities as of March 31, 2021 and 2020, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Domestic exchange settlement account, credit* | ¥ 154 | ¥ 139 | \$ 1,391 |
| Income taxes payable | 5,508 | 3,557 | 49,752 |
| Accrued expenses | 1,324 | 1,900 | 11,959 |
| Deferred income | 17,021 | 16,543 | 153,744 |
| Employees' deposits | 2,534 | 2,571 | 22,889 |
| Derivative liabilities | 9,792 | 6,253 | 88,447 |
| Accounts payable | 7,929 | 8,491 | 71,620 |
| Other | 19,814 | 13,670 | 178,972 |
| Total | ¥64,076 | ¥53,124 | \$578,774 |

* The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks, which have not been settled.

17. RETIREMENT AND PENSION PLANS

The Bank has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan, and certain subsidiaries have lump-sum payment severance plans for employees and apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date. The Bank contributed certain assets to the employee retirement benefit trust for the Bank's contributory funded defined benefit pension plan and the assets in this trust are qualified as plan assets. The Bank has revised its contributory funded defined benefit pension plan on October 1, 2020, including a reduction in the interest rate used to calculate the retirement benefits.

(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 | ¥46,543 | ¥46,583 | \$420,405 |
| Current service cost | 1,500 | 1,974 | 13,549 |
| Interest cost | 147 | 158 | 1,328 |
| Actuarial losses | 256 | 114 | 2,312 |
| Benefits paid | (2,235) | (2,286) | (20,188) |
| Past service cost | (4,408) | — | (39,816) |
| Balance at end of year | ¥41,803 | ¥46,543 | \$377,590 |

(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 | ¥42,522 | ¥44,002 | \$384,085 |
| Expected return on plan assets | 1,275 | 1,320 | 11,516 |
| Actuarial gains (losses) | 5,176 | (1,914) | 46,753 |
| Contributions from the employer | 679 | 788 | 6,133 |
| Benefits paid | (1,660) | (1,674) | (14,994) |
| Balance at end of year | ¥47,992 | ¥42,522 | \$433,493 |

(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, was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Funded defined benefit obligation | ¥ 35,564 | ¥ 40,190 | \$ 321,236 |
| Plan assets | (47,992) | (42,522) | (433,493) |
| | (12,428) | (2,332) | (112,257) |
| Unfunded defined benefit obligation | 6,239 | 6,353 | 56,354 |
| Net (asset) liability arising from defined benefit obligation | ¥ (6,189) | ¥ 4,021 | \$ (55,903) |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Liability for retirement benefits for employees | ¥ 6,239 | ¥ 6,353 | \$ 56,354 |
| Asset for retirement benefits for employees | (12,428) | (2,332) | (112,257) |
| Net (asset) liability arising from defined benefit obligation | ¥ (6,189) | ¥ 4,021 | \$ (55,903) |

(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 | ¥1,500 | ¥1,974 | \$13,549 |
| Interest cost | 147 | 158 | 1,328 |
| Expected return on plan assets | (1,275) | (1,320) | (11,516) |
| Recognized actuarial losses (gains) | 321 | (207) | 2,899 |
| Past service cost | (1,102) | — | (9,954) |
| Net periodic benefit costs | ¥ (409) | ¥ 605 | \$ (3,694) |

(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 |
| Past service cost | ¥3,306 | — | \$29,862 |
| Actuarial gains (losses) | 5,241 | ¥(2,235) | 47,340 |
| Total | ¥8,547 | ¥(2,235) | \$77,202 |

(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 past service cost | ¥(3,306) | — | \$(29,862) |
| Unrecognized actuarial (gains) losses | (2,392) | ¥2,850 | (21,606) |
| Total | ¥(5,698) | ¥2,850 | \$(51,468) |

(7) Plan assets
(a) Components of plan assets
Plan assets consisted of the following:

| | 2021 | 2020 |
|------------------------------------|------|------|
| Debt investments | 27% | 26% |
| Equity investments | 40 | 34 |
| General account for life insurance | 19 | 22 |
| Others | 14 | 18 |
| Total | 100% | 100% |

Note: The retirement benefit trust that contributed to the pension plan is included in the plan assets and constitutes 19% and 16% of the total plan assets as of March 31, 2021 and 2020.

(b) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the current and future asset portfolio and the long-term rates of return which are expected currently and in the future from the variety of plan assets in the asset portfolio.

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

| | 2021 | 2020 |
|--|--------|--------|
| Discount rate: | | |
| Lump-sum payment | 0.084% | 0.084% |
| Pension plan | 0.382 | 0.382 |
| Expected rate of return on plan assets | 3.000 | 3.000 |

The amount to be paid to defined contribution pension plan was ¥369 million (\$3,333 thousand) and ¥367 million for the years ended March 31, 2021 and 2020, respectively.

18. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

Asset retirement obligations are calculated based on the estimated available periods of 4 to 47 years depending on the expected useful lives of buildings using discount rates from 0.000% to 2.461%.

The changes in asset retirement obligations, which are included in other liabilities, 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 | ¥219 | ¥216 | \$1,978 |
| Reconciliation associated with passage of time | 4 | 3 | 36 |
| Decrease due to fulfillment of asset retirement obligations | (20) | — | (180) |
| Balance at end of year | ¥203 | ¥219 | \$1,834 |

19. EQUITY

Japanese banks are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act 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, 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. However, the Bank cannot do so because it does not meet the criteria. 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 provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. 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.

Japanese Banking Law also provides that an amount equal to at least 20% of the aggregate amount of cash dividends and certain other cash payments, which are made as an appropriation of retained earnings applicable to each fiscal period, shall be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve that exceeds 100% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Bank's legal reserve amount, which is included in retained earnings, totals ¥20,155 million (\$182,052 thousand) and ¥20,155 million as of March 31, 2021 and 2020, respectively.

20. STOCK OPTIONS

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

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|-------------------|-------------------------------------|---------------------------|---------------|----------------|-------------------------------------|
| 2013 Stock Option | 11 directors | 12,620 shares | 2013.7.23 | ¥1 (\$0.01) | From July 24, 2013 to July 23, 2043 |
| 2014 Stock Option | 11 directors | 15,550 shares | 2014.7.23 | ¥1 (\$0.01) | From July 24, 2014 to July 23, 2044 |
| 2015 Stock Option | 10 directors | 9,600 shares | 2015.7.23 | ¥1 (\$0.01) | From July 24, 2015 to July 23, 2045 |
| 2016 Stock Option | 7 directors 8 executive officers | 16,350 shares | 2016.7.22 | ¥1 (\$0.01) | From July 23, 2016 to July 22, 2046 |
| 2017 Stock Option | 7 directors 8 executive officers | 12,350 shares | 2017.7.21 | ¥1 (\$0.01) | From July 22, 2017 to July 21, 2047 |
| 2018 Stock Option | 7 directors 9 executive officers | 14,230 shares | 2018.7.23 | ¥1 (\$0.01) | From July 24, 2018 to July 23, 2048 |
| 2019 Stock Option | 7 directors 9 executive officers | 18,410 shares | 2019.7.23 | ¥1 (\$0.01) | From July 24, 2019 to July 23, 2049 |
| 2020 Stock Option | 6 directors 9 executive officers | 19,540 shares | 2020.7.22 | ¥1 (\$0.01) | From July 23, 2020 to July 22, 2050 |

The stock option activity is as follows:

| Year Ended March 31, 2021 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Stock Option | Stock Option | Stock Option | Stock Option | Stock Option | Stock Option | Stock Option | Stock Option |
| <u>Non-vested</u> | (Shares) | | | | | | | |
| March 31, 2020—Outstanding | — | — | — | — | — | — | 4,365 | — |
| Granted | — | — | — | — | — | — | — | 19,540 |
| Canceled | — | — | — | — | — | — | — | 1,370 |
| Vested | — | — | — | — | — | — | 4,365 | 13,787.5 |
| March 31, 2021—Outstanding | — | — | — | — | — | — | — | 4,382.5 |
| <u>Vested</u> | | | | | | | | |
| March 31, 2020—Outstanding | 3,520 | 7,760 | 4,680 | 7,500 | 8,610 | 11,310 | 13,095 | — |
| Vested | — | — | — | — | — | — | 4,365 | 13,787.5 |
| Exercised | — | 760 | 540 | 1,150 | 1,500 | 1,660 | 2,890 | 640 |
| Canceled | — | — | — | — | — | — | — | — |
| March 31, 2021—Outstanding | 3,520 | 7,000 | 4,140 | 6,350 | 7,110 | 9,650 | 14,570 | 13,147.5 |
| 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) |
| Average stock price at exercise | — | ¥2,065 (\$18.65) | ¥2,065 (\$18.65) | ¥2,065 (\$18.65) | ¥2,044 (\$18.46) | ¥2,044 (\$18.46) | ¥2,034 (\$18.37) | ¥2,002 (\$18.08) |
| Fair value price at grant date | ¥3,650 (\$32.97) | ¥3,200 (\$28.90) | ¥4,640 (\$41.91) | ¥2,390 (\$21.59) | ¥3,170 (\$28.63) | ¥2,587 (\$23.37) | ¥2,068 (\$18.68) | ¥1,670 (\$15.08) |

Note: Effective October 1, 2017, the Bank implemented a 1-for-10 reverse stock split of common stock, and the number of shares, average stock price at exercise and fair value price at grant date are presented on a post-reverse stock split basis.

The Assumptions Used to Measure the Fair Value of the 2020 Stock Option

| | |
|---|------------------------------------|
| Estimate method: | Black-Scholes option pricing model |
| Volatility of stock price: | 31.476% |
| Estimated remaining outstanding period: | 3.6 years |
| Estimated dividend: | ¥70 (\$0.63) per share |
| Risk free interest rate: | (0.153)% |

21. 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 sales of Japanese government bonds and other | ¥ 4,388 | ¥ 2,984 | \$ 39,635 |
| Income on lease transaction and installment receivables | 24,165 | 23,434 | 218,273 |
| Other | 4,188 | 2,144 | 37,829 |
| Total | ¥32,741 | ¥28,562 | \$295,737 |

22. 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 |
| Gain on sales of stock and other securities | ¥5,440 | ¥1,647 | \$49,137 |
| Other | 847 | 445 | 7,651 |
| Total | ¥6,287 | ¥2,092 | \$56,788 |

23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative 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 |
| Salaries and wages | ¥18,706 | ¥19,379 | \$168,964 |
| Commission fee | 4,713 | 4,700 | 42,571 |
| Other | 23,390 | 24,331 | 211,272 |
| Total | ¥46,809 | ¥48,410 | \$422,807 |

24. IMPAIRMENT LOSS

Impairment loss on long-lived assets for the year ended March 31, 2021, consisted of the following:

| Location | Purpose | Category | Amount |
|-----------|--------------------|----------------|------------------------------------|
| Gifu City | Welfare facilities | Land, building | ¥1,512 million (\$13,657 thousand) |
| Gifu City | Warehouse | Land | ¥300 million (\$2,710 thousand) |

The above long-lived assets were written down to their recoverable amounts (planned selling price) as the Bank sold these assets during the year March 31, 2021, due to a decline in the frequency of their usage.

Information for the year ended March 31, 2020 is omitted since the impact was immaterial.

25. OTHER EXPENSE

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|--------|---------------------------|
| | 2021 | 2020 | 2021 |
| Loss on sales of stock and other securities | ¥ 878 | ¥ 326 | \$ 7,931 |
| Write-down of stock and other securities | 2 | 1,090 | 18 |
| Other | 1,392 | 581 | 12,574 |
| Total | ¥2,272 | ¥1,997 | \$20,523 |

26. INCOME TAXES

The Bank and its subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.92% for the years ended March 31, 2021 and 2020.

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

| | Millions of Yen | | Thousands of |
|---|-----------------|-----------|--------------|
| | 2021 | 2020 | U.S. Dollars |
| Deferred tax assets: | | | 2021 |
| Allowance for loan losses | ¥ 6,452 | ¥ 5,885 | \$ 58,279 |
| Write-down of securities | 2,423 | 1,918 | 21,886 |
| Liability for retirement benefits for employees | 1,871 | 3,159 | 16,900 |
| Depreciation | 1,309 | 1,328 | 11,824 |
| Tax loss carry forward | — | 43 | — |
| Other | 2,274 | 2,233 | 20,540 |
| Less: valuation allowance | (3,960) | (3,701) | (35,769) |
| Total | 10,369 | 10,865 | 93,660 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | (25,068) | (16,944) | (226,430) |
| Net defined benefit asset | (1,718) | — | (15,518) |
| Gain on contribution of available-for-sale securities to employees' retirement benefit trusts | (955) | (955) | (8,626) |
| Other | (673) | (546) | (6,079) |
| Total | (28,414) | (18,445) | (256,653) |
| Net deferred tax assets | ¥(18,045) | ¥ (7,580) | \$(162,993) |

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 years ended March 31, 2021 and 2020, was as follows:

| | 2021 | 2020 |
|---|--------|--------|
| Normal effective statutory tax rate | 29.92% | 29.92% |
| Expenses not deductible for income tax purposes | 0.41 | 0.48 |
| Income not taxable for income tax purposes | (1.46) | (1.71) |
| Per capita tax | 0.32 | 0.37 |
| Net change in valuation allowance | 1.15 | 0.55 |
| Other—net | 1.49 | 1.82 |
| Actual effective tax rate | 31.83% | 31.43% |

27. LEASES

Finance Leases

(Lessee)

A subsidiary leases certain premises.

There was no rental expense including lease payments under the finance leases for the years ended March 31, 2021 and 2020.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2021 and 2020, were as follows:

| | Millions of Yen | | Thousands of |
|------------------------------|-----------------|---------|--------------|
| | 2021 | 2020 | U.S. Dollars |
| Gross lease receivables | ¥55,818 | ¥57,530 | \$504,182 |
| Unguaranteed residual values | 1,436 | 1,561 | 12,971 |
| Deferred interest income | (4,785) | (5,115) | (43,221) |
| Total | ¥52,469 | ¥53,976 | \$473,932 |

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

| As of March 31, 2021 Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|------------------------------|
| 2022 | ¥1,491 | \$13,468 |
| 2023 | 1,182 | 10,677 |
| 2024 | 978 | 8,834 |
| 2025 | 645 | 5,826 |
| 2026 | 343 | 3,098 |
| 2027 and thereafter | 417 | 3,766 |
| Total | ¥5,056 | \$45,669 |

| As of March 31, 2020 Year Ending March 31 | Millions of Yen |
|--|-----------------|
| 2021 | ¥1,572 |
| 2022 | 1,291 |
| 2023 | 984 |
| 2024 | 783 |
| 2025 | 488 |
| 2026 and thereafter | 494 |
| Total | ¥5,612 |

Maturities of investment in leases for finance leases that were deemed not to transfer ownership of the leased assets to the lessee are as follows:

| As of March 31, 2021 Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|------------------------------|
| 2022 | ¥14,940 | \$134,947 |
| 2023 | 12,867 | 116,223 |
| 2024 | 10,306 | 93,090 |
| 2025 | 7,484 | 67,600 |
| 2026 | 4,621 | 41,740 |
| 2027 and thereafter | 5,600 | 50,582 |
| Total | ¥55,818 | \$504,182 |

| As of March 31, 2020 Year Ending March 31 | Millions of Yen |
|--|-----------------|
| 2021 | ¥14,726 |
| 2022 | 12,685 |
| 2023 | 10,558 |
| 2024 | 7,965 |
| 2025 | 5,203 |
| 2026 and thereafter | 6,393 |
| Total | ¥57,530 |

Operating Leases

(Lessee)

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|--------|------------------------------|
| | 2021 | 2020 | 2021 |
| Due within one year | ¥ 274 | ¥ 282 | \$ 2,475 |
| Due after one year | 1,901 | 2,175 | 17,171 |
| Total | ¥2,175 | ¥2,457 | \$19,646 |

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2021 and 2020, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|--------|------------------------------|
| | 2021 | 2020 | 2021 |
| Due within one year | ¥ 491 | ¥ 527 | \$ 4,435 |
| Due after one year | 660 | 815 | 5,962 |
| Total | ¥1,151 | ¥1,342 | \$10,397 |

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group provides banking services and comprehensive financial services including a leasing business. The Group meets the needs of local business through providing various products and services in the banking services, lending services, trading of securities, securities investments and other financial services such as a derivatives business. The Group has aligned its operations with local personnel and businesses and raises funds from deposits from customers, which are low cost and stable. The Group also raises funds by borrowing.

As for loans and bills discounted in the money management system, the Group finances local companies based on their capital demands and individuals mainly for home mortgages. As its main resources are bank deposits from customers, the Group aims to ensure the soundness of the assets through appropriate credit decisions and credit rating by understanding the current credit status and managing the credit portfolio to prevent concentrations in specific customers or industries. In marketable securities, considering the nature that it is engaged in excess fund management relating to lending services and its responsibility as a bank to provide settlement services, the Group focuses on running a fund based on public bonds, which is superior in security and liquidity. To build up a portfolio that is less subject to rising interest rates, the Group invests in risk assets, such as securities whose values are expected to be less correlated with bonds.

The Group executes derivative transactions to fund and invest capital to meet the various needs of its customers as well as to meet its own needs. In trading transactions, the Group avoids excessive risk by restricting the type of transactions and limiting the volume of transactions. Also, the Group will not trade a particular investment if its fair value is volatile compared to that of the underlying assets (i.e., high leverage-effect transaction).

(2) Nature and Extent of Risks Arising from Financial Instruments

The loans and bills discounted are to general business enterprises, individuals, and local public bodies, and there is a risk (credit risk) that the value of loaned money is reduced by financial deterioration of the borrower and a risk (interest risk) of losses due to changes in interest rates.

In securities, the Group holds domestic bonds, foreign securities, stocks, investment trusts, and investment partnerships and so forth for investment purposes. Also, the Group holds certain domestic bonds for held-to-maturity purposes. In trading securities, the Group holds domestic bonds for trading. These items have interest risk, risk of changes in price, credit risk, and market liquidity risk. Market liquidity risk represents the risk that market trades cannot be performed due to market turmoil and that the Group may suffer losses due to significantly unfavorable financing conditions.

Deposits and borrowed money hold interest risk and cash flow risk (liquidity risk). Cash flow risk refers to the risk that securing necessary financing becomes difficult or significant unfavorable financing conditions result in recording of loss due to a mismatch of periods between operations and financing and unexpected outflows of money. Derivative transactions related to interest are comprised of interest-rate swap agreements, cap agreements, floor agreements, and interest futures.

Derivative transactions related to currency are comprised of exchange contracts, non-deliverable forwards (NDF), currency swap agreements, and currency option contracts. Derivative transactions related to securities are comprised of bond futures, options on bond futures, OTC bond options, stock index futures, options on stock index futures, and individual security options.

The Group utilizes derivative transactions to meet customer needs and to control risk so that interest risk, risk of changes in prices, and foreign currency exchange risk are not excessive. In trading transactions, the Group utilizes derivative transactions to earn a profit and to accumulate the know-how related to the transactions and understand market trends.

The derivative transactions the Group utilizes are exposed to interest risk, currency exchange risk, the risk of change in prices, and credit risk. In utilizing derivative transactions, the Group performs effective covering of transactions to meet customers' needs, and in trading transactions, the Group preliminarily establishes a risk limit to avoid exposing the Group to an excessive degree of market risk. Transactions such as listed futures are exposed to limited credit risk and OTC transactions such as interest swaps are assumed to have low risk since the counterparties are comprised of highly credible financial institutions and companies.

Certain derivatives utilized to mitigate risks from securities are recorded on the basis of hedge accounting in accordance with "Practical Guideline for Accounting for Financial Instruments" (JICPA Accounting System Committee Report No. 14). Such derivatives are interest rate swaps that are utilized to control the risks from securities. The Bank reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

(3) Risk Management for Financial Instruments

Integrated risk

The Group defines integrated risk management policies and regulations, and strengthens integrated risk management to ensure the soundness of management.

The Group monitors various risks holistically including measurement by statistical methods and aims to control risks within the range of management vitality. Specifically, the Group allocates risk capital to credit risk, market risk, and operational risk based on Value at Risk ("VaR") calculations according to assumptions about the market fluctuation rate and its half year business plan. In each operational division, the Group aims to control risk and obtain returns within the range of risk capital. Integrated risk is managed by the Risk Management Division and is reported monthly to the Integrated Risk Management Council and semiannually to the Board of Directors' meetings. Necessary actions such as risk control are taken promptly.

Credit risk management

The Group defines credit risk management policy and rules such as credit risk management regulation to understand, manage and take actions on credit risk appropriately.

In screening requests for loans, the Group clearly separates the credit department from the operating department and the Group performs strict examination by the type of business. Also, the Group analyzes if repayment resources are ensured and reasonably secured on individual loans based on the purpose of the loan, business plans and investment effects.

For credit portfolio management, the Group aims to prevent concentrations in particular customers or industries and ensure profits to meet credit costs.

In addition, in order to improve credit risk, the Group seeks to implement management and business restructuring for customers experiencing difficult business conditions.

Regarding credit risk management, the Group defines a credit rating system where the Group evaluates the degree of credit risk by an integrated scale objectively and makes arrangements to reevaluate credit ratings close to fiscal year end or when there are any changes in credit status.

As for the level of credit risk and degree of concentration of credit granting, the Risk Management Division manages credit risk, reports monthly to the Integrated Risk Management Council and quarterly to management and discusses necessary actions.

Market risk management (foreign exchange risk and interest rate risk)

The Group considers interest rate risk, currency risk and the risk of change in prices as the main market risks and institutes a market risk management policy to manage the risks properly to avoid a reduction in the value of assets and losing credit. The Group also institutes market risk management regulations according to the market risk management policy to clarify the identification of market risk, the role of the department in charge, the method of evaluation and monitoring and the methods for controlling and reducing market risk.

Under integrated risk management, the Group allocates risk capital to each business (deposit, loan, investment securities and other securities) and establishes a cap on the investment amount and a maximum loss amount and matters to be discussed (level of loss to be re-examined). The Group handles market transactions within these risk limits expeditiously and effectively. With regard to these risks, the Risk Management Division manages and reports monthly to the Integrated Risk Management Council and semiannually to the Board of Directors' meetings and discusses necessary actions.

Regarding derivative transactions, the Group follows internal regulations and policies. The market-risk-management department (middle office) and office-work department (back office) manage and monitor the balance, fair value, profit and loss and measurement of risk of the transactions and report to top-management regularly to ensure mutual supervision of risks. Especially in trading transactions, the market-risk-management department (middle office) manages the positions, measurement of risk and application for loss cut rule closely.

The Group holds financial instruments which are exposed to market risks (e.g. interest rate risk, price-volatility risk and exchange risk) such as loans and bills discounted, securities, deposits, negotiable deposits, borrowed money and corporate bonds. To manage these market risks, the Group calculates VaR, which is used for quantitative analysis.

The Group calculates VaR of yen-denominated bonds (including private placement bonds), borrowed money and corporate bonds that are exposed to interest rate risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥23,109 million (\$208,735 thousand) and ¥36,025 million in aggregate as of March 31, 2021 and 2020, respectively.

The Group has changed the calculation method of VaR and has included yen-dominated bonds other than private placement bonds from the current fiscal year. As a result, the VaR decreased by ¥6,211 million (\$56,102 thousand) for the year ended March 31, 2021 and ¥36,025 million calculated based on the previous standard for the year ended March 31, 2020.

The Group calculates VaR of investment securities that are exposed to price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥38,734 million (\$349,869 thousand) and ¥32,969 million in aggregate as of March 31, 2021 and 2020, respectively.

In addition, the Group calculates VaR of securities, excluding investment securities, which are exposed to interest rate risk or the price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥39,525 million (\$357,014 thousand) and ¥71,542 million in aggregate as of March 31, 2021 and 2020, respectively.

The Group compares VaR calculated by the formula with the actual fluctuation of realized gains and losses to verify that the calculated VaR reflects market risks with a high degree of accuracy.

However, VaR might not reflect market risks in circumstances such as unforeseen wide fluctuations in market circumstances because VaR reflects a certain amount of market risks calculated statistically based on historical fluctuation.

Liquidity risk management

As to liquidity risk, the Group defines liquidity risk management policies and liquidity risk management regulations, and aims to manage stable cash flows. Also, to be prepared for unforeseeable circumstances, the Group defines a contingency plan for liquidity risks and addresses them in a timely manner.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 30 for the details of the fair value of derivatives. Fair values are calculated based on certain assumptions; therefore, fair values may vary according to the assumptions used.

(a) Fair value of financial instruments

| March 31, 2021 | Millions of Yen | | |
|--|-----------------|------------|-------------------------|
| | Carrying Amount | Fair Value | Unrealized Gains/Losses |
| Cash and due from banks | ¥ 947,016 | ¥ 947,016 | — |
| Trading securities | 291 | 291 | — |
| Money held in trust | 12,312 | 12,312 | — |
| Securities: | | | |
| Held-to-maturity securities | 58,079 | 58,179 | ¥ 100 |
| Available-for-sale securities | 1,475,901 | 1,475,901 | — |
| Loans and bills discounted | 4,481,150 | | |
| Less: Allowance for loan losses | (24,555) | | |
| Loans and bills discounted—net | 4,456,595 | 4,480,085 | 23,490 |
| Total | ¥6,950,194 | ¥6,973,784 | ¥23,590 |
| Deposits | ¥6,072,473 | ¥6,072,544 | ¥ 71 |
| Negotiable certificates of deposit | 28,100 | 28,100 | — |
| Payables under repurchase agreements | 126,701 | 126,701 | — |
| Borrowed money | 467,151 | 467,152 | 1 |
| Total | ¥6,694,425 | ¥6,694,497 | ¥ 72 |
| Derivatives to which hedge accounting is not applied | ¥ (3,592) | ¥ (3,592) | — |
| Derivatives to which hedge accounting is applied * | 369 | 369 | — |

| March 31, 2020 | Millions of Yen | | |
|--|-----------------|------------|-------------------------|
| | Carrying Amount | Fair Value | Unrealized Gains/Losses |
| Cash and due from banks | ¥ 632,783 | ¥ 632,783 | — |
| Trading securities | 408 | 408 | — |
| Money held in trust | 8,512 | 8,512 | — |
| Securities: | | | |
| Held-to-maturity securities | 53,069 | 53,258 | ¥ 189 |
| Available-for-sale securities | 1,171,810 | 1,171,810 | — |
| Loans and bills discounted | 4,345,574 | | |
| Less: Allowance for loan losses | (22,484) | | |
| Loans and bills discounted—net | 4,323,090 | 4,342,129 | 19,039 |
| Total | ¥6,189,672 | ¥6,208,900 | ¥19,228 |
| Deposits | ¥5,610,659 | ¥5,610,686 | ¥ 27 |
| Negotiable certificates of deposit | 38,050 | 38,050 | — |
| Payables under repurchase agreements | 140,754 | 140,754 | — |
| Borrowed money | 208,421 | 208,413 | (8) |
| Total | ¥5,997,884 | ¥5,997,903 | ¥ 19 |
| Derivatives to which hedge accounting is not applied | ¥ 620 | ¥ 620 | — |
| Derivatives to which hedge accounting is applied | (249) | (249) | — |

| March 31, 2021 | Thousands of U.S. Dollars | | |
|--|---------------------------|--------------|-------------------------|
| | Carrying Amount | Fair Value | Unrealized Gains/Losses |
| Cash and due from banks | \$ 8,554,024 | \$ 8,554,024 | — |
| Trading securities | 2,628 | 2,628 | — |
| Money held in trust | 111,209 | 111,209 | — |
| Securities: | | | |
| Held-to-maturity securities | 524,604 | 525,508 | \$ 904 |
| Available-for-sale securities | 13,331,235 | 13,331,235 | — |
| Loans and bills discounted | 40,476,470 | | |
| Less: Allowance for loan losses | (221,795) | | |
| Loans and bills discounted—net | 40,254,675 | 40,466,851 | 212,176 |
| Total | \$62,778,375 | \$62,991,455 | \$213,080 |
| Deposits | \$54,850,267 | \$54,850,908 | \$ 641 |
| Negotiable certificates of deposit | 253,816 | 253,816 | — |
| Payables under repurchase agreements | 1,144,440 | 1,144,440 | — |
| Borrowed money | 4,219,592 | 4,219,601 | 9 |
| Total | \$60,468,115 | \$60,468,765 | \$ 650 |
| Derivatives to which hedge accounting is not applied | \$ (32,445) | \$ (32,445) | — |
| Derivatives to which hedge accounting is applied * | 3,333 | 3,333 | — |

* Interest rate swap designated as a hedging instrument to offset the fluctuation of securities, which are the hedged items, and deferred hedge accounting is applied. The hedging relationships are accounted for based on "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, September 29, 2020).

Assets

Cash and Due from Banks

The carrying amount of cash and due from banks with no maturities represents the fair value because the fair value approximates such carrying amount.

Trading Securities

For securities such as bonds that are held for trading, the fair value is determined based on the prices quoted by the exchange or the financial institutions from which these securities are purchased.

Money Held in Trust

For securities and bonds independently managed in monetary trust, the fair value of equity securities 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.

Also, trusts for cash segregated as deposits for customers of consolidated subsidiaries engaged in the financial instruments exchange business are based on the prices quoted by the financial institutions from which they are purchased.

Information on money held in trust by classification is included in Note 7, "Money Held in Trust."

Securities

The fair value of equity securities 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.

For privately placed guaranteed bonds held by the Bank, the fair value is based on the present value of expected future cash flows, which are adjusted to reflect default risk, amounts to be collected from collateral, guarantees and guarantee fees, and discounted at the market interest rate as of the date of evaluation.

Information on securities by classification is included in Note 6, "Trading Securities and Securities."

Loans and Bills Discounted

For loans with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term as long as the credit status of the borrower has not changed significantly. For loans with fixed interest rates, the fair value is calculated by bundling the type of loans and the internal credit rating using the expected future cash flows, which are discounted by the risk free rate and certain management costs. Certain consumer loans, such as home mortgages, fair value is calculated by discounting the total loan principal with the same rate as a similar loan. For consumer loans that mature within one year, the fair value approximates the carrying value due to their short-term maturities. In addition, as for loans to legally bankrupt borrowers, virtually bankrupt borrowers, and potentially bankrupt borrowers, the fair value is calculated by deducting the allowance, which is calculated based on the present value of the estimated future cash flow or the estimated collection of cash from collateral and guarantee, from the balance in the consolidated balance sheet date. Therefore, the book value approximates the fair value. Regarding loans that do not have repayment terms because the outstanding amount of the loan is limited to the value of collateral assets, the fair value approximates the carrying value because of the estimated repayment periods and conditions of interest.

Liabilities

Deposits and Negotiable Certificates of Deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits are grouped by maturity lengths and their fair value is calculated by discounting future cash flows with the same interest rate as that of accepted new deposits. For the deposits and negotiable certificates of deposits with the repayment period within one year, the fair value approximates the carrying value due to their short-term maturities.

Payables under Repurchase Agreements

The contract terms of payables under repurchase agreements are short (within one year). Therefore, the fair value approximates the carrying value due to their short-term maturities.

Borrowed Money

For borrowed money with variable interest rates, the fair value approximates the carrying value because it reflects the market interest rate in the short term and the credit status of the Bank and its consolidated subsidiaries has not changed significantly since inception.

For borrowed money with fixed interest rates, the fair value is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the credit risk of the Bank and its consolidated subsidiaries for each classification based on the type and duration of the borrowed money. Also, for borrowed money that mature within one year, the fair value approximates the carrying value due to its short-term maturities.

Derivatives

Information regarding the fair value for derivatives is included in Note 30.

(b) Financial instruments whose fair value cannot be reliably determined

| | Carrying amount | | |
|--|-----------------|---------|---------------------------|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2021 | 2020 | 2021 |
| Unlisted equity securities *1, *2 | ¥ 6,220 | ¥ 6,501 | \$ 56,183 |
| Investments in unconsolidated subsidiaries | 658 | 640 | 5,943 |
| Others | 17,742 | 19,582 | 160,257 |
| Total | ¥24,620 | ¥26,723 | \$222,383 |

*1 Since the fair values of unlisted stocks cannot be reliably determined, their fair values are not disclosed.

*2 Impairment loss of ¥2 million (\$18 thousand) is recorded for unlisted equity securities for the year ended March 31, 2021.

(5) Maturity Analysis for Financial Assets, Securities and Financial Liabilities with Contractual Maturities

| March 31, 2021 | Millions of Yen | | | |
|--|-----------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Cash and due from banks | ¥ 884,683 | — | — | — |
| Securities: | | | | |
| Held-to-maturity securities: | | | | |
| Debt securities— | | | | |
| Japanese corporate bonds | 9,663 | ¥ 38,811 | ¥ 9,397 | ¥ 208 |
| Available-for-sale securities with contractual maturities: | | | | |
| Debt securities: | | | | |
| Japanese government bonds | 25,000 | 17,400 | 150,000 | 65,000 |
| Japanese local government bonds | 9,509 | 91,811 | 376,290 | 678 |
| Japanese corporate bonds | 25,197 | 61,646 | 34,939 | 107,225 |
| Other | 14,383 | 79,534 | 160,458 | 109,293 |
| Loans and bills discounted * | 831,070 | 1,212,278 | 958,055 | 1,401,071 |
| Total | ¥1,799,505 | ¥1,501,480 | ¥1,689,139 | ¥1,683,475 |

| March 31, 2021 | Millions of Yen | | | |
|--------------------------------------|-----------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Deposits | ¥5,663,805 | ¥408,665 | ¥3 | — |
| Negotiable certificates of deposit | 28,100 | — | — | — |
| Payables under repurchase agreements | 126,701 | — | — | — |
| Borrowed money | 259,351 | 207,800 | — | — |
| Total | ¥6,077,957 | ¥616,465 | ¥3 | — |

| March 31, 2020 | Millions of Yen | | | |
|--|-----------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Cash and due from banks | ¥ 565,344 | — | — | — |
| Securities: | | | | |
| Held-to-maturity securities: | | | | |
| Debt securities— | | | | |
| Japanese corporate bonds | 9,205 | ¥ 35,674 | ¥ 7,916 | ¥ 274 |
| Available-for-sale securities with contractual maturities: | | | | |
| Debt securities: | | | | |
| Japanese government bonds | 49,800 | 45,400 | 55,000 | 30,000 |
| Japanese local government bonds | 25,502 | 39,254 | 268,051 | 950 |
| Japanese corporate bonds | 7,543 | 29,811 | 24,247 | 100,784 |
| Other | 10,904 | 78,047 | 155,295 | 122,375 |
| Loans and bills discounted * | 874,200 | 1,220,656 | 862,053 | 1,304,329 |
| Total | ¥1,542,498 | ¥1,448,842 | ¥1,372,562 | ¥1,558,712 |

| March 31, 2020 | Millions of Yen | | | |
|--------------------------------------|-----------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Deposits | ¥5,137,444 | ¥473,210 | ¥5 | — |
| Negotiable certificates of deposit | 38,050 | — | — | — |
| Payables under repurchase agreements | 140,754 | — | — | — |
| Borrowed money | 98,222 | 110,199 | — | — |
| Total | ¥5,414,470 | ¥583,409 | ¥5 | — |

| March 31, 2021 | Thousands of U.S. Dollars | | | |
|--|---------------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Cash and due from banks | \$ 7,990,994 | — | — | — |
| Securities: | | | | |
| Held-to-maturity securities: | | | | |
| Debt securities— | | | | |
| Japanese corporate bonds | 87,282 | \$ 350,565 | \$ 84,879 | \$ 1,878 |
| Available-for-sale securities with contractual maturities: | | | | |
| Debt securities: | | | | |
| Japanese government bonds | 225,815 | 157,167 | 1,354,891 | 587,120 |
| Japanese local government bonds | 85,891 | 829,293 | 3,398,880 | 6,124 |
| Japanese corporate bonds | 227,595 | 556,824 | 315,590 | 968,521 |
| Other | 129,916 | 718,399 | 1,449,355 | 987,201 |
| Loans and bills discounted * | 7,506,730 | 10,950,032 | 8,653,735 | 12,655,325 |
| Total | \$16,254,223 | \$13,562,280 | \$15,257,330 | \$15,206,169 |

| March 31, 2021 | Thousands of U.S. Dollars | | | |
|--------------------------------------|---------------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| Deposits | \$51,158,929 | \$3,691,311 | \$27 | — |
| Negotiable certificates of deposit | 253,816 | — | — | — |
| Payables under repurchase agreements | 1,144,440 | — | — | — |
| Borrowed money | 2,342,616 | 1,876,976 | — | — |
| Total | \$54,899,801 | \$5,568,287 | \$27 | — |

* Loans and bills discounted whose cash flows cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans amounting to ¥66,355 million (\$599,358 thousand) and ¥60,566 million as of March 31, 2021 and 2020, respectively, and loans and bills discounted with no contractual maturities, amounting to ¥12,321 million (\$111,290 thousand) and ¥23,770 million as of March 31, 2021 and 2020, respectively, are not included.

Please see Note 15 for annual maturities of borrowed money.

29. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount, as long as there is no violation of any condition in the contracts.

The total amounts of unused open commitments as of March 31, 2021 and 2020, were ¥1,392,877 million (\$12,581,312 thousand) and ¥1,359,616 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2021 and 2020, were ¥559,449 million (\$5,053,283 thousand) and ¥577,274 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2021 and 2020, were ¥1,358,212 million (\$12,268,196 thousand) and ¥1,327,570 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries can request the customers to pledge collateral such as premises and securities at the execution of the contracts. After execution, the Bank and certain subsidiaries periodically evaluate the customers' financial position based upon the Bank's internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

30. DERIVATIVE INFORMATION

The Bank enters into swaps related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, over-the-counter bond options and stock index options contracts related to securities.

Derivative Transactions to Which Hedge Accounting Is Not Applied as of March 31, 2021 and 2020

| March 31, 2021 | Millions of Yen | | | |
|---|-----------------|------------------------------------|------------|---------------------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gains (Losses) |
| Over-the-counter: | | | | |
| Interest-related contracts: | | | | |
| Interest rate swap: | | | | |
| Fixed rate receipt, variable rate payment | ¥ 9,046 | ¥ 9,046 | ¥ 337 | ¥ 337 |
| Variable rate receipt, fixed rate payment | 9,046 | 9,046 | (5) | (5) |
| Over-the-counter: | | | | |
| Currency-related contracts: | | | | |
| Currency swap | 230,352 | 199,148 | (553) | 204 |
| Foreign exchange forward: | | | | |
| Sell | 83,183 | 22 | (3,638) | (3,638) |
| Buy | 5,801 | — | 250 | 250 |
| Currency option: | | | | |
| Sell | 111,114 | 75,709 | (4,816) | 2,340 |
| Buy | 110,951 | 76,681 | 4,833 | (1,244) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |

| March 31, 2020 | Millions of Yen | | | |
|---|-----------------|------------------------------------|------------|---------------------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gains (Losses) |
| Over-the-counter: | | | | |
| Interest-related contracts: | | | | |
| Interest rate swap: | | | | |
| Fixed rate receipt, variable rate payment | ¥ 3,687 | ¥ 3,687 | ¥ 182 | ¥ 182 |
| Variable rate receipt, fixed rate payment | 3,687 | 3,687 | (62) | (62) |
| Over-the-counter: | | | | |
| Currency-related contracts: | | | | |
| Currency swap | 209,188 | 158,773 | 675 | 1,181 |
| Foreign exchange forward: | | | | |
| Sell | 27,732 | 109 | (362) | (362) |
| Buy | 12,426 | — | 176 | 176 |
| Currency option: | | | | |
| Sell | 121,539 | 84,206 | (5,208) | 2,458 |
| Buy | 121,986 | 84,812 | 5,219 | (1,223) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |

| March 31, 2021 | Thousands of U.S. Dollars | | | |
|---|---------------------------|------------------------------------|------------|---------------------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gains (Losses) |
| Over-the-counter: | | | | |
| Interest-related contracts: | | | | |
| Interest rate swap: | | | | |
| Fixed rate receipt, variable rate payment | \$ 81,709 | \$ 81,709 | \$ 3,044 | \$ 3,044 |
| Variable rate receipt, fixed rate payment | 81,709 | 81,709 | (45) | (45) |
| Over-the-counter: | | | | |
| Currency-related contracts: | | | | |
| Currency swap | 2,080,679 | 1,798,826 | (4,995) | 1,843 |
| Foreign exchange forward: | | | | |
| Sell | 751,359 | 199 | (32,861) | (32,861) |
| Buy | 52,398 | — | 2,258 | 2,258 |
| Currency option: | | | | |
| Sell | 1,003,649 | 683,850 | (43,501) | 21,136 |
| Buy | 1,002,177 | 692,629 | 43,655 | (11,237) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |

Notes:

- Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.
- Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Futures Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.
- There were no transactions applicable for stock-related contracts, bond-related contracts, commodities or credit derivatives for the years ended March 31, 2021 and 2020.

Derivative Transactions to Which Hedge Accounting Is Applied as of March 31, 2021 and 2020

| 2021 | Hedged Item | Millions of Yen | | |
|---------------------------|-------------|-----------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Principal method— | | | | |
| Interest rate swap— | Securities | | | |
| receive float / pay fixed | | ¥15,000 | ¥15,000 | ¥369 |

| 2020 | Hedged Item | Millions of Yen | | |
|---------------------------|-------------|-----------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Principal method— | | | | |
| Interest rate swap— | Securities | | | |
| receive float / pay fixed | | ¥15,000 | ¥15,000 | ¥(249) |

| 2021 | Hedged Item | Thousands of U.S. Dollars | | |
|---------------------------|-------------|---------------------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Principal method— | | | | |
| Interest rate swap— | Securities | | | |
| receive float / pay fixed | | \$135,489 | \$135,489 | \$3,333 |

Notes:

- Deferred hedge accounting is applied principally in accordance with “Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry-specific Committees Practical Guideline No. 24) issued by the Japanese Institute of Certified Public Accountants.
- Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo and Osaka International Financial Futures Exchange. Market values of over-the-counter contracts are based on valuation techniques such as the discounted cash flow method and the option pricing calculation models.

31. COMPREHENSIVE INCOME

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|-----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Unrealized gain (loss) on available-for-sale securities: | | | |
| Gains arising during the year | ¥34,143 | ¥(17,795) | \$308,400 |
| Reclassification adjustments to profit or loss | (6,664) | (1,668) | (60,193) |
| Amount before income tax effect | 27,479 | (19,463) | 248,207 |
| Income tax effect | (8,124) | 5,599 | (73,381) |
| Total | 19,355 | (13,864) | 174,826 |
| Deferred gain (loss) on hedges: | | | |
| Adjustments arising during the year | 618 | (249) | 5,582 |
| Reclassification adjustments to profit or loss | — | — | — |
| Amount before income tax effect | 618 | (249) | 5,582 |
| Income tax effect | (185) | 75 | (1,671) |
| Total | 433 | (174) | 3,911 |
| Defined retirement benefit plans: | | | |
| Adjustments arising during the year | 8,226 | (2,028) | 74,303 |
| Reclassification adjustments to profit or loss | 321 | (207) | 2,899 |
| Amount before income tax effect | 8,547 | (2,235) | 77,202 |
| Income tax effect | (2,557) | 669 | (23,097) |
| Total | 5,990 | (1,566) | 54,105 |
| Total other comprehensive income (loss) | ¥25,778 | ¥(15,604) | \$232,842 |

32. PER SHARE INFORMATION

a. 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:

| Year Ended March 31, 2021 | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|---|-------------------------|---------|--------------|
| | Net Income Attributable to Owners of Parent | Weighted-Average Shares | EPS | EPS |
| Net income attributable to owners of parent | ¥14,723 | | | |
| Amount not attributable to common shareholders | — | | | |
| Basic EPS—Net income available to common shareholders | 14,723 | 37,373 | ¥393.94 | \$3.56 |
| Effect of dilutive securities— | | | | |
| Stock acquisition rights | | 65 | | |
| | | 65 | | |
| Diluted EPS—Net income for computation | ¥14,723 | 37,438 | ¥393.26 | \$3.55 |

| | Millions of Yen | | Thousands of Yen |
|--|---|-------------------------|------------------|
| | Net Income Attributable to Owners of Parent | Weighted-Average Shares | EPS |
| Year Ended March 31, 2020 | | | |
| Net income attributable to owners of parent | ¥12,862 | | |
| Amount not attributable to common shareholders | — | | |
| Basic EPS—Net income available to common shareholders | 12,862 | 37,366 | ¥344.22 |
| Effect of dilutive securities—Stock acquisition rights | | 56 | |
| | | 56 | |
| Diluted EPS—Net income for computation | ¥12,862 | 37,422 | ¥343.71 |

b. Net Assets per Share

Net assets per share as of March 31, 2021 and 2020, were ¥10,424.06 (\$94.16) and ¥9,368.09, respectively.

Net assets per share of common stock as of March 31, 2021 and 2020, were calculated based on the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Total net assets | ¥403,010 | ¥366,404 | \$3,640,231 |
| Deductions from total net assets: | | | |
| Stock acquisition rights | 169 | 161 | 1,527 |
| Noncontrolling interests | 13,263 | 16,172 | 119,799 |
| Net assets attributable to common stock at the end of the fiscal year | ¥389,578 | ¥350,071 | \$3,518,905 |
| Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares in thousands) | 37,373 | 37,368 | |

33. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On June 18, 2021, the Bank's shareholders authorized an appropriation of retained earnings as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Year-end cash dividends—¥55.00 (\$0.50) per share on common stock | ¥2,056 | \$18,571 |

Transition to a Holding Company Structure through a Sole Share Transfer

During the Board of Directors meeting held on May 13, 2021, the Bank resolved to establish a holding company (wholly-owning parent company), Juroku Financial Group, Inc. (the "Holding Company"), by way of a sole share transfer by the Bank (the "Share Transfer") and transition to a holding company structure with an (scheduled) effective date of October 1, 2021, on the condition that the relevant proposals are approved at the Bank's Annual General Meeting of Shareholders and the required approval, etc. from the relevant authorities is obtained.

1. Purpose of the Share Transfer

As a financial institution with its operations in Gifu and Aichi prefectures, the Bank's aim has been to become a comprehensive financial group that builds a future with its local communities and achieves sustainable growth by creating common value through engagement in dialogue with local communities for the purpose of contributing to stimulating the economy. Recently, the Group has been seeking to enhance its group management system in order to respond to rapidly advancing digital transformation and the needs and challenges of our customers and local communities, in addition to SDGs and regional revitalization efforts.

Concurrently, there have been major changes in the business environment surrounding regional financial institutions, such as the

ongoing low-interest policy, intensifying competition across industries and business categories, a shrinking and aging population, and increasing uncertainty about the future market scale due to structural changes in the industry. In order to contribute to the realization of a sustainable society, regional financial institutions must transform their business models and adapt to deregulation.

For these reasons, the Group has decided to transition to a holding company structure in order to expand our business domain such as by establishing new businesses, strengthen collaboration and optimize the allocation of resources within the Group by reforming the thinking and behavior of our officers and employees, enhance auditing and supervisory functions, and accelerate business execution.

Under the Holding Company structure, with the mission of "achieving growth and prosperity for our customers and the local community" as part of our Group management philosophy, the Group will work to enhance corporate value by creating a business structure that can respond flexibly to changes in the business environment in order to support our customers' businesses, in which the Group's management resources are concentrated, and fulfil our obligations toward sustainable regional growth.

In addition, the Holding Company will be a company with an audit and supervisory committee, consisting of three or more directors, the majority of whom are outside directors, further enhancing its corporate governance by strengthening not only the decision-making function, but also the auditing and supervisory function of the board of directors.

Because the Bank will become a wholly owned subsidiary company of the Holding Company through the Share Transfer, the shares of the Bank will be delisted. However, the Group intends to apply to list the shares of the Holding Company—which will be delivered to all shareholders of the Bank as consideration for the shares of the Bank—on the First Section of the Tokyo Stock Exchange, Inc. (the "TSE") and the First Section of the Nagoya Stock Exchange, Inc. (the "NSE"). The date of listing depends on the reviews by the TSE and NSE, but is scheduled for October 1, 2021, which is the date of registration of the establishment of the Holding Company and the effective date of the Share Transfer. This policy means that the stock will effectively remain listed.

2. Summary of the Share Transfer

(1) Schedule of the Share Transfer

| | |
|---|---|
| Record date of Annual General Meeting of Shareholders | Wednesday, March 31, 2021 |
| Board of Directors to approve the share transfer plan | Thursday, May 13, 2021 |
| Annual General Meeting of Shareholders to approve the share transfer plan | Friday, June 18, 2021 |
| Delisting date of the Bank's shares | Wednesday, September 29, 2021 (subject to change) |
| Date of registration of establishment of the Holding Company (effective date) | Friday, October 1, 2021 (subject to change) |
| Listing date of the Holding Company's shares | Friday, October 1, 2021 (subject to change) |

However, the above schedule may change due to procedural reasons associated with the Share Transfer or other reasons.

(2) Method of the Share Transfer

This is a sole share transfer in which the Bank will be a wholly-owned subsidiary and the Holding Company will be the wholly-owning parent company through the share transfer.

(3) Details of allotment related to the Share Transfer (share transfer ratio)

| Company Name | Juroku Financial Group, Inc. (Wholly-owning parent company established by the share transfer) | The Juroku Bank, Ltd. (Wholly-owned subsidiary after the share transfer) |
|----------------------|---|--|
| Share transfer ratio | 1 | 1 |

1) Share transfer ratio

All shareholders of the Bank immediately before the timing of the acquisition by the Holding Company of all issued shares of the Bank under the Share Transfer will receive an allotment of one share of the common stock of the Holding Company to be established per share of common stock of the Bank that they hold.

2) Share unit number

The Holding Company will adopt a share unit system, and the number of shares constituting a unit will be 100 shares.

3) Basis for calculation of the share transfer ratio

The Share Transfer is a sole share transfer to establish a single parent company of the Bank, and there is no change in the shareholding structure of the Bank or the Holding Company at the time of the Share Transfer; therefore, with the principal concern that no disadvantage be incurred by the shareholders of the Bank, each shareholder will receive an allotment of one share of the common stock of the Holding Company per share of the common stock of the Bank that they hold.

4) Results of calculations by third-party organizations, calculation methods, and basis for calculation

As stated in 3) above, the Share Transfer is a sole share transfer by the Bank, and therefore no calculation of the share transfer ratio has been conducted by a third-party organization.

5) Number of new shares to be delivered through the Share Transfer (subject to change)

37,924,134 shares of common stock (subject to change)

However, if there is a change in the total number of issued shares of the Bank prior to the Share Transfer taking effect, there will also be a change in the above number of new shares to be delivered by the Holding Company. For each treasury share held by the Bank as of the effective date of the Share Transfer, the same number of shares of the common stock of the Holding Company will be allotted. As a result, the Bank will temporarily hold shares of common stock of the Holding Company, which it will dispose of promptly in accordance with laws and regulations.

(4) Matters related to stock acquisition rights and bonds with stock acquisition rights due to the Share Transfer
Regarding stock acquisition rights issued by the Bank, the Holding Company stock acquisition rights with the same details and number as the Bank's stock acquisition rights will be allotted to the holders of the Bank's stock acquisition rights in lieu of the Bank's stock acquisition rights. The Bank does not issue bonds with stock acquisition rights.

(5) Treatment of the new listing of the Holding Company

The Bank intends to apply for a new listing (technical listing) of the shares of the newly established Holding Company on the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange, with a planned listing date of October 1, 2021. In addition, because the Bank will become a wholly-owned subsidiary of the Holding Company through the Share Transfer, the shares of the Bank will be delisted on September 29, 2021 from the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange, ahead of the listing of the Holding Company.

The delisting date is subject to change as it is determined in accordance with the rules of the Tokyo Stock Exchange.

3. Overview of the Holding Company (wholly-owning parent company established by the share transfer) to be established through the Share Transfer (subject to change)

| | |
|---|---|
| (1) Name | Juroku Financial Group, Inc. |
| (2) Address | 8-26 Kandamachi, Gifu City |
| (3) Scheduled appointment of representatives and officers | Yukio Murase Chairman (representative director) (currently Chairman and CEO, The Juroku Bank, Ltd.) Naoki Ikeda President (representative director) (currently deputy president, The Juroku Bank, Ltd.) Akihide Ishiguro Deputy president (currently director and managing executive officer, The Juroku Bank, Ltd.) Yukiyasu Shiraki Director (currently director and managing executive officer, The Juroku Bank, Ltd.) Makoto Mishima Director (currently director and managing executive officer, The Juroku Bank, Ltd.) |

| | |
|--------------------------|--|
| | Hiroyuki Ota Director (currently president, Juroku TT Securities Co., Ltd.) Kikuo Asano Director (currently outside director, The Juroku Bank, Ltd.) Satoko Ito Director (currently outside director, The Juroku Bank, Ltd.) Naohiko Ishikawa Director (Audit & Supervisory Committee Member) (currently auditor, The Juroku Bank, Ltd.) Shinji Ishihara Director (Audit & Supervisory Committee Member) (currently outside auditor, The Juroku Bank, Ltd.) Rie Tsuge Director (Audit & Supervisory Committee Member) Note: Of the directors, Mr. Kikuo Asano, Ms. Satoko Ito, and of the directors (Audit & Supervisory Committee Members), Mr. Shinji Ishihara and Ms. Rie Tsuge, are outside directors as stipulated in Article 2, Item 15 of the Companies Act. |
| (4) Business description | 1) Business management of a bank and companies able to be subsidiaries under the Banking Act 2) All operations that are incidental or related to the operations set forth in the preceding subparagraph 3) In addition to the operations listed in the two preceding subparagraphs, operations that can be carried out by a bank holding company under the Banking Act |
| (5) Capital | ¥36,000 million (\$325,174 thousand) |
| (6) Fiscal year-end | March 31 |

4. Overview of accounting treatment applied to the Share Transfer
As the share transfer corresponds to "transactions under common control" for corporate accounting purposes, there will be no impact on profit or loss.

Establishment of a Subsidiary

During the Board of Directors meeting held on December 18, 2020, the Bank resolved to establish a wholly-owned subsidiary specializing in investment, and established the company on April 1, 2021.

1. Purpose of establishment

In view of the transition to a group management structure centered on the Holding Company, the Group established a subsidiary specializing in investment with the aim of contributing to the revitalization of the local economy by responding to deregulation and expanding business domains, such as providing new services to customers, actively supporting and nurturing venture companies, and supporting companies engaged in business succession and business revitalization.

In addition, through its subsidiary specializing in investment, the Group will consider making a foray into businesses related to regional revitalization and businesses that meet the needs of the times, such as those related to IT and FinTech, and will strive more than ever to support customers' businesses and achieve sustainable regional growth.

2. Overview of subsidiary

| | |
|---|--|
| (1) Name | NOBUNAGA Capital Village Co., Ltd. |
| (2) Address | Kyowa No.2 Building, 6-11-1 Kandamachi, Gifu City |
| (3) Business description | Administration and management of limited investment partnerships (funds), and all operations that are incidental or related to the aforementioned operations |
| (4) Established | April 1, 2021 |
| (5) Capital | ¥50 million (\$452 thousand) |
| (6) Major shareholders and shareholding ratio | Wholly owned by The Juroku Bank, Ltd. |

34. 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.

a. Description of Reportable Segments

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

The Group consists of the Bank and seven (seven in 2020) consolidated subsidiaries. The Group provides banking services-based comprehensive financial services and leasing business. The Group operates its business by units which consists of some branches located in a certain range. However, the Group discloses these units as a segment of the banking business because their economic nature is similar to each other. Therefore, the Group consists of two reportable segments: banking business and lease business.

The banking business is operated by the Bank and provides various services such as deposit-taking and lending services, trading securities, securities investment, domestic exchange, foreign exchange, managing bonds, a derivatives business and other related businesses at headquarters and branches of the Bank.

The lease business is operated by Juroku Lease Co., Ltd. It provides leasing business to meet local customers' needs.

b. Methods of Measurement for the Amounts of Income, Profit, Assets 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."

c. Information about Income, Profit, Assets, Liabilities and Other Items

| 2021 | Millions of Yen | | | | | | |
|--|--------------------|---------|-----------|---------|-----------|-----------------|--------------|
| | Reportable Segment | | | Other | Total | Reconciliations | Consolidated |
| Banking | Lease | Total | | | | | |
| Ordinary income: | | | | | | | |
| (1) Outside customers | ¥ 77,893 | ¥25,483 | ¥ 103,376 | ¥ 7,971 | ¥ 111,347 | — | ¥ 111,347 |
| (2) Intersegment transactions | 1,171 | 377 | 1,548 | 1,311 | 2,859 | ¥ (2,859) | — |
| Total | ¥ 79,064 | ¥25,860 | ¥ 104,924 | ¥ 9,282 | ¥ 114,206 | ¥ (2,859) | ¥ 111,347 |
| Segment profit | ¥ 22,506 | ¥ 481 | ¥ 22,987 | ¥ 2,111 | ¥ 25,098 | ¥ (490) | ¥ 24,608 |
| Segment assets | 7,182,220 | 83,101 | 7,265,321 | 60,093 | 7,325,414 | (87,039) | 7,238,375 |
| Other: | | | | | | | |
| Depreciation | 2,700 | 556 | 3,256 | 185 | 3,441 | 136 | 3,577 |
| Amortization of goodwill | 245 | — | 245 | 207 | 452 | — | 452 |
| Interest income | 51,288 | 161 | 51,449 | 255 | 51,704 | (629) | 51,075 |
| Interest expense | 466 | 197 | 663 | 8 | 671 | (135) | 536 |
| Allowance for loan losses | 3,890 | 53 | 3,943 | 62 | 4,005 | — | 4,005 |
| Increase in premises and equipment and intangible assets | 1,542 | 256 | 1,798 | 25 | 1,823 | 159 | 1,982 |

| 2020 | Millions of Yen | | | | | | |
|--|--------------------|---------|-----------|---------|-----------|-----------------|--------------|
| | Reportable Segment | | | Other | Total | Reconciliations | Consolidated |
| Banking | Lease | Total | | | | | |
| Ordinary income: | | | | | | | |
| (1) Outside customers | ¥ 75,843 | ¥24,460 | ¥ 100,303 | ¥ 6,557 | ¥ 106,860 | — | ¥ 106,860 |
| (2) Intersegment transactions | 813 | 675 | 1,488 | 1,231 | 2,719 | ¥ (2,719) | — |
| Total | ¥ 76,656 | ¥25,135 | ¥ 101,791 | ¥ 7,788 | ¥ 109,579 | ¥ (2,719) | ¥ 106,860 |
| Segment profit | ¥ 18,524 | ¥ 986 | ¥ 19,510 | ¥ 573 | ¥ 20,083 | ¥ (586) | ¥ 19,497 |
| Segment assets | 6,418,957 | 84,448 | 6,503,405 | 54,058 | 6,557,463 | (85,009) | 6,472,454 |
| Other: | | | | | | | |
| Depreciation | 3,066 | 549 | 3,615 | 177 | 3,792 | 131 | 3,923 |
| Amortization of goodwill | 245 | — | 245 | 155 | 400 | — | 400 |
| Interest income | 54,820 | 179 | 54,999 | 189 | 55,188 | (426) | 54,762 |
| Interest expense | 2,853 | 201 | 3,054 | 15 | 3,069 | (137) | 2,932 |
| Allowance for loan losses | 3,140 | (21) | 3,119 | 564 | 3,683 | — | 3,683 |
| Increase in premises and equipment and intangible assets | 1,326 | 516 | 1,842 | 52 | 1,894 | 195 | 2,089 |

| 2021 | Thousands of U.S. Dollars | | | | | | |
|--|---------------------------|-----------|------------|-----------|--------------|-----------------|--------------|
| | Reportable Segment | | | Other | Total | Reconciliations | Consolidated |
| Banking | Lease | Total | | | | | |
| Ordinary income: | | | | | | | |
| (1) Outside customers | \$ 703,577 | \$230,178 | \$ 933,755 | \$ 71,999 | \$ 1,005,754 | — | \$ 1,005,754 |
| (2) Intersegment transactions | 10,577 | 3,405 | 13,982 | 11,842 | 25,824 | ¥ (25,824) | — |
| Total | \$ 714,154 | \$233,583 | \$ 947,737 | \$ 83,841 | \$ 1,031,578 | ¥ (25,824) | \$ 1,005,754 |
| Segment profit | \$ 203,288 | \$ 4,345 | \$ 207,633 | \$ 19,067 | \$ 226,700 | ¥ (4,426) | \$ 222,274 |
| Segment assets | 64,874,176 | 750,619 | 65,624,795 | 542,796 | 66,167,591 | (786,189) | 65,381,402 |
| Other: | | | | | | | |
| Depreciation | 24,388 | 5,022 | 29,410 | 1,671 | 31,081 | 1,229 | 32,310 |
| Amortization of goodwill | 2,213 | — | 2,213 | 1,870 | 4,083 | — | 4,083 |
| Interest income | 463,264 | 1,455 | 464,719 | 2,303 | 467,022 | (5,682) | 461,340 |
| Interest expense | 4,209 | 1,780 | 5,989 | 72 | 6,061 | (1,220) | 4,841 |
| Allowance for loan losses | 35,137 | 479 | 35,616 | 560 | 36,176 | — | 36,176 |
| Increase in premises and equipment and intangible assets | 13,928 | 2,312 | 16,240 | 226 | 16,466 | 1,437 | 17,903 |

Notes:

- Ordinary income represents total income less certain extraordinary income included in "Other income" in the accompanying consolidated statement of income.
- "Other" includes business segments of financial instruments business, credit cards, computer services and credit guarantees.
- Reconciliations mainly represent elimination of intra-segment transactions.
- Segment profit is adjusted to reconcile to income before income taxes less certain extraordinary items in the accompanying consolidated statement of income.

d. Associated Information

(1) Information about services

| 2021 | Millions of Yen | | | | |
|-------------------|-----------------|---------------------|---------|---------|----------|
| | Lending Service | Securities Services | Leasing | Other | Total |
| Ordinary income— | | | | | |
| Outside customers | ¥40,558 | ¥21,685 | ¥25,388 | ¥23,716 | ¥111,347 |

| 2020 | Millions of Yen | | | | |
|-------------------|-----------------|---------------------|---------|---------|----------|
| | Lending Service | Securities Services | Leasing | Other | Total |
| Ordinary income— | | | | | |
| Outside customers | ¥40,780 | ¥19,842 | ¥24,300 | ¥21,938 | ¥106,860 |

| 2021 | Thousands of U.S. Dollars | | | | |
|-------------------|---------------------------|---------------------|-----------|-----------|-------------|
| | Lending Service | Securities Services | Leasing | Other | Total |
| Ordinary income— | | | | | |
| Outside customers | \$366,345 | \$195,872 | \$229,320 | \$214,217 | \$1,005,754 |

(2) Geographical information

(a) Operating Revenues

This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

(b) Property and Equipment

This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(3) Information by major customer

This information is not presented because there are no customers for which income account for more than 10% of revenues in the consolidated statement of income.

(4) Information about impairment loss by reportable segment

| 2021 | Millions of Yen | | | | |
|--------------------------------------|-----------------|-------|-------|-----------------------|--------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Impairment loss on long-lived assets | ¥2,005 | — | — | — | ¥2,005 |

| 2020 | Millions of Yen | | | | |
|--------------------------------------|-----------------|-------|-------|-----------------------|-------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Impairment loss on long-lived assets | ¥133 | — | — | — | ¥133 |

| 2021 | Thousands of U.S. Dollars | | | | |
|--------------------------------------|---------------------------|-------|-------|-----------------------|----------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Impairment loss on long-lived assets | \$18,110 | — | — | — | \$18,110 |

(5) Information about goodwill and negative goodwill by reportable segment

| 2021 | Millions of Yen | | | | |
|----------------------------|-----------------|-------|-------|-----------------------|-------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Amortization of goodwill | ¥ 245 | — | ¥ 207 | — | ¥ 452 |
| Goodwill at March 31, 2021 | 2,385 | — | 1,713 | — | 4,098 |
| Gain on negative goodwill | — | — | — | — | — |

| 2020 | Millions of Yen | | | | |
|----------------------------|-----------------|-------|-------|-----------------------|-------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Amortization of goodwill | ¥ 245 | — | ¥ 155 | — | ¥ 400 |
| Goodwill at March 31, 2020 | 2,630 | — | 1,920 | — | 4,550 |
| Gain on negative goodwill | — | — | — | — | — |

| 2021 | Thousands of U.S. Dollars | | | | |
|----------------------------|---------------------------|-------|----------|-----------------------|----------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Amortization of goodwill | \$ 2,213 | — | \$ 1,870 | — | \$ 4,083 |
| Goodwill at March 31, 2021 | 21,543 | — | 15,473 | — | 37,016 |
| Gain on negative goodwill | — | — | — | — | — |

Note: "Other" represents goodwill related to the financial instruments business.



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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.

Member of
Deloitte Touche Tohmatsu Limited

| 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. |

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| <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)

Corporate Data

(as of March 31, 2021)

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| Date of Establishment: | 10 Principal Shareholders: |
| October 1877 | The Master Trust Bank of Japan (Trust) |
| Authorized Shares: | Custody Bank of Japan, Ltd. (Trust) |
| 46,000 thousand shares | Juroku Bank Employee Stockholding Association |
| Shares of Common Stock Issued and Outstanding: | MUFG Bank, Ltd. |
| 37,924 thousand shares | Fuji Baking Group |
| Stock Listed: | Meiji Yasuda Life Insurance Company |
| First Sections of the Tokyo and Nagoya Stock Exchanges | Sompo Japan Insurance Inc. |
| Paid-in Capital: | Tokio Marine & Nichido Fire Insurance Co., Ltd. |
| ¥36,839 million | Seino Holdings Co., Ltd. |
| Number of Common Stock Shareholders: | The Bank of Nagoya, Ltd. |
| 20,532 | |
| Number of Employees: | |
| 2,702 | |

Affiliates

(as of June 30, 2021)

| Name | Business Lines | Established | Capital (¥ Millions) | Equity Stake* | Equity Stake of subsidiaries* |
|---|--|-------------|-------------------------|------------------|-------------------------------------|
| Juroku Business Service Co., Ltd. | Clerical work service | Jan. 1979 | 10 | 100.0 | — |
| Juroku Research Institute Co., Ltd. | Business consulting service Survey and research service | June 2013 | 50 | 100.0 | — |
| Juroku Tokai Tokyo Securities Co., Ltd. | Financial instruments service | Apr. 2018 | 3000 | 60.0 | — |
| Juroku Card Co., Ltd. | Credit card flotation service | Aug. 1982 | 55 | 49.7 | 43.9 |
| Juroku Lease Co., Ltd. | Leasing service Venture capital service | Mar. 1975 | 102 | 49.8 | 30.3 |
| Juroku Computer Service Co., Ltd. | Computer system development service | Aug. 1985 | 245 | 43.0 | 56.9 |
| Juroku Credit Guarantee Co., Ltd. | Credit guaranty service | May 1979 | 58 | 49.8 | 16.3 |
| NOBUNAGA Capital Village Co., Ltd. | Operation and management of Investment business Limited partnership (fund) | Apr. 2021 | 50 | 100.0 | — |

*Voting rights held by the Bank, or subsidiaries excluding the Bank, as a percentage of total voting rights.

Directory

(as of June 30, 2021)

| | | |
|--|--|---|
| Head Office | Branches Handling Foreign Exchange Business | Ichinomiya Branch |
| 8-26, Kandamachi, Gifu-shi, Gifu 500-8516, Japan Telephone: +81-58-265-2111 | (10 Offices) | 1-2-5, Sakae, Ichinomiya-shi, Aichi Telephone: +81-586-73-5116 |
| Solutions Business Division International Office | Head Office | Nagoya-ekimae Branch |
| 8-26, Kandamachi, Gifu-shi, Gifu 500-8516, Japan P.O. Box 40 Telephone: +81-58-265-2111 Facsimile: +81-58-266-1698 SWIFT Address: JUROJJP T | 8-26, Kandamachi, Gifu-shi, Gifu Telephone: +81-58-265-2111 | 3-28-12, Meieki, Nakamura-ku, Nagoya-shi, Aichi Telephone: +81-52-561-5431 |
| Head of Office Takayuki Nishikawa | Ogaki Branch | Nagoya Main Office |
| Overseas Network | 1-26, Takayacho, Ogaki-shi, Gifu Telephone: +81-584-78-2161 | 3-1-1, Nishiki, Naka-ku, Nagoya-shi, Aichi Telephone: +81-52-961-8111 |
| Shanghai Representative Office | Tajimi Branch | Sakurayama Branch |
| 18th Floor, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, People's Republic of China Telephone: +86-21-6841-1600 Facsimile: +86-21-6841-1881 | 1-24, Sakaemachi, Tajimi-shi, Gifu Telephone: +81-572-22-1301 | 5-91, Sakurayamacho, Showa-ku, Nagoya-shi, Aichi Telephone: +81-52-851-9216 |
| Chief Representative Noriaki Murase | Takayama Branch | Osaka Branch |
| Representative Office Registered in Singapore | 136, Simo Sannomachi, Takayama-shi, Gifu Telephone: +81-577-32-1600 | 2-3-8, Honmachi, Chuo-ku, Osaka-shi, Osaka Telephone: +81-6-6264-1600 |
| 50 Raffles Place #38-06 Singapore Land Tower, Singapore 048623 Telephone: +65-6222-6616 Facsimile: +65-6532-6616 | Chief Representative Kunihiro Tomita | Tokyo Branch |
| Chief Representative Kunihiro Tomita | Bangkok Representative Office | 4-1-10, Nihombashi Honcho, Chuo-ku, Tokyo Telephone: +81-3-3242-1661 |
| Chief Representative Yukiyasu Horie | Unit 6 25 th Floor CRC Tower, All Seasons Place, 87/2 Wireless Road, Lumpini, Phat- tumwan, Bangkok, Thailand 10110 Telephone: +66-2655-8016 Facsimile: +66-2685-3016 | |
| Chief Representative Hiroyuki Kawase | Chief Representative Hiroyuki Kawase | |



