

The cover features a white central area with a large, bold red '2022' in the middle. Above it is the text 'JUROKU Financial Group' in black. Below it is 'ANNUAL REPORT' in black. The background is composed of large, overlapping geometric shapes in shades of red, orange, and yellow.

JUROKU Financial Group

2022

ANNUAL REPORT

Overview of Juroku Financial Group

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.

Group Structure

After our transition to a holding company structure, as a general rule, each group company except joint ventures was made a wholly owned subsidiary of Juroku Financial Group or The Juroku Bank, and a group management system was established for the purpose of strengthening consolidated profitability and group governance.

(as of June 30, 2022)

| Juroku Financial Group | Investment Ratio (Financial Group / Bank) | Business Lines |
|---|--|---|
| The Juroku Bank | 100% | Banking service |
| Juroku Business Service Co., Ltd. | 100% | Clerical work service |
| Juroku Credit Guarantee Co., Ltd. | 100% | Credit guaranty service |
| Juroku Research Institute Co., Ltd. | 100% | Business consulting service, Survey and research service |
| Juroku Tokai Tokyo Securities Co., Ltd. | 60% | Financial instruments service |
| Juroku Card Co., Ltd. | 100% | Credit card flotation service |
| Juroku Lease Co., Ltd. | 100% | Leasing service |
| Juroku Densan Digital Service Co., Ltd. | 60% | Payments and digital solutions service |
| NOBUNAGA Capital Village Co., Ltd. | 100% | Operation and management of Investment business Limited partnership |
| Kanda Machi Okoshi Co., Ltd. | 99% | Consulting services related to local revitalization |

External ratings

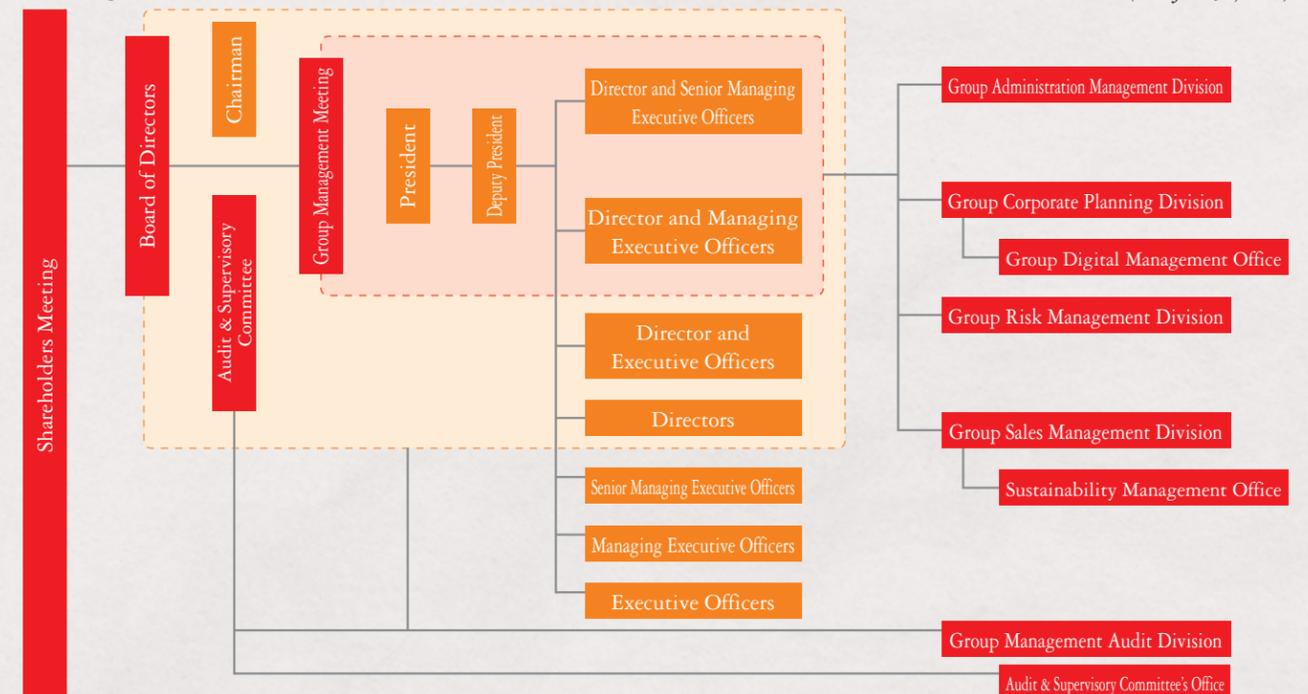
Both Juroku Financial Group and The Juroku Bank have obtained long-term issuer rating "A +" from the Japan Credit Rating Agency, Ltd. (JCR).

| Rated companies | Juroku Financial Group | About The Juroku Bank |
|-------------------------|------------------------|-----------------------|
| Long-term issuer rating | A+ (New) | A→A+ (Upgrade) |
| Rating outlook | Stable | Stable |
| Rating date | October 1, 2021 | |

Corporate Data

Organizational Structure

(as of June 30, 2022)



Group companies

(as of June 30, 2022)

| Name | Address | Business Lines |
|---|---|---|
| The Juroku Bank, Ltd. | 8-26 Kandamachi, Gifu-shi +81-58-265-2111 | Banking service |
| Juroku Research Institute Co., Ltd. | 7-12 Kandamachi, Gifu-shi +81-58-266-1916 | Business consulting service, Survey and research service |
| Juroku Tokai Tokyo Securities Co., Ltd. | 7-12 Kandamachi, Gifu-shi +81-58-266-4516 | Financial instruments service |
| Juroku Card Co., Ltd. | 7-12 Kandamachi, Gifu-shi +81-58-263-1116 | Credit card flotation service |
| Juroku Lease Co., Ltd. | 7-12 Kandamachi, Gifu-shi +81-58-262-3116 | Leasing service |
| Juroku Densan Digital Service Co., Ltd. | 7-12 Kandamachi, Gifu-shi +81-58-262-1116 | Payments and digital solutions service |
| NOBUNAGA Capital Village Co., Ltd. | 6-11 Kandamachi, Gifu-shi +81-58-264-5516 | Operation and management of Investment business Limited partnership |
| Kanda Machi Okoshi Co., Ltd. | 6-11 Kandamachi, Gifu-shi +81-58-262-1613 | Consulting services related to local revitalization |
| Juroku Business Service Co., Ltd. | 34 Nakatakeyacho, Gifu-shi +81-58-266-2682 | Clerical work service |
| Juroku Credit Guarantee Co., Ltd. | 7-12 Kandamachi, Gifu-shi +81-58-266-1616 | Credit guaranty service |

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Aiming to become a “Frontrunner” that helps our customers and local community

The Juroku Bank Ltd. was established in October 1877. Since its establishment, The Juroku Bank has continued growing together with the local community for 144 years.

Then on October 1, 2021, The Juroku Bank established Juroku Financial Group, Inc. for the purpose of transforming its business model to a provider of comprehensive financial services to the region, and made a transition to a holding company structure.

The transition to a holding company structure marked a major reorganization that can be described as a second founding. What prompted the decision to make this transition was the changing environment surrounding regional institutions.

The environment surrounding regional financial institutions has changed significantly, with the prolonging low-interest policy, intensifying competition across industries and business categories, and increasing uncertainty. Amid these factors, it has become difficult to accurately anticipate what lies ahead, and financial institutions are being required to conduct management by assuming that they cannot anticipate the future. In such circumstances, it is becoming difficult to expect the so-called deposit and loan business which has supported our growth to achieve high growth, in terms of both revenue and function. In a prolonged low-interest environment, banks are facing difficulty in increasing revenue for businesses centered on deposits and loans. Meanwhile, regarding growth as simply

procuring funds and aiming at business expansion is a thing of the past.

Given a shrinking population and the imminent maturity phase, regional institutions are required to not only lend money, but also to mull over the customer's vision together with them and provide added value, in order to demonstrate the value of our existence.

We believe that, going forward, it will be vital to make efforts for the growth of our customers and the local community through the initiatives for sustainability, carbon neutrality, SDGs, and regional revitalization, as well as the provision of comfortable services that support digital transformation (DX), by not only demonstrating our financial intermediary functions but also leveraging the strengths of a regional financial institution consisting of regional human resources, information and network.

Through the transition to a holding company structure, we strive 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.

By leveraging the benefits of such a holding company structure and becoming a “Frontrunner” that helps our customers and the local community, we will contribute to the realization of a sustainable society.



Juroku Financial Group, Inc.
Naoki Ikeda
Representative Director and President

Our Mission is to “Achieve Growth and Prosperity for Our Customers and the Local Community”

In making a transition to a holding company structure, we inherited the basic philosophy of The Juroku Bank and newly formulated our group management philosophy.

As the basic philosophy of The Juroku Bank had long been inherited, our group management philosophy is placed as the fundamental spirit of the Juroku Financial Group and the foundation for all of our officers’ and employees’ activities so that it will be inherited for many decades.

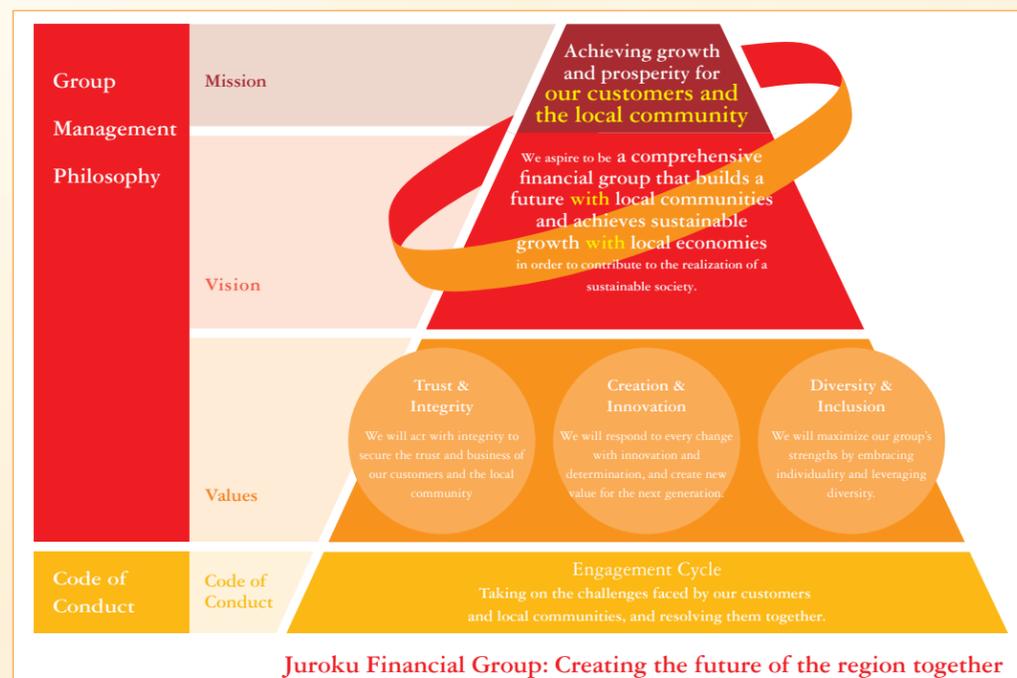
Our Mission as the highest concept, which is also the purpose of the Juroku Financial Group in the region, would be “achieving growth and prosperity for our customers and the local community.” Considering the Group’s purpose in the region, it is to contribute to the sustainable growth and development of our customers and the local community. We will not survive if we are not needed by the local community. In order to express our commitment to our customers and the local community, we made our Mission to be “achieving growth and prosperity for our customers and the local community.”

Our Vision for achieving our Mission is to be a

“comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies.” With the recent rise in momentum toward SDGs and ESG, initiatives for sustainability have become important. We set our Vision to be a “comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies” in order to contribute to the realization of a sustainable society or to make proactive efforts on a Group-wide basis.

In addition, our Values, the organization’s common values which form the foundation of our Mission and Vision, consist of “Trust & Integrity,” “Creation & Innovation,” and “Diversity & Inclusion.”

Regional financial institutions and local communities share the same destiny. We believe that it is important to act as though the matter is our own concern so as to contribute to “achieving growth and prosperity for our customers and the local community” with our group management philosophy as the foundation at all times.



To be Needed and Respected by the Local Community

Many of our customers in Gifu and Aichi prefectures, the main areas where the Group operates, prefer sound management. As such, we are required to provide them not only cash flow support programs but also core business support tailored to their individual situations.

In particular, in the current situation where a post-COVID-19 pandemic world is anticipated, we feel that expectations for the Group are shifting to support other than the provision of funds.

For example, in the region concerned where manufacturing

thrives, many customers face the challenge of business succession as they lack successors. From about 20 years ago, The Juroku Bank has been supporting business succession. Looking at the present situation, we believe that we need to further enhance this service.

In addition, we feel that recently there has been an increasing number of customers who are aware of carbon neutral issues and require support. The Group entered into a business alliance with a consulting firm that has knowledge in carbon neutrality matters and started providing consulting services to support customers’ decarbonization management.

Other than these issues, we will grasp the needs of our customers

as a regional comprehensive financial group to provide detailed custom-made responses to solve issues, including responses to SDGs and human resource referrals.

The Group proactively takes such initiatives because it has a sound sense of urgency that the Group will not be able to survive in this region going forward unless it is “needed and respected by the local community.”

We believe that it is essential for us to share issues of interest with customers in a timely manner, such as business succession, carbon neutrality and SDGs, and appropriately provide services, also for the purpose of our own sustainable growth.

Expanding Business Domains to Take on New Challenges

In order to be “needed and respected by the local community,” we are seeking to be the “Frontrunner” of the region while aiming at helping our customers and the local community more than ever.

Under the holding company structure, the Group has worked to support its customers’ core businesses by concentrating the Group’s management resources, while at the same time creating a business structure that can respond flexibly to changes in the business environment as a “Frontrunner” of the region.

On April 1, 2021, ahead of the transition to a holding company structure, NOBUNAGA Capital Village Co., Ltd. was established as a company specializing in investment for the purpose of actively supporting and nurturing venture companies.

In addition, on March 1, 2022, Juroku Computer Service Co., Ltd. was made a joint venture with Densan System Holdings Co., Ltd. and commenced operations as the digital transformation company Juroku Densan Digital Service Co., Ltd., with the aim of promoting digitalization and digital transformation of regional companies and local governments and improving the Group’s digital transformation capabilities.

Moreover, on April 1, 2022, the community development company Kanda Machi Okoshi Co., Ltd. was established with a view to further promoting consulting for regional total design and regional revitalization. Through these and other initiatives, the Group has steadily created a business structure to expand its business domains.

Juroku Densan Digital Service and Kanda Machi Okoshi were both established with a license of a non-banking service enhancement company stipulated in the amended Banking Act which took effect in November 2021, and will be able to engage in a wider range of operations.

We firmly believe that these companies which were established around the time of transition to a holding company structure will definitely grow to become companies that help customers and the local community.

Now that the Group has developed its business structure, we intend to use the fruits of our efforts to take on the challenge of various financial businesses to achieve growth and prosperity for our customers and the local community.



Nurturing Human Resources to Break Out of the Shell of Banking

We believe that, in order to break out of the conventional business model centered on the deposit and loan business and maximize group synergy to evolve into a “provider of comprehensive financial services to the region,” it is paramount to nurture “human resources” since they comprise the Group’s largest and constant management resource.

We need to further nurture human resources that can endeavor to build strong relations with customers and solve a wide range of issues, such as human resources that can work actively for the sake of customers by involving many people both within and outside of the Group.

It is certainly convenient to have non-face-to-face contact points such as online interviews which have been widely conducted following the spread of COVID-19. However, we are

intent on nurturing human resources whom people would like to meet and consult in person.

To that end, we are focusing our efforts on “nurturing human resources that can build relationships of trust with customers” through training sessions for young and mid-career employees, including shifting from the conventional input-type to output-type approach.

In addition, we will carry out “active inter-Group personnel exchange including young and mid-career employees,” and the “active and appropriate appointment to higher posts,” in an effort to revitalize the organization and further strengthen Group cooperation.

Upon the start of operations of Juroku Densan Digital Service and Kanda Machi Okoshi, in-house job posting was implemented mainly for young employees. As a result, a total of 130 people applied for the two companies, far exceeding the capacity limit.

Seeing these results, we feel very encouraged by how highly motivated employees were to advance their careers. In addition, we also realized that the message that the Group is breaking out of the shell of the banking-centered business with the aim to become a “provider of comprehensive financial services to the region” is spreading among young employees as well.

Going forward, it will be essential to nurture a large number of human resources to “break out of the shell of banking,” and to that end, it is necessary to “nurture human resources that broke out of the shell of conventions.” We will engage in these efforts as the most important management task.



Enhancing Sustainability of Local Communities

Words like sustainability, carbon neutrality and SDGs have now become common around the world, and we are being required to meet various social expectations in our activities as a regional comprehensive financial group.

The Group has formulated the Sustainability Policy as its basic policy on sustainability initiatives.

In addition, in the Juroku Financial Group SDGs Declaration that was established to coincide with the establishment of the Company, five key challenges (Materiality) were established to promote various initiatives in line with the declaration.

Sustainability Policy

The Juroku Financial Group recognizes sustainability initiatives to be an important management issue. We will strive to solve various social issues such as climate change through our core business of a “provider of comprehensive financial services to the region” and contribute to “achieving growth and prosperity for our customers and the local community,” which is our group management philosophy, while aiming at sustainable growth and enhancing corporate value of the Group.

The proactive promotion of these initiatives by officers and employees together will likely lead to enhanced sustainability of society and achievement of growth and prosperity for our customers and the local community.

Putting into broad perspective “how daily activities affect the whole society” will make companies and individuals recognize their own purpose.

We are now at a major 50-year turning point in the industrial structure centered on carbon neutrality, and all officers and employees will make every effort to conduct activities that enhance the sustainability of the local community.

Growing Together with Partners in the Relationship of Trust and Mutual Understanding

We recognize that there are several patterns of a growth strategy that regional financial institutions will likely follow to expand businesses.

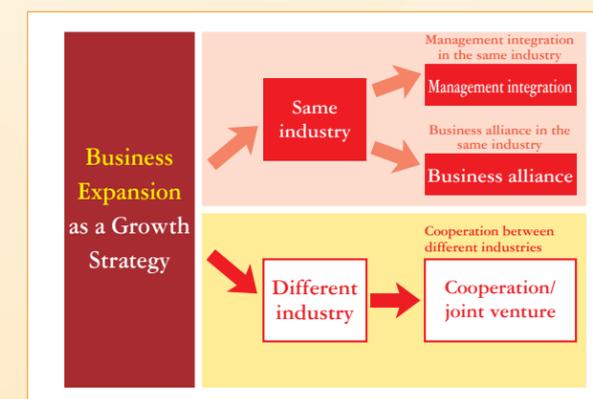
One pattern is management integration in the same industry that expands scale through a merger with other banks and other means. The other pattern is a business alliance in the same industry to find synergies in the alliance with another bank. These strategies are chosen by various regional financial institutions. We have chosen the third path of cooperation between different industries that deepens alliance with different industries with a view to achieving growth through business cooperation and establishment of joint ventures.

We believe that such cooperation between different industries is an essential strategy for aiming at becoming a more sustainable and stronger regional comprehensive financial group that breaks out of the shell of the conventional business model centered on the deposit and loan business, while leveraging our major strengths. These strengths consist of an “extensive and deep customer base,” “information accumulated on a daily basis,” and the “extensive human network” which we have built over the course of our history.

For example, Juroku Tokai Tokyo Securities Co., Ltd. (“Juroku TT Securities”) commenced operations through a joint venture with Tokai Tokyo Financial Holdings, Inc. in June 2019. While

putting into practice high-value-added proposals through bank-securities cooperation with The Juroku Bank, Juroku TT Securities has produced strong results, such as substantially increasing both the number of accounts and the deposit asset balance.

Going forward, we will enhance corporate value as a “Frontrunner” that helps our customers and the local community through cooperation with partners with whom we can grow together based on a relationship of trust and mutual understanding.



Risky to Change. Riskier Not to Change.

Amid substantial changes in the environment surrounding regional financial institutions, our ability to respond to the uncertain changes in environment is being put to the test.

We will not be able to ride out the waves of change with the half-hearted approach which we have taken so far of keeping what is good and changing what needs to be changed. As a “Frontrunner” of regional reform, we need to be prepared to change the status quo without hesitation and bring about new innovations based on flexible ideas free from preconceived notions.

“Risky to change. Riskier not to change.” These are the words of John W. Young, an astronaut who reached the moon in the Apollo Program, which was a moon landing project proposed by U.S. President John F. Kennedy in 1961.

We believe that, as a regional comprehensive financial group, we may be exposed to greater risk if we do not change in this day and age. Although we may fail if we take on a new challenge, we need to change in order to become a sustainable organization.

The Apollo program was thought to be unviable at the time but the aspirations of the American people were brought together to successfully achieve the goal.

This “Moon Shot” was able to unify the aspirations of the American people because the project was highly original and innovative, and also the goal was appealing and inspiring.

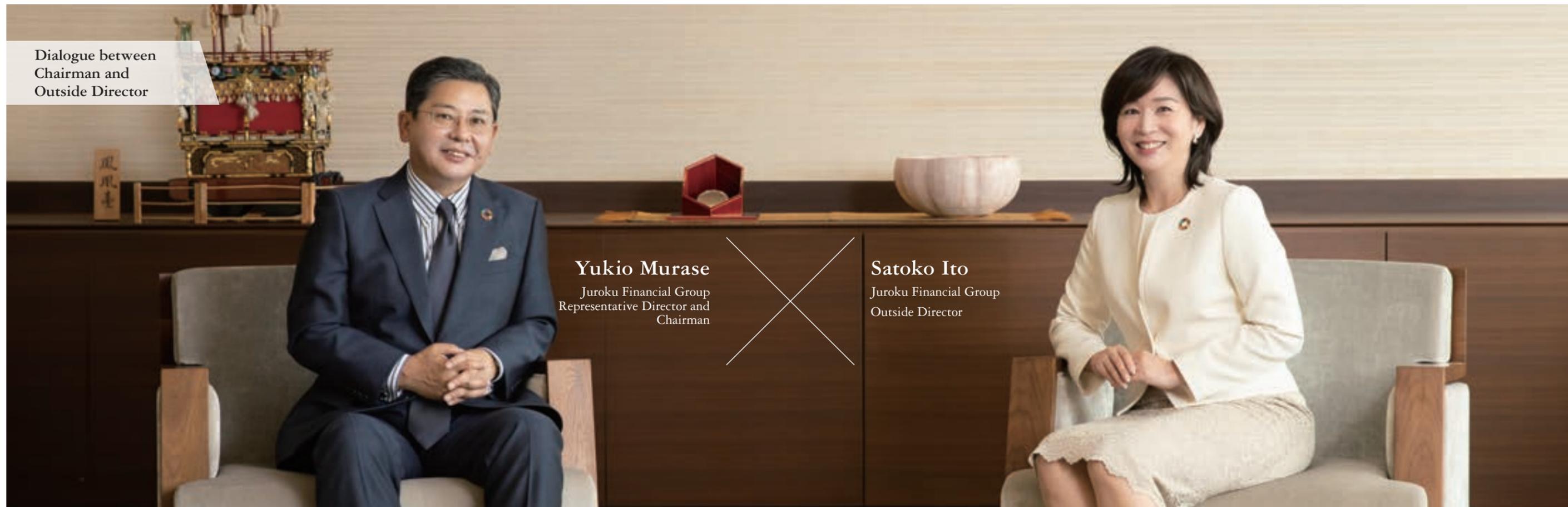
In an age of the new normal, social demands toward corporate activities are expected to rise in the future. However, it is in these times that we need to keep asking ourselves what our purpose is.

We have a major goal of “achieving growth and prosperity for the people of this region where we were born, brought up and supported.”

Although this is a grand and highly impactful goal, toward this goal, we will aim to become a “Frontrunner” that helps our customers and the local community with a sense of joy and pride that we can achieve this ourselves by using backcasting in our daily activities.

We ask you to look forward to “the Juroku Financial Group creating the future of the region together” and also would greatly appreciate your continued support.

Dialogue between
Chairman and
Outside Director



Yukio Murase
Juroku Financial Group
Representative Director and
Chairman

Satoko Ito
Juroku Financial Group
Outside Director

—Aiming at Sustainable Growth Together with the Region—

Yukio Murase (Chairman and Representative Director) and Satoko Ito (Outside Director) had a dialogue session rediscovering the appeal of Gifu and Aichi prefectures, the operating base of the Company, as well as the issues that the region faces and their future outlook.

Murase: Director Ito was appointed as an Outside Director of The Juroku Bank in June 2020. Also, as Outside Director of the Juroku Financial Group, Director Ito has given appropriate advice, including her thoughts from a fresh perspective that we did not realize, since October 2021. As a result, lively discussions were held at meetings of the Board of Directors.

Ito: Two years have passed since I decided to take office after being asked to express my candid opinions. The opinions I gave on countermeasures against global warming and other matters at meetings of the Board of Directors were immediately used and adopted, and I felt how speedily and effectively the Board of Directors operates.

The Appeal of Gifu and Aichi

Murase: The Company does business with many customers with Gifu and Aichi prefectures as its home. Is there anything you find

appealing in this region?

Ito: I feel that this region plays a huge role as a manufacturing base that supports Japan's industries. I'm also paying attention to tourism. A visit to Takayama, Shirakawa-go and Gero shows that the local people properly pass on the good old assets of the region to future generations under a clear policy. That is where I feel the spirit of developing new ideas by studying the past.

Murase: Many people often say, "Gifu and Aichi prefectures are attractive." Not only large enterprises but also small and medium-sized enterprises have advanced technological capabilities. I think that people are attracted by the region's distinctive characteristics coming from the concentration of companies that support manufacturing. This region has developed and grown mainly in the manufacturing industries such as automobiles and aircraft, in addition to traditional textiles, ceramics and cutlery. On the other hand, because of the strong performance of the manufacturing industries, the growth of tourism and IT, startups and other tertiary

industries may have slightly lagged behind that of other regions. If this sector develops in this region as well in the future, I'm sure that the region will become even more attractive.

Ito: I feel that this region has many companies that have been operating for more than 100 years and still are active on the frontlines. I feel that these companies have flexibility as they continue to take on new challenges in line with the changing times while inheriting tradition.

Murase: There was an announcement that indicated the strength of small and medium-sized enterprises in Gifu Prefecture. "TAKUMI NEXT 2021", organized by JETRO, aims to support the development of overseas sales channels for excellent domestic products. Out of the 155 companies that were selected throughout Japan, 16 were companies based in Gifu Prefecture, making up the largest number. This number was more than the 15 Tokyo-based companies and 10 Osaka-based companies that were selected. The person in charge at JETRO was surprised at how enthusiastic the business managers in Gifu Prefecture were. I felt very proud that companies that are being forced to change their business model amid the COVID-19 pandemic are constantly exploring what they should be doing and continuing to take on challenges.

Ito: That is wonderful. There is probably that kind of DNA in this region. I feel that the good old products that have been inherited in Japan, as well as products and services that have been refined by technique and knowledge, are highly competitive. I feel that things

that should be inherently valued are underrated at home. However, I am hopeful that a fresh appreciation of such products overseas will lead to a renewed assessment at home.

Regional Issue —Overconcentration in Tokyo—

Ito: Although the shrinking population has become a social issue, I am concerned about overconcentration in Tokyo especially as many young people are looking to go to Tokyo. I feel that Japan's future is in danger if nothing changes. The more young people gather in Tokyo, not only the rural population but also the population of Japan as a whole will continue to decrease. I think that their values need to change so that they will find it appealing to work and live in their respective regions without looking to go to Tokyo and be able to say, "I am happier living this way." Amid these circumstances, COVID-19 broke out and made us reexamine the living environment which we had taken for granted.

Murase: I feel the same way. Overconcentration in Tokyo has been actively discussed for some time now. It was very difficult to change the perception of young people in rural areas that Tokyo is solely attractive. The outflow of population from rural areas to Tokyo did not change easily. I feel that COVID-19 prompted a change in values.

Ito: Although this situation is not something that had been wished for and turned out to be like a drastic remedy, it made us become

aware of the risks of the so-called three Cs (closed spaces, crowded places and close-contact settings) which we had not given much thought to. That prompted us to ask ourselves again whether we want to live the way we have, including the struggle of commuting to work every day in packed trains and dealing with high housing costs. The pandemic marked a major turning point in the value of moving to Tokyo.

Murase: As a result of COVID-19, remote work became widespread rapidly. Owing to working from home, the work style of not limiting the residence has been increasing steadily mainly among large companies. It is becoming possible to work for a company located in an urban area while living in a rural area. The available options are



increasing, and the disadvantages of living in rural areas are becoming fewer and fewer. In rural areas, we need to take advantage of this opportunity and take initiatives and build systems to make working, raising children, and getting an education in rural areas appealing. In particular, it is vital to create attractive jobs.

Ito: It is now possible and common to lead a work style of going to Tokyo or overseas on business trips for two or three days a week while living in a rural area. Many jobs can now be completed as long as there is a digital environment where people can work. All thanks to technological advances.

Murase: Even if one works in a rural area, progress in digitalization has made it easy to be connected to the city center and the world. With the option to work in the office or via an online system easily available, the image of working in the rural area has changed considerably from the past.

Regional Issue —Gender Gap—

Ito: The migration of the population from rural areas to Tokyo is seen most conspicuously among young women.

Murase: Juroku Research Institute Co., Ltd., a Group company, published a proposal document entitled “Rural Areas Preferred by Women” in April 2022 with a focus on the gender gap in rural areas. As pointed out in that document, in terms of the Gender Gap Index 2021 announced by the World Economic Forum, Japan ranked 120th among 156 countries (March 2021), coming in last place among the seven developed countries. The reality is that there is still a gender gap in rural areas.

Ito: I see. I feel that until recently there was this idea that the most important job for women was to get married and have children. In addition, the notion that women should work a little and concentrate on taking care of children after bearing children was probably the mainstream way of thinking. The Japanese education system provides an environment where male and female students truly have equal opportunities to receive an education. On the other hand, even if women enter the workforce and work like men, and have the same aspirations and dreams as men have, there were times when, for some reason, they had their path cut off for just being women.

Murase: As you pointed out, a look at the Gender Gap Index by category shows that while the gap was small in health/education, indicating fairness, the score was extremely low in economy/politics, highlighting the current situation in which there is a wide gap between men and women.

Ito: The low score in the category of economy/politics suggests that women have difficulty or are unable to play an active part in society. I think that the way things are now, highly motivated young women feel that, since the gender gap is smaller in Tokyo, they will be able to have more life opportunities and get closer to their dreams if they go to Tokyo.

Murase: In the World Happiness Report as well, released every year by the Sustainable Development Solutions Network (SDSN), a UN agency, Japan ranks 54th out of 146 countries (March 2022), lower than other developed countries. I believe that there is a link between the Gender Gap Index and the World Happiness Ranking, and the gender gap needs to be eliminated in order to enhance happiness.

Ito: Women are seeking an environment where they can work enthusiastically with a sense of fulfillment, and bear and raise children with peace of mind. All of these factors need to be met for women to find the region attractive and live there. The disappearance of women from a rural area means that a rural area will become a city at risk of disappearing. When thinking seriously about the active involvement of women in the workplace, the common work style of working long hours needs to be changed inevitably. The provision of an environment that empowers women would actually increase job satisfaction among men as well. And if satisfaction rises among both men and women, they will have a happy family life. This is the kind of virtuous cycle we should be aiming for.

Initiatives for Diversity

Ito: I am paying close attention to the Company’s initiatives for diversity. I find the initiatives to support the active involvement of women by “Jewelina”, the Company’s product and service development project team consisting of female staff, and the initiative to have many women play active roles on the frontlines in the field of asset management consulting, which aims to protect customers’ assets in bank operations, to be wonderful because they are forward-thinking and distinctive.

Murase: I am glad that women in the Group are playing active roles. I am intent on improving the organization to further enable women to play active roles through proper communication so that women actively working on the frontlines are made known internally and also recognized externally very well.

Ito: The Group has adopted the customer-first marketing strategy as one of its management strategies. Although this may be my own theory, I believe that this area is women’s field of specialty because women have a disposition suited for market-in. I think they are good at handling tasks with empathy from the customer’s viewpoint.

Murase: In the customer-first marketing strategy, we engage in consulting to realize lifelong trading relations. I say this again, but we need to create an organization that can make people within and outside the Group aware of the active involvement of women in the Group. I feel that more women will be appointed to senior management positions such as officers in the future at Group companies as well.

Ito: I am looking forward to that.

Initiatives for Sustainability

Ito: Amid rapidly changing circumstances such as the post-COVID-19 pandemic and the invasion of Ukraine, there is an emerging risk that resources will not be available mainly due to soaring resource prices and supply chain disruptions. It is necessary to have a system of circulating products and materials domestically as much as possible, including reusing waste, etc. and utilizing materials that return to nature based on the concept of a circular economy. As the socioeconomic system is reviewed drastically, regional and local companies will no doubt have a greater presence in the eyes of urban companies.

Murase: Ito-san has expressed her opinions regarding the policy on sustainability and carbon neutrality at meetings of the Board of Directors as well.

Ito: Up to now, sustainability had a somewhat mandatory aspect and had become a CSR-type initiative. However, in today’s society, sustainability lies at the heart of the growth strategy of each company. Companies have substantially changed their way of thinking as they now see linking sustainability to a business becoming the strength of that region and the growth engine of sustainable companies.

Murase: The Company, too, regards initiatives for sustainability as an important issue for management. In addition, we need to become an entity that helps regional companies specifically put into practice the concept of and initiatives for sustainability.

Ito: The Company also offers appropriate consulting on decarbonization, but many small and medium-sized enterprises say that they still do not know what specifically they should start with. In the Prime Market, since strict decarbonization initiatives will be required going forward, small and medium-sized enterprises that do business with large companies listed on the Prime Market need to anticipate that they will be required more than ever to take decarbonization initiatives. We must prepare for the risk that business transactions will become difficult in the future if we fall behind the curve.



Murase: We believe that the provision of comprehensive financial services by the Group that have the potential of achieving sustainable growth by demonstrating comprehensive capabilities and making use of the potential of Gifu and Aichi prefectures will lead to “achieving growth and prosperity for our customers and the local community,” which is the mission of the Juroku Financial Group.

Ito: I think it is important that, as a regional financial institution, the Group properly plays the role of guiding regional small and medium-sized enterprises and supporting them so that they do not fall behind the curve. I will do my utmost to support the sustainable growth of the Company and the region by leveraging the years of experience and knowledge I gained from having been engaged in the media business and regional revitalization.

Operational and Financial Highlights



The Juroku Bank
Akihide Ishiguro, President
 (Deputy President, Juroku Financial Group, Inc.)

Performance for FY2021

The Japanese economy in the current fiscal year remained in a difficult situation, as was the case in the previous fiscal year, due to the impact of the COVID-19 global pandemic.

In both Gifu and Aichi prefectures, which make up the main business base of the Bank, strong downward pressure continued to prevail in the personal consumption of services such as lodging and dining. In the corporate sector, production and exports of the automobile-related industry, which is concentrated in this area, remained at a standstill. Meanwhile, the soaring prices of natural resources and raw materials also adversely affected corporate earnings.

In such an economic environment, the Group demonstrated its comprehensive capabilities and made efforts to provide a broad range of support to its customers amid the COVID-19 pandemic, including cash flow support and core business support, while engaging in high-value-added consulting activities, among others. As a result, consolidated core gross operating profit increased by ¥7.0 billion year on year to ¥78.2 billion.

In addition, expenses including personnel expenses and non-personnel expenses decreased by ¥1.4 billion year on year to ¥46.0 billion. As a result, consolidated core net operating profit increased significantly by ¥8.3 billion year on year to ¥32.1 billion.

Although consolidated net business profit decreased, as a result of reporting a realized loss on the portion of the deteriorating valuation gains and losses of securities reflecting the rise in U.S. interest rates since the beginning of the calendar year, ordinary profit increased by ¥2.1 billion year on year to ¥26.7 billion, and net income attributable to owners of the parent increased by ¥2.4 billion year on year to ¥17.1 billion, both representing increases in profits for the fourth consecutive term.

Summary of Consolidated Financial Results of the Juroku Financial Group

| | March 2022 | (Year-on-year) |
|---|------------|----------------|
| Consolidated core gross operating profit | 78.2 | 7.0 |
| Net interest income | 54.3 | 3.8 |
| Fees and commissions | 17.1 | 1.6 |
| Other operating profit (Excluding profit on JGBs and other debt securities) | 6.7 | 1.6 |
| Expenses | 46.0 | (1.4) |
| Personnel expenses | 24.7 | (0.8) |
| Non-personnel expenses | 18.3 | (0.5) |
| Consolidated core net operating profit | 32.1 | 8.3 |
| Profit on JGBs and other debt securities | (10.8) | (10.8) |
| Consolidated net business profit | 21.3 | (2.6) |
| Credit-related costs | 2.8 | (1.4) |
| Profit on equities | 6.5 | 2.0 |
| Ordinary profit | 26.7 | 2.1 |
| Net income attributable to owners of the parent | 17.1 | 2.4 |

(*) The Juroku Financial Group was established on October 1, 2021. As such, the financial results for FY2021 contain the financial results for the six months ended September 30, 2021 of The Juroku Bank, which became a wholly-owned subsidiary through a sole-share transfer. The year-on-year figures represent the comparison with the consolidated financial results of the Juroku Bank Group, which has The Juroku, as the parent company.

The Juroku Bank, the core company of the Group, reported expansion in fees and commissions as a result of record highs in individual-related revenues and corporate-related revenues, in addition to increases in net interest income, resulting in core gross operating profit of ¥68.4 billion, an increase of ¥6.2 billion year on year.

Additionally, due to a decrease in expenses of ¥1.3 billion year on year to ¥39.4 billion, core net operating profit increased by ¥7.4 billion year on year to ¥28.9 billion, which reached a record high.

Ordinary profit increased by ¥2.0 billion year on year to ¥24.5 billion, and net income increased by ¥3.2 billion to ¥17.3 billion, both representing increases in profits for the fifth consecutive term.

Profit of customer services, one of the Group's key performance indicators for profits from the Bank's main business, is also increasing steadily.

In FY2021, profit of customer services increased by ¥3.2 billion year on year to ¥11.4 billion, reaching levels exceeding ¥10 billion.

Trends in fees and commissions of the non-consolidated Juroku Bank



Business Projections for FY2022

In FY2022, based on conservative estimates of credit-related costs and estimated decreases in profit on equities, we expect Group consolidated ordinary profit of ¥25.5 billion, a decrease of ¥1.2 billion year on year. Meanwhile, net income attributable to owners of the parent is expected to increase by ¥0.4 billion year on year to ¥17.5 billion, due to the contribution of consolidated interests in the Group companies throughout the year.

The Juroku Bank (Billions of Yen)

| Summary of non-consolidated results | March 2022 | (Year-on-year) |
|---|------------|----------------|
| Core gross operating profit | 68.4 | 6.2 |
| Net interest income | 54.5 | 3.7 |
| Fees and commissions | 11.1 | 1.3 |
| Other operating profit (Excluding profit on JGBs and other debt securities) | 2.6 | 1.1 |
| Expenses | 39.4 | (1.3) |
| Personnel expenses | 19.5 | (1.4) |
| Non-personnel expenses | 17.1 | 0.1 |
| Core net operating profit | 28.9 | 7.4 |
| Profit on JGBs and other debt securities | (10.8) | (10.8) |
| Net business profit | 18.0 | (3.5) |
| Credit-related costs | 2.5 | (1.6) |
| Profit on equities | 6.7 | 2.2 |
| Ordinary profit | 24.5 | 2.0 |
| Net income | 17.3 | 3.2 |

Trends in profit of customer services of the non-consolidated Juroku Bank



Juroku Financial Group (Billions of Yen)

| Consolidated Business Projection | March 2023 (projection) | (Year-on-year) |
|---|-------------------------|----------------|
| Consolidated core gross operating profit | 72.4 | (5.8) |
| Net interest income | 49.6 | (4.7) |
| Fees and commissions | 17.5 | 0.4 |
| Other operating profit (Excluding profit on JGBs and other debt securities) | 5.3 | (1.4) |
| Expenses | 45.9 | (0.1) |
| Personnel expenses | 24.6 | (0.1) |
| Non-personnel expenses | 18.3 | 0.0 |
| Consolidated core net operating profit | 26.5 | (5.6) |
| Ordinary profit | 25.5 | (1.2) |
| Net income attributable to owners of the parent | 17.5 | 0.4 |

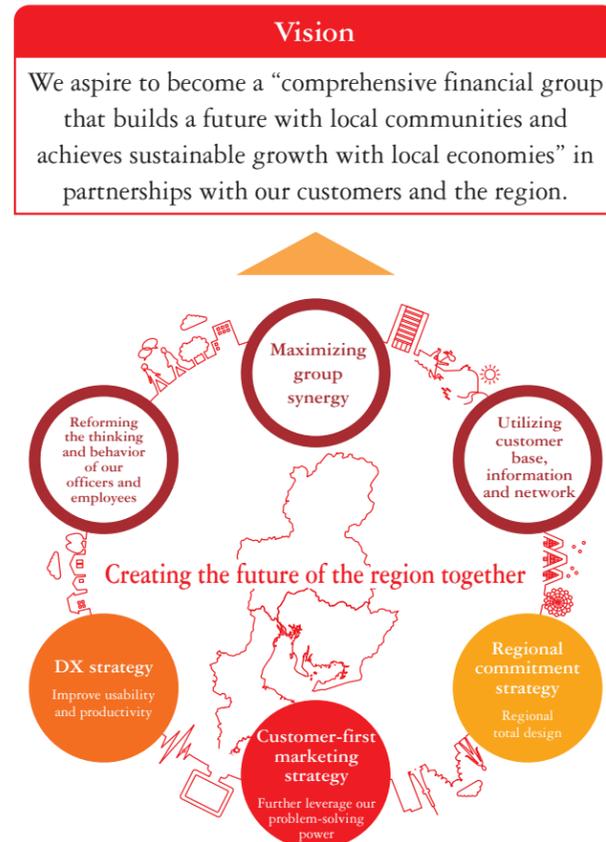
Progress of the 1st Management Plan

The Group commenced the 1st Management Plan from October 2021.

Under the Plan, we will engage in three management strategies of the “Customer-first marketing strategy” to further leverage our problem-solving power, the “DX strategy” to improve usability and productivity, and the “Regional commitment strategy” to handle regional total design, thereby aiming to become a “comprehensive financial group that builds a future with local communities and achieves sustainable growth with local economies.”

As a result of engaging in business activities based on the 1st Management Plan, we exceeded the numerical targets for “consolidated net income,” “consolidated capital adequacy ratio,” “consolidated adjusted OHR,” and “consolidated non-interest profit ratio” set for FY2022, the final year of the Plan, ahead of time in FY2021.

Additionally, “consolidated ROE,” which has been set as a long-term indicator has also been rising each year, while profitability, fiscal integrity, and efficiency, which form the management foundation, have also been steadily improving.



Shareholder Returns

As disclosed in its “Juroku Financial Group’s Shareholder Return Policy” at its founding, the Company’s basic policy is to pay stable dividends continuously while striving to further improve its fiscal robustness in the face of diversifying risks surrounding financial transactions. In view of the business environment and income levels, the Company has determined that shareholder returns will aim to achieve a total payout ratio of at least 25%.

In FY2021, in consideration of the completion of a shift to a holding company structure on October 1, 2021, the Company paid an annual dividend (the total amount of the interim dividend for FY2021 paid by The Juroku Bank and the year-end dividend paid by the Juroku Financial Group for FY2021) of ¥120 comprising the ordinary dividend and a commemorative dividend of ¥20. Together with the acquisition of treasury shares, the total payout ratio reached 32.3% on a consolidated basis.



Dividends

| | March 2019 | March 2020 | March 2021 | March 2022 | |
|------------------|-------------------|------------------------|------------------------------|------------------------------|-----|
| Annual dividends | ¥70 | ¥80 | ¥90 | ¥120 | |
| Interim | Ordinary dividend | ¥35 | ¥35 | ¥35 | ¥50 |
| | End-of-year | Ordinary dividend | ¥35 | ¥45 | ¥50 |
| Other | | ¥10 (Special dividend) | ¥10 (Commemorative dividend) | ¥20 (Commemorative dividend) | |

(*) Figures before the interim of FY2021 are the actual dividends paid by The Juroku Bank

Trends in total dividends and total payout ratio (consolidated)



Reduction of Cross-shareholdings

The Group, since FY2009, has been engaged in efforts to reduce its cross-shareholdings. Accordingly, the balance of cross-shareholdings including listed and unlisted stock decreased from ¥88.3 billion as of March 31, 2009, to ¥47.8 billion as of March 31, 2022.

In addition, since FY2012, we have been verifying the profitability of cross-shareholdings based on the risks and returns of holding these stocks while reviewing our shareholding policy.

Going forward, we will continue to reduce our cross-shareholdings, aligning with the purpose of the Corporate Governance Code.

Trends in cross-shareholdings (book value)



History of Juroku

Since our establishment as the 16th National Bank in October 1877, Juroku Bank has grown steadily and earned the deep trust of people of the local community.

Juroku Financial Group was established on October 1, 2021. Under the newly established group management system, we will contribute to the sustainable growth of the local community by demonstrating the Group's comprehensive capabilities and solving problems for customers and the local community.

- 1896
March: Moved the Head Office to a newly built building in Nakatakeyacho, Gifu-shi
- December:** Changed corporate name to The Juroku Bank, Ltd.



Juroku Bank Head Office after reorganization (while still in Takeyacho)

- 1977
April: Completed construction of the new Head Office
- July:** Appointed female employee as Officer
- October:** 100th anniversary of establishment



Head Office (Gifu-shi)

- October 1897
Opened the first branch of Juroku Bank in Fumoto (current Kawaramachi, Gifu-shi)



Fumoto (current Kawaramachi, Gifu-shi)

- March 1975
Established Juroku Lease Co., Ltd.

1970

1980

- April 1984
Established our Management Policy

- April 1980
Founded our women's table tennis club

- August 1985
Established Juroku Computer Service Co., Ltd. (current Juroku Densan Digital Service Co., Ltd.)

- March 1993
Established Shanghai Representative Office

2000

2010

2020

October 2027
Onward to the 150th anniversary of establishment

- October 1877
Established as the 16th National Bank

- February 1907
Hired female employees for the first time



Former Head Office (Gifu-shi)

- April 1931
Completed construction of the former Head Office

- April 1966
Establishment of Basic Policy and Action Guidelines

- September 1972
Listed on the First Section of the Tokyo Stock Exchange

- August 1982
Established Juroku Diamond Credit Co., Ltd. (currently Juroku Card Co., Ltd.)

- August 1997
Establishment of Juroku Foundation for Regional Promotion

- March 1994
Completed construction of Nagoya Building



Nagoya Building (Nagoya-shi)

- September 2012
Merged with The Gifu Bank

- 2015
March: Established Bangkok Representative Office
- March:** Established Singapore Representative Office

- October 2017
140th anniversary of establishment

- June 2019
Juroku Tokai Tokyo Securities Co., Ltd. commenced operations

- 2018
March: Agreed on a comprehensive business alliance with Tokai Tokyo Financial Holdings, Inc.
- March:** Established Hanoi Representative Office

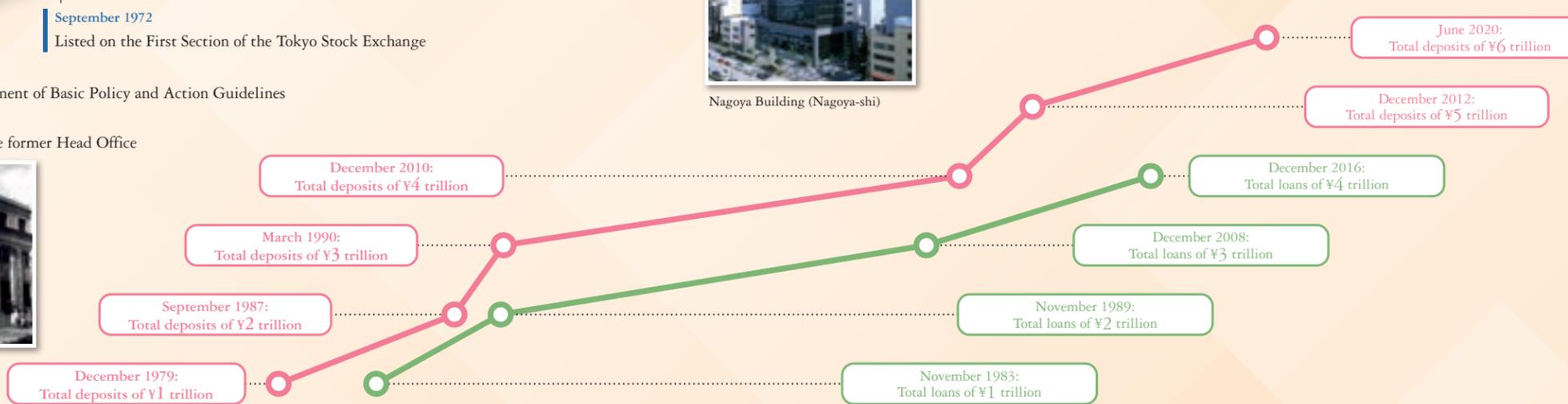
- 2022
March: Launched business of Juroku Densan Digital Service Co., Ltd.
- April:** Established Kanda Machi Okoshi Co., Ltd. Transferred to the Prime Market of the Tokyo Stock Exchange
- May:** Commenced collaboration with SoftBank Corp. to promote DX

- 2021
April: Established NOBUNAGA Capital Village Co., Ltd.
- October:** Established Juroku Financial Group, Inc.



JUROKU Financial Group

- Enacted the Group Management Philosophy
- Launch of the 1st Management Plan
- Enacted the Juroku Financial Group SDGs Declaration



Potential of the Local Community

Juroku Financial Group's main business areas are Gifu Prefecture and Aichi Prefecture. This region has many distinctive local industries including automobiles, as well as cutlery, ceramics, and plastic products, and it is a bulwark of Japanese manufacturing. In the future, there are plans for further infrastructure development such as the planned opening of the completed Tokai-Kanjo Expressway and the Linear Chuo Shinkansen (SCMAGLEV), and greater economic benefits are expected. As there are many draws for tourism that make the most of nature and culture in the area, inbound demand in the region is expected to surge after the COVID-19 pandemic.

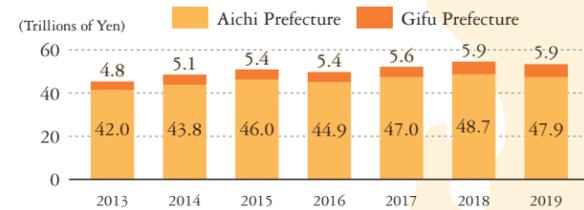
Manufacture product shipment amount

Total of both prefectures: **¥53,838.6 billion**

Japan's foremost manufacturing region

Gifu Prefecture: **¥5,914.2 billion** **20th**

Aichi Prefecture: **¥47,924.3 billion** **1st**



Source: Ministry of Economy, Trade and Industry, Census of Manufacture (2019)

High ratio of manufacturing businesses

Gifu Prefecture: **29.1%**

Aichi Prefecture: **38.4%**

Greatly exceeds the national standard of 22.0%

Source: Cabinet Office, Prefectural Accounts (FY2018)

Gross prefectural product

Total of both prefectures: **¥48,857.9 billion**

8.6% of Japan's GDP

Gifu Prefecture: **¥7,920.7 billion** **20th**

Aichi Prefecture: **¥40,937.2 billion** **2nd**

Source: Cabinet Office, Prefectural Accounts (FY2018)

Gifu Prefecture

Hydropower: **13,624 GWh**

1st in Japan for the stored hydroelectric power that can be used for hydroelectric power generation

Source: Agency for Natural Resources and Energy website (2021)

Ceramic / tile shipment amount: **¥38.7 billion**

Accounts for approximately 40% of the national market share.

Source: Ministry of Economy, Trade and Industry; calculated by the Company based on the Census of Manufacture (2019)

Household knife shipment amount: **¥39.5 billion**

Accounts for approximately 52% of the national market share.

Source: Ministry of Economy, Trade and Industry; calculated by the Company based on the Census of Manufacture (2019)

Aichi Prefecture

Shipment amount of transportation machinery and equipment for the manufacturing industry: **¥26,663.3 billion**

1st in Japan

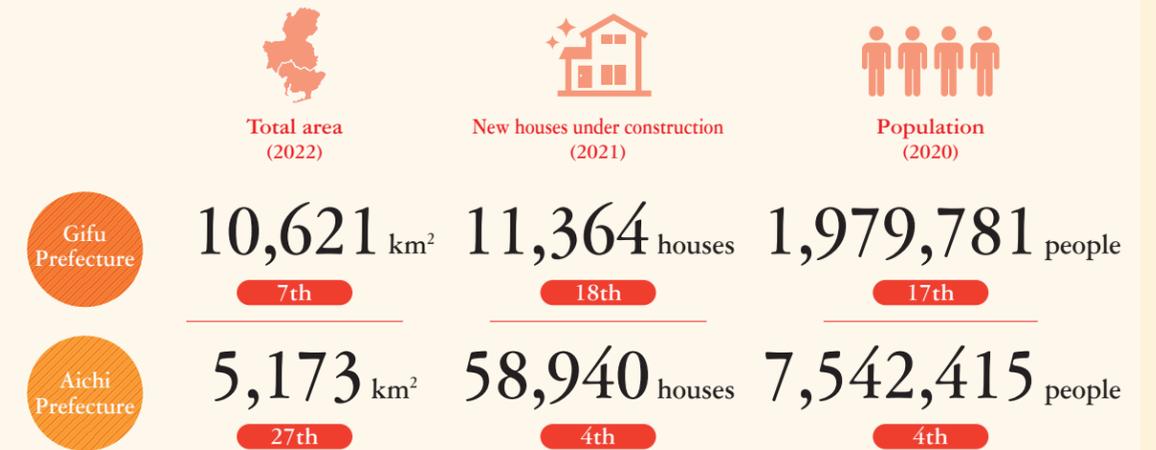
Source: Ministry of Economy, Trade and Industry, Census of Manufacture (2019)

Total exports from Nagoya Port: **¥12,480.5 billion**

1st among 5 major ports of Japan

Source: Ministry of Finance, Trade Statistics (2021)

See the figures



See the tourism draws



See projects

Construction of the Tokai-Kanjo Expressway

- An expressway built to high standards, with a length of approximately 153 kilometers, spanning the three prefectures of Aichi, Gifu, and Mie.
- Expected to have stock effects, such as improving corporate activities, making logistics more efficient, and revitalizing tourism.
- The full expressway is scheduled to open in 2026.
- The Tokai-Kanjo Expressway can also serve as a detour in the event of traffic congestion or accidents on the Tomei, Meishin, Chuo, or Tokai-Hokuriku Expressways, and as an alternative route in the event of a large-scale disaster.



Source: Gifu National Highway Office website

Launch of the Linear Chuo Shinkansen



Source: Central Japan Railway Company website



Initiatives for Sustainability



Formulation of the Sustainability Policy

The Group has formulated the Sustainability Policy as its basic policy for sustainability initiatives.

Sustainability Policy

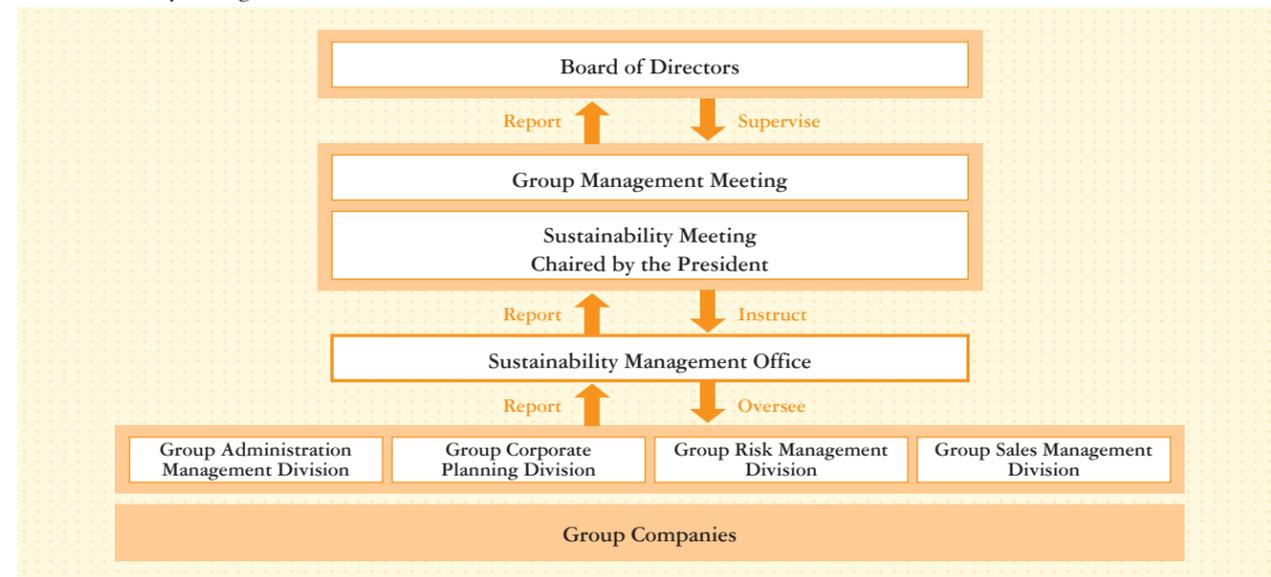
The Juroku Financial Group recognizes sustainability initiatives to be an important management issue. We will strive to solve various social issues such as climate change through our core business of a “provider of comprehensive financial services to the region” and contribute to “achieving growth and prosperity for our customers and the local community,” which is our group management philosophy, while aiming at sustainable growth and enhancing corporate value of the Group.

(*) Definition of sustainability: Creating a society that facilitates the growth and prosperity of customers and local communities, and passing it over to future generations

Establishment of the Sustainability Meeting

The Group has established the Sustainability Meeting to appropriately address initiatives for climate change and other sustainability issues, recognizing them as an important management challenge. The Committee is chaired by the President and consists of Group Management Meeting members, Division General Managers and the head of the Sustainability Management Office.

— Sustainability Management Structure —



Reorganization

The Group has restructured the organization as of April 1, 2022, for the purpose of appropriately addressing issues surrounding sustainability.

Juroku Financial Group

Newly established the **Sustainability Management Office** within the Group Sales Management Division

The Juroku Bank

Upgraded the SDGs Promotion Office within the Regional Revitalization Division to the **Sustainability Promotion Department** within the Business Support Division (with the SDGs Promotion Group established within the Department)

Sustainability KPIs

The Group has set Sustainability KPIs for five key challenges (Materiality) in order to further strengthen our initiatives for sustainability.

Targets by FY2030

| Key challenges | Item | Numerical targets |
|---|--|----------------------------|
| Revitalization of the local economy | Sustainable finances provided (of which, environment-related finances) | ¥2 trillion (¥800 billion) |
| | Balance of Group assets on deposit | ¥550 billion |
| Sustainable development of the local community | Social impact investments | ¥2 billion |
| | DX-support consultation cases | 3,000 cases |
| Environmental conservation and climate change actions | CO ₂ emission (vs. FY2013 level) | 50% reduction |
| | Paper use (vs. FY2019 level) | 50% reduction |
| Empowerment of diverse human resources | Ratio of female managers | 20% |
| | Ratio of paid leave claimed | 80% |

On-going targets

| Key challenges | Item | Numerical targets |
|----------------------|--|--------------------------|
| Advancing governance | Initial response training for emergency preparedness | At least twice a year |
| | Dialog with investors | At least 10 times a year |

Addressing Key Challenges (Materiality)

| | Key challenges | Initiatives | |
|------------|---|---|--|
| Business | Revitalization of the local economy | <ul style="list-style-type: none"> Supporting business foundation and new business operations to foster future leaders of local economy Supporting local companies' core business operations and management succession to contribute to their growth Supporting asset formation to achieve enriched living | |
| | Sustainable development of the local community | <ul style="list-style-type: none"> Creating comfortable and appealing communities Using local resources to create value that will benefit future generations Promoting digital transformation of local companies and local governments | |
| | Environmental conservation and climate change actions | <ul style="list-style-type: none"> Supporting local companies' carbon neutral business management Implementing initiatives for environmental conservation and environmental impact mitigation Responding to climate change and disclosing information in line with TCFD | |
| Management | Empowerment of diverse human resources | <ul style="list-style-type: none"> Building a corporate culture that boasts diversity as strength Implementing work style reform to provide a good work-life balance Creating workplaces that facilitate growth of diverse human resources and empower them | |
| | Advancing governance | <ul style="list-style-type: none"> Advancing corporate governance Strengthening risk management and compliance Achieving stakeholder engagement | |

Information Disclosure Based on TCFD Recommendations

The Group recognizes initiatives for climate change as an important management issue, and strives to grasp the opportunities and risks brought by climate change.

We have also expressed our endorsement for TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and are proceeding with appropriate information disclosure based on the disclosure framework advocated for by TCFD.

Governance

Sustainability Management Structure

As stated in the Sustainability Policy, the Juroku Financial Group recognizes sustainability initiatives such as climate change as an important management issue. “The Juroku Financial Group SDGs Declaration” lists “environmental conservation and climate change actions” as one of the key challenges.

In order to address this challenge appropriately, the Group has set up the Sustainability Meeting, which is chaired by the President and consists of Group Management Meeting members, Division General Managers and the head of the Sustainability Management Office.

The Meeting meets at least once every 3 months in principle to deliberate on important matters such as drawing up a policy for implementing initiatives for climate change and other sustainability issues, setting targets and checking progress, and reflecting results to management strategies and risk management. Items deliberated on at this Meeting are reported periodically to the Board of Directors at least once a year for appropriate supervision.

Strategy

Opportunities and risks brought by climate change

The Juroku Financial Group analyses risks and opportunities associated with climate change in the timeframes of “short term,” “mid term” and “long term.” The results of analyzing scenarios are used to organize active dialogue (Engagement) for supporting customers who are working toward a decarbonized society, and reinforce financial support in the forms of sustainable financing and transition financing to create business opportunities and reduce risks.

| Assessment item | | Main opportunities and risks | Timeframe | |
|-----------------|-----------------------|---|--|--|
| Opportunities | Resource efficiency | ● Increasing business opportunities such as offering investments, loans and consultation services to help customers' transition to a decarbonized society | Short- to long-term | |
| | Energy sources | ● Reducing business costs through resource saving and energy saving | Short- to long-term | |
| | Products and services | ● Boosting corporate value by implementing appropriate initiatives on climate change and disclosing information about them | Short- to long-term | |
| | Robustness | ● Increasing public works projects for disaster management and demand for customers' capital investment fund | Mid- to long-term | |
| Risk | Physical risks | Acute risks | ● Deterioration in customers' business performance and damage to collateral value due to the increase in frequency and severity of abnormal climate patterns, causing a decline in loan asset value ● Business disruption at Group sites affected by a disaster | Short- to long-term Short- to long-term |
| | | Chronic risks | ● Deterioration in customers' business performance and damage to collateral value due to higher average temperature and higher sea level, causing a decline in loan asset value | Mid- to long-term |
| | Transitional risks | Policies / laws | ● Deterioration in customers' business performance due to climate-related regulation tightening, failed investment in low-carbon technology and changes in consumer behaviors, causing a decline in loan asset value | Mid- to long-term |
| | | Technologies | | |
| | | Market | ● Slower implementation of appropriate climate-related initiatives and disclosure of information about them than competitors, lowering corporate value | Short- to long-term |
| | Reputation | | | |

*Short term = Around 5 years; Mid term = Around 10 years; Long term = Around 30 years

Scenario analysis

The Juroku Financial Group conducts scenario analysis on physical risks and transitional risks in order to identify how climate-related risks would affect the Group.

Physical risks

Rain-prone Japan experiences heavy precipitations each year, causing rivers to swell and triggering flooding. In recent years, the number of heavy localized rainstorms has become more common, causing significant damage to many areas including our sales territories.

In terms of physical risks, we have anticipated an increase in the frequency of large-scale flooding due to climate change, and calculated the impact of climate-attributable large flooding in Gifu Prefecture on the Group's credit-related costs on the premise of the RCP8.5 scenario (4 °C scenario). The result points to a cost increase of approx. 3.1 billion yen.

Transitional risks

Following a qualitative analysis of sectors with large credit exposure and sectors referred to in TCFD recommendations, we have identified the “electric power sector” and “automotive sector” as sectors of significant transitional risks for the Group.

In terms of transitional risks, on the premise of the RCP2.6 scenario (2 °C scenario) and NZE scenario (1.5 °C scenario), we calculated the impact on the Group's credit-related costs in view of the increased cost of transition into a decarbonized society such as the introduction of the carbon tax, a decline of net sales and future market trends. The result points to a cost increase of approx. 2.2 billion yen.

| | Physical risks | Transitional risks |
|------------------|--|---|
| Scenario | IPCC / RCP8.5 scenario (4 °C scenario) | IPCC / RCP2.6 scenario (2 °C scenario) IEA / NZE scenario (1.5 °C scenario) |
| Risk event | Large-scale flooding | Transition to a decarbonized society |
| Analysis target | Borrowers in Gifu Prefecture Collateral of real estate (buildings) in Gifu Prefecture (excluding secured home loans) | Electric power sector Automotive sector |
| Analysis content | Deterioration of business performance due to customers' business suspension / stagnation Damage to the Group's real estate (buildings) collateral | Deterioration of customers' business performance due to cost increase and sales decline |
| Analysis period | Up to 2050 | Up to 2050 |
| Analysis results | Increase of credit-related costs: Up to 3.1 billion yen | Increase of credit-related costs: Cumulative total of approx. 2.2 billion yen |

*IPCC (Intergovernmental Panel on Climate Change)

*IEA (International Energy Agency)

Analysis results are calculated under specific preconditions.

The impact on the Group's finances has been found to be limited within the scope of this analysis, but we will continue to enhance the scenario analysis.

Carbon-related assets

Of carbon-related assets defined in the TCFD recommendations, loan balance to the energy and utilities sectors accounts for 1.4% of the total loan balance. We will examine target sectors for other carbon-related assets for future information disclosure.

Ratio of carbon-related assets against Juroku Bank's loan balance (as of the end of March 2022) (Millions of Yen)

| | Loan balance | Ratio |
|-----------|--------------|-------|
| Utilities | 45,936 | 1.0% |
| Energy | 19,110 | 0.4% |
| Total | 65,047 | 1.4% |

*Loan balance = Total of loans, foreign exchange, acceptance and guarantee, etc.

*Utilities include electric power and gas supply sectors and exclude water and renewable energy power sectors

Risk management

Approach to risk management

The Group has an integrated risk management framework in place, managing its overall financial risks in the categories of "credit risk," "market risk," "liquidity risk" and "operational risk."

Climate change risk is recognized as one of the top risks and a driver of financial risk, and is controlled with the risk management framework for credit risk and operational risk.

Formulating an investment and lending policy

The Group has the Investment and Lending Policy for Creation of a Sustainable Society.

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

| | |
|-------------------------------------|--|
| Coal-fired thermal power generation | The Group will not invest in or extend loans to projects that involve building new coal-fired thermal power stations or expanding existing power generation facilities, while taking a prudent approach in considering exceptional cases in response to emergencies or in projects in line with the Japanese government's energy policy. |
| Weapons | The Group will not invest in or extend loans to companies that manufacture weapons, regardless of fund usage, in view of the inhumane nature of cluster bombs, anti-personnel landmines and biological / chemical weapons. |
| Deforestation | The Group will not invest in or extend loans to projects that involve illegal logging or forest incineration. Investment in / loan to projects whereby the fund is used for operations that involve deforestation will be considered carefully in view of their impact on the local economy and the environment. |

Indicators and targets

CO₂ emissions reduction targets

The following reduction targets are set on CO₂ emissions generated by the Group's energy use in our efforts to establish a decarbonized society.

Target

Halve CO₂ emissions by FY2030 (SCOPE 1, 2) from the FY2013 level and achieve carbon neutrality by FY2050

CO₂ emissions (SCOPE1, 2)



In FY2021, the Group reduced CO₂ emissions by 852 tons from the previous year, due partly to the introduction of CO₂-free electricity generated in Gifu Prefecture for use at Juroku Bank's head office building, which began in November. This has reduced our CO₂ emissions by 34.4% in FY2021 compared to the FY2013 level.

CO₂ emissions (SCOPE 3)

(t-CO₂)

Calculation methods for other categories will be explored for future information disclosures.

| | FY2021 |
|---------------------------------|--------|
| {Category 6} Business trips | 49 |
| {Category 7} Employee commuting | 3,135 |

Sustainable finance targets

The following targets are set on sustainable finances in order to support, through our core business, customers' initiatives for solving environmental issues and to contribute to establishing a decarbonized society.

Targets

| | |
|-------------------------------------|---|
| Target amount | ¥2 trillion (including ¥800 billion yen in the environmental field) |
| Period | 9 years (FY2022 – FY2030) |
| Target investment and lending, etc. | <ul style="list-style-type: none"> Sustainable finances Investment and lending for SDGs / ESG initiatives that contribute to building a sustainable society Environmental field Investment and lending for initiatives to reduce environmental impact |

Corporate Governance

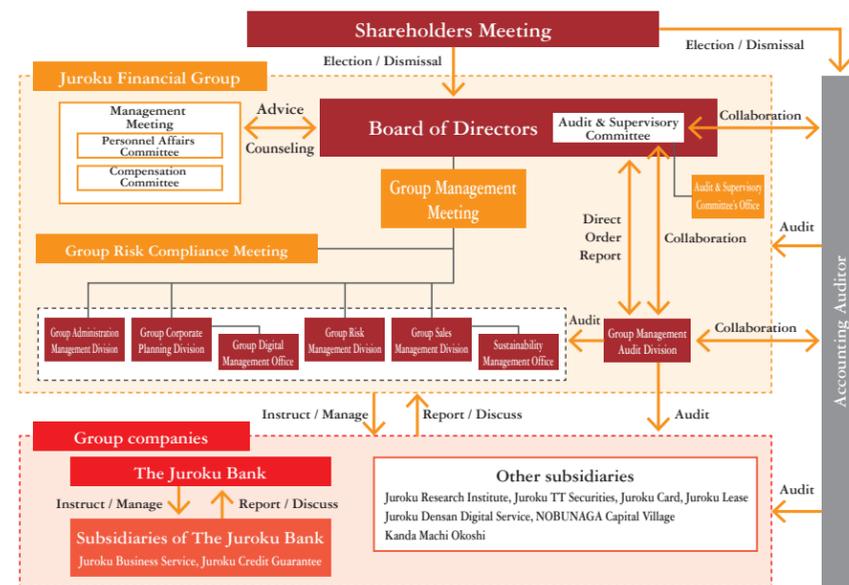
Corporate Governance System

Juroku Financial Group is a company with an Audit & Supervisory Committee, and the functions of the Board of Directors are strengthened not only in its decision-making functions, but also in its auditing and supervisory functions.

By separately electing Executive Directors and Directors who are members of the Audit & Supervisory Committee, we have enhanced the audit system of Group-wide business management and the supervision system of Executive Directors by the members of the Audit & Supervisory Committee.

In addition, we are working to further enhance our corporate governance system by monitoring the status of business execution, the status of risk management, and the compliance system of group companies, and striving to build a Group-wide business management system.

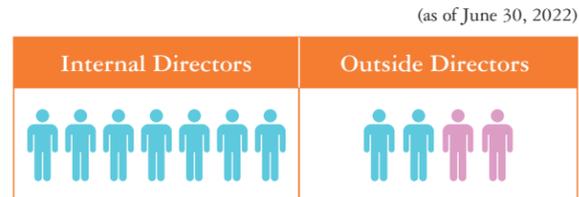
Group companies are striving for efficient business operations by preparing business plans based on Group-wide management policies, and by making prompt management decisions and speeding up business execution.



Composition of the Board of Directors

The Group strives to ensure that the Board of Directors has a well-balanced structure with diverse knowledge and expertise.

In order to enhance the objectivity and rationality of decision-making by the Board of Directors in addition to supervising management, we appoint Independent Outside Directors so that they consist of more than one-third of the total number of Directors.



Management Meeting

In order to further ensure transparency and fairness of the Board of Directors' decision-making activities, we have established the Management Advisory Board, which consists of two committees, the Personnel Affairs Committee and the Compensation Committee, as an advisory body to the Board of Directors.

Each committee is chaired by an Outside Director, and the majority of its members are Outside Directors. The Committees provide advice on the matters shown in the table on the right.

| Personnel Affairs Committee | |
|-----------------------------|--|
| 1 | Matters concerning determination of candidates for Director |
| 2 | Matters concerning selection and dismissal of Executive Directors, etc. |
| Compensation Committee | |
| 1 | Matters concerning compensation for Directors |
| 2 | Matters concerning evaluation of the effectiveness of the Board of Directors |
| 3 | Other important matters related to management |

Evaluation of the Effectiveness of the Board of Directors

The Company has all Directors conduct a self-evaluation based on a "Questionnaire regarding Effectiveness Evaluation of the Board of Directors." After compiling results of aggregating and analyzing the contents of these self-evaluations, the Board of Directors deliberate on them following a consultation with the Management Meeting, which is an advisory body to the Board of Directors.

The following is a summary of the results of the "Overall Effectiveness Evaluation of the Board of Directors" in FY2021.

As a result of aggregating and analyzing these self-evaluations, the Board of Directors of the Company confirmed that

the effectiveness of the Board of Directors has been secured by ensuring its diversity and expertise.

We will continue with our efforts to provide timely and appropriate information for the sustainable growth of the Group and the enhancement of corporate value over the medium- to long-term. Furthermore, we will fully exercise the functions of decision-making and supervision of the Board of Directors and further enhance its effectiveness, by continuously reviewing the operation of the Board of Directors with Outside Officers to hold constructive discussions.

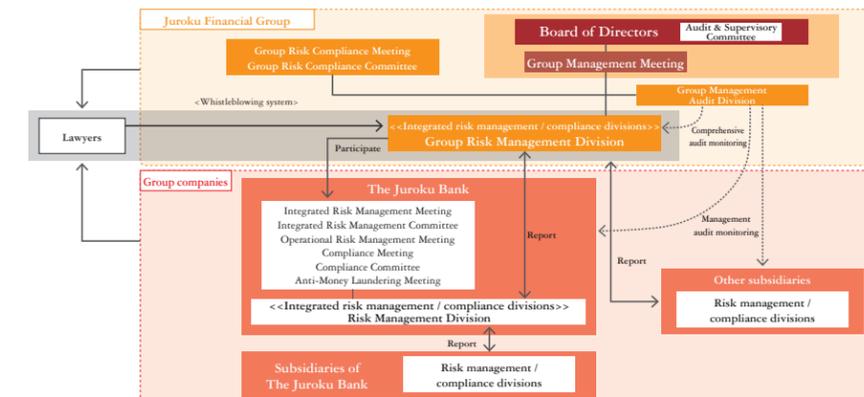
Risk Management Structure / Compliance System

Group-wide Risk Management Structure and Compliance System

We have established the Group Risk Management Division to oversee risk management and compliance, and are working to improve the risk management structure and compliance system of the Group. In addition, we have organized the Group Risk Compliance Meeting chaired by the President to grasp the

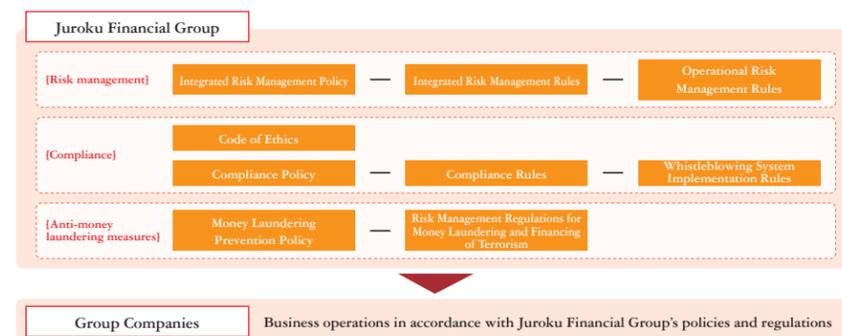
status of risk management and compliance within the Group. The Meeting holds deliberations or debates on analysis, evaluation, and improvement activities for risk management and compliance, and reports and discusses to the Board of Directors on a regular basis and on an irregular basis as necessary.

Risk management structure / compliance system



The Company positions risk management and compliance as an important duty to ensure the soundness and safety of group management, and has established policies and regulations related to risk management and compliance. Each group company has also established its own policies and regulations based on the Company's policies and regulations, and strives to conduct appropriate business.

Risk management and compliance-related policies and regulations, etc.



Risk management structure

Risk Appetite Framework

The Group has clarified the type and amount of risk to be taken appropriately as “risk appetite,” and introduced a “Risk Appetite Framework (RAF)” for business and risk management using the risk appetite as a starting point.

In order to achieve our “Vision” in the Group management philosophy, we seek to “optimize profits, risks and capital” through RAF management, and enable the pursuit of more profit opportunities and more appropriate risk control. By doing so, we are improving the effectiveness of our business strategies including management plans and comprehensive budgets.

Overview of the Risk Appetite Framework



Recognition of Top Risks

From the perspective of probability and degree of impact, the Group has chosen as top risks the “risk events that may have a significant impact on our financial position and business performance, such as disrupting our business strategy and reducing profitability approximately within the next year.” We are taking necessary measures in advance to control such risks, and striving to manage them in order to respond dynamically even if they manifest.

Top risks selected by the Board of Directors in March 2022 are as follows:

| Risk event | Risk scenario (example) |
|--|---|
| Deterioration of the global economic and financial environment due to strengthening hegemonism | <ul style="list-style-type: none"> Deterioration of the global economy, weak demand for funds, and deterioration of the business conditions of borrowers, triggered by hegemonic behavior including the Ukraine situation, the Taiwan issue, and the U.S.-China friction Pressure on deposit and loan profit due to continued ultra-low interest rate policies Fewer profit opportunities and higher credit-related costs due to deterioration of economic conditions in our operating bases, Gifu and Aichi prefectures |
| Continuous inflation and interest rate policies in the USA | <ul style="list-style-type: none"> Market fluctuation risks, such as deterioration of gain (loss) on valuation of securities due to normalization of monetary policy and interest rate hikes by the Federal Reserve Board (FRB) of the U.S. (in anticipation of midterm elections this autumn, the ruling Democratic Party is putting pressure on the FRB to raise interest rates, in order to curb inflation and restore public support.) |
| Climate change risks | <ul style="list-style-type: none"> Deterioration of borrower performance and obsolescence of business models due to abnormal weather, climate change, delayed response to decarbonization, etc. |
| Impact of the spread of COVID-19 | <ul style="list-style-type: none"> Prolonged stagnation of economic activity due to the continued COVID-19 pandemic Difficulty in maintaining business continuity |
| Large-scale disasters | <ul style="list-style-type: none"> Impact on the financial condition of the Group due to difficulty maintaining business continuity in the event of the Nankai Trough Earthquake, etc., and from the deterioration of the business performance of borrowers resulting from the ensuing turmoil in the local economy |
| Cyber-attacks | <ul style="list-style-type: none"> Functional failure, as well as large compensation for loss due to leakage of customer information or service suspension |
| Rapid progress of DX | <ul style="list-style-type: none"> Customer attrition due to further entry to other businesses, intensified competition due to the emergence of alternative services, and declining competitiveness due to delays in introducing digital services, etc. |
| Credit-related risks | <ul style="list-style-type: none"> Higher credit-related costs due to credit deterioration in real estate and other credit-intensive industries High credit-related costs being incurred due to deterioration of the business performance or bankruptcy of large borrowers Increasing credit-related costs resulting from the decline of regional industries due to their inability to change their business structure to adapt to the era |
| Personnel risks | <ul style="list-style-type: none"> Impacted sustainable growth and business strategy of the Company and workplace control confusion, resulting from accidents occurring to executive management Loss of credibility and customer attrition due to administrative sanctions such as business suspension orders by the Financial Services Agency and media reports, as a result of scandals of officers and employees Decreased productivity, difficulty in continuing professional work due to insufficient education, outflow of human resources, etc. |
| Inadequate response to antisocial forces and anti-money laundering measures | <ul style="list-style-type: none"> Loss of credibility due to transactions with antisocial forces Disciplinary actions such as business suspension orders, payment of surcharges, and deterioration of reputation due to failure in addressing money laundering and violations of various foreign exchange laws and regulations |
| Insufficient implementation of “Customer-oriented Business Operation Policy” | <ul style="list-style-type: none"> Customer attrition and administrative sanctions such as business suspension orders by the Financial Services Agency, due to inadequate customer-oriented business operations |

Integrated risk management

The Group has established the “Integrated Risk Management Rules” for the purpose of ensuring the soundness of management and building an integrated risk management system.

We comprehensively track various risks with quantification using statistical methods, and control these risks so that they are within the scope of our management abilities. The status of integrated risks is managed by the Group Risk Management Division, and reported to the Group Risk Compliance Meeting and the Group Risk Compliance Committee quarterly, as well as the Board of Directors biannually, in principle, and we have a structure to flexibly implement necessary measures such as risk control.

Credit risk management

Credit risk refers to the risk of incurring losses due to the decrease or loss of asset value caused by deterioration of the financial condition of borrowers.

As a prerequisite for credit risk management, we have established a “credit rating system” which objectively evaluates the degree of credit risk on a uniform scale. In addition to monitoring the credit risk management status of group companies and the credit concentration risk of the whole Group, we also discuss countermeasures with group companies as necessary.

Market risk management

Market risk refers to the risk of incurring losses from the fluctuation of the value of assets and liabilities, as a result of changes in various market risk factors such as interest rates, foreign exchange rates, and stocks, as well as the risk of incurring losses due to fluctuations in the income generated from assets and liabilities.

Based on our integrated risk management, our consolidated subsidiaries that engage in the banking business allocate risk capital by business (deposits and loans, cross-shareholdings, securities other than cross-shareholdings, etc.) biannually. Our consolidated subsidiaries also set position management limits (maximum investment amount or holding amount), loss amount limits, and negotiation points (levels of losses for reviewing response policies). Their divisions in charge of conducting market transactions flexibly and efficiently within these set risk limits.

Liquidity risk management

Liquidity risk refers to funding risk and market liquidity risk. Funding risk refers to the risk of difficulty in securing the necessary funds due to mismatches between investment and funding periods or unexpected outflows of funds, as well as the risk of incurring losses due to being forced to raise funds at significantly higher interest rates than usual. Market liquidity risk refers to the risk of incurring losses due to market disturbances making it impossible to trade in the market, or being forced to trade at prices that are significantly more disadvantageous than usual. We monitor the status of funding risk and liquidity risk as well as matters that affect funding, and we have established a structure to respond quickly and appropriately even under unforeseen circumstances.

Operational risks

Operational risk refers to the risk of incurring losses due to inappropriate business processes, activities of officers and employees, or systems, or external events. Each group company has established “Operational Risk Management Rules,” and classifies and manages operational risks as administrative risk, system risk, legal risk, personnel risk, fixed asset risk, and reputational risk.

For administrative and system risks, which are important categories among operational risks, we have drawn up the following sub-policies and procedures.

Administrative risk

Administrative risk refers to the risk of incurring losses because of officers or employees neglecting to perform accurate administrative work, or causing accidents, committing fraud, etc. The Group manages administrative risk through our own 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 losses 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.

The Group has established “System Risk Management Rules” in order to deal with these system risks. By ensuring the effectiveness of our system risk management system, we strive to maintain sound and appropriate group operations, and strengthen our cyber security management system.

In response to cyber security incidents that are increasingly becoming a threat, each group company has set up a CSIRT (Computer Security Incident Response Team). The CSIRT Secretariat of The Juroku Bank collaborates with the rest of the Group to stay alert in ordinary times and to promptly respond to and solve any incident.

Crisis management system

The Group places the highest priority on ensuring the safety of human lives in the event of a crisis such as a major disaster or an infectious disease epidemic. In order to continue business operations necessary to maintain the functions of the financial system, in addition to the risk management systems described above, we have established the “Rules on Business Continuity Readiness and Management” and have established an appropriate crisis management system.

Compliance system

Compliance Structure

The Company has designated the Group Risk Management Division to oversee compliance and manage the status of compliance for the entire Group.

Every fiscal year, the division formulates a Group Compliance Program, a concrete action plan for compliance, and conducts appropriate compliance risk management for the entire Group.

In addition, the Group Risk Compliance Meeting and the Group Risk Compliance Committee hold meetings regularly and as needed, to confirm that the Group is properly practicing compliance, and to deliberate and give instructions regarding the compliance system. The Group Risk Compliance Committee reports to the Board of Directors on the content of their deliberations.

Internal Reporting System

The Company has established a whistleblowing system for the entire Group. In order to detect and correct compliance violations early on, the Company and other Group companies have each set up whistleblowing contact points.

In addition to internal contact points, we are working to enhance and improve our whistleblowing system via designated external lawyers as contact points for reporting and consultation.

We have appointed a Chief Whistleblowing Officer as the general manager of the whistleblowing system, and are working to raise awareness of the whistleblowing system among officers and employees throughout the Group, while engaging in efforts to enhance the system.

In line with revisions to the Whistleblower Protection Act, we are also developing internal regulations to make it easier for officers and employees to use the internal reporting system.

Customer Protection

The Company has established a Group-wide “Customer Protection Management Policy,” and is striving to protect customers and improve convenience for the whole Group. The Juroku Bank and Juroku TT Securities have planned and announced a “Customer-oriented Business Operation Policy,” and are working to further improve the quality of their products and services from a customer-oriented perspective.

The “Customer Protection Management Policy” is aimed at protecting customers and improving convenience through the following measures.

- (1) Giving appropriate explanations and providing information on products and services to customers
- (2) Appropriately handling customer requests, consultations, inquiries, complaints, etc.
- (3) Appropriately managing customer information
- (4) Appropriately managing outsourced business
- (5) Appropriately managing conflicts of interest in order to prevent unduly infringement on the interests of customers

Designated dispute resolution organization

The Juroku Bank has concluded a basic agreement for the execution of procedures with the following designated dispute resolution organization. By involving a neutral and fair third-party

organization, we are appropriately responding to the financial ADR system, which are procedures intended for simple and swift dispute resolution without resorting to litigation.

Customer Information Management

The Company recognizes the secure management of customer information as one of its most important issues.

We are fully aware of various risks such as leakage and loss of information to external parties with regard to customer information acquired by each group company. As such, we have established the “Information Security Management Rules” to ensure proper handling of customer information, and also disclose a

“Personal Information Protection Policy” (Privacy Policy).

Based on these regulations, we have appointed a Chief Information Officer as the general manager of the protection of information assets, and designated responsible divisions according to the type of information assets, as efforts to protect information assets more effectively.

Initiatives to Prevent Money Laundering, etc.

There is a growing threat of international terrorism, and fund transfers by criminal organizations and terrorists are spreading and becoming international. As such, there is stronger international demand for financial institutions to prevent money laundering and financing of terrorism.

■ Risk management system

We have positioned the prevention of money laundering and financing of terrorism as a top management issue, and we have built an effective risk management system and are working to further enhance it.

■ Risk assessment documents

We identify and assess risks we are facing associated with money laundering and financing of terrorism, and plan “documents prepared by specified companies (risk assessment documents),” in order to implement mitigation measures commensurate with the risks.

■ Training for officers and employees

We continuously implement training for officers and employees, so that they can gain deeper knowledge and understanding regarding measures against money laundering and financing of terrorism, and improve their expertise and adaptability according to the roles of various divisions.

■ Audits on compliance status

The Audit Division conducts internal audits from an independent perspective on a regular basis and as necessary. Based on the results of these audits, we strive to further improve our systems.

Stakeholder Engagement

The Group emphasizes engagement with all stakeholders. We have progressed from taking action “for” our stakeholders to acting “with” them.

In our “Group management philosophy,” we set the “Engagement Cycle” as our Code of Conduct, with the aim of taking on the challenges faced by our customers and local communities, and resolving them together.

Board of Directors and Audit & Supervisory Board Members

The Juroku Financial Group, Inc. (as of June 30, 2022)



Yukio Murase
*Representative Director
and Chairman*



Naoki Ikeda
*Representative Director
and President*



Akihide Ishiguro
*Director and Deputy
President*



Yukiyasu Shiraki
Director



Yoshiaki Bito
Director



Hiroyuki Ota
Director

Kikuo Asano
Director

Satoko Ito
Director

Naohiko Ishikawa
Director (Audit & Supervisory Committee Member)

Shinji Ishihara
Director (Audit & Supervisory Committee Member)

Satoe Tsuge
Director (Audit & Supervisory Committee Member)

Koichi Tokoro
Managing Executive Officer

Tsutomu Niimi
Managing Executive Officer

Hirokazu Kusui
Managing Executive Officer

Eiji Kodama
Executive Officer

Fumitaka Yoshimura
Executive Officer

Hiroataka Asai
Executive Officer

Tomoatsu Kaku
Executive Officer

Consolidated Balance Sheet

The Juroku Financial Group, Inc. and Consolidated Subsidiaries March 31, 2022

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|------------------------------------|
| | 2022 | 2022 |
| ASSETS: | | |
| Cash and due from banks (Notes 6) | ¥2,135,695 | \$17,449,914 |
| Trading securities (Notes 7 and 28) | 115 | 940 |
| Money held in trust (Note 8) | 11,612 | 94,877 |
| Securities (Notes 7, 9, 13, 14 and 28) | 1,459,223 | 11,922,731 |
| Loans and bills discounted (Notes 9, 14, 28 and 29) | 4,521,824 | 36,946,025 |
| Foreign exchanges (Notes 9 and 10) | 8,861 | 72,400 |
| Lease receivables and investments in leases (Note 9, 27) | 54,544 | 445,657 |
| Other assets (Notes 9, 11, 14, 28 and 30) | 114,829 | 938,222 |
| Premises and equipment (Note 12) | 58,313 | 476,452 |
| Goodwill | 3,646 | 29,790 |
| Intangible assets | 3,758 | 30,705 |
| Asset for retirement benefits for employees (Note 18) | 14,220 | 116,186 |
| Deferred tax assets (Note 26) | 149 | 1,218 |
| Customers' liabilities for acceptances and guarantees (Note 9, 13) | 14,352 | 117,264 |
| Allowance for loan losses (Notes 3 and 28) | (25,809) | (210,875) |
| Total Assets | ¥8,375,332 | \$68,431,506 |
| LIABILITIES AND EQUITY: | | |
| Liabilities: | | |
| Deposits (Notes 14, 15 and 28) | ¥6,225,291 | \$50,864,376 |
| Negotiable certificates of deposit (Note 28) | 14,000 | 114,388 |
| Payables under repurchase agreements (Notes 14 and 28) | 133,747 | 1,092,794 |
| Payables under securities lending transactions (Note 14) | 87,538 | 715,238 |
| Borrowed money (Notes 14, 16 and 28) | 1,405,797 | 11,486,208 |
| Foreign exchanges (Note 10) | 1,595 | 13,032 |
| Other liabilities (Notes 17, 19, 27, 28 and 30) | 62,488 | 510,565 |
| Liability for retirement benefits for employees (Note 18) | 6,172 | 50,429 |
| Provision required under the Special Act | 8 | 66 |
| Deferred tax liabilities (Note 26) | 15,332 | 125,272 |
| Deferred tax liabilities for land revaluation surplus | 6,408 | 52,357 |
| Acceptances and guarantees (Note 13) | 14,352 | 117,264 |
| Total Liabilities | 7,972,728 | 65,141,989 |
| Commitments and Contingent Liabilities (Note 29) | | |
| Equity (Notes 20, 21 and 34): | | |
| Common stock: authorized, 46,000,000 shares in 2022; issued, 37,924,134 shares in 2022 | 36,000 | 294,142 |
| Capital surplus (Note 5) | 61,807 | 505,000 |
| Stock acquisition rights | 180 | 1,471 |
| Retained earnings | 238,135 | 1,945,706 |
| Treasury stock—at cost, 1,002,848 shares in 2022 | (2,221) | (18,147) |
| Accumulated other comprehensive income: | | |
| Unrealized gain on available-for-sale securities (Note 7) | 49,189 | 401,904 |
| Land revaluation surplus | 12,468 | 101,871 |
| Defined retirement benefit plans (Note 18) | 3,341 | 27,298 |
| Total | 398,899 | 3,259,245 |
| Noncontrolling interests | 3,705 | 30,272 |
| Total Equity | 402,604 | 3,289,517 |
| Total Liabilities and Equity | ¥8,375,332 | \$68,431,506 |

See notes to consolidated financial statements.

Consolidated Statement of Income

The Juroku Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2022

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|------------------------------------|
| | 2022 | 2022 |
| Income: | | |
| Interest on: | | |
| Loans and discounts | ¥ 38,333 | \$313,204 |
| Securities | 14,187 | 115,916 |
| Other | 2,168 | 17,714 |
| Fees and commissions | 22,869 | 186,854 |
| Other operating income (Note 22) | 32,156 | 262,734 |
| Other income (Note 23) | 7,654 | 62,537 |
| Total income (Note 33) | 117,367 | 958,959 |
| Expenses: | | |
| Interest on: | | |
| Deposits | 205 | 1,675 |
| Borrowings and re-discounts | 54 | 441 |
| Payables under repurchase agreements | 26 | 212 |
| Other | 33 | 270 |
| Fees and commissions | 5,758 | 47,046 |
| Other operating expenses (Note 7) | 36,207 | 295,833 |
| General and administrative expenses (Note 24) | 44,560 | 364,082 |
| Allowance for loan losses | 2,807 | 22,935 |
| Other expenses (Note 25) | 1,072 | 8,759 |
| Total expenses | 90,722 | 741,253 |
| Income before Income Taxes | 26,645 | 217,706 |
| Income Taxes (Note 26): | | |
| Current | 7,237 | 59,131 |
| Deferred | 1,721 | 14,062 |
| Total Income Taxes | 8,958 | 73,193 |
| Net Income | 17,687 | 144,513 |
| Net Income Attributable to Noncontrolling Interests | 496 | 4,052 |
| Net Income Attributable to Owners of the Parent | ¥ 17,191 | \$140,461 |
| | Yen | U.S. Dollars |
| | 2022 | 2022 |
| Per Share of Common Stock (Notes 2.t and 32): | | |
| Basic net income | ¥460.45 | \$3.76 |
| Diluted net income | 459.62 | 3.76 |
| Cash dividends applicable to the year—common stock | 120.00 | 0.98 |

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Juroku Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2022

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|------------------------------------|
| | 2022 | 2022 |
| Net income | ¥ 17,687 | \$144,513 |
| Other Comprehensive Loss (Note 31): | | |
| Unrealized loss on available-for-sale securities | (10,271) | (83,920) |
| Deferred loss on derivatives under hedge accounting | (259) | (2,116) |
| Defined retirement benefit plans | (652) | (5,327) |
| Total other comprehensive loss | (11,182) | (91,363) |
| Comprehensive Income | ¥ 6,505 | \$ 53,150 |
| Total Comprehensive Income | | |
| Attributable to: | | |
| Owners of the parent | ¥ 6,178 | \$ 50,478 |
| Noncontrolling interests | 327 | 2,672 |

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Juroku Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2022

| | 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 Gain on Derivatives under Hedge Accounting | Land Revaluation Surplus | Defined Retirement Benefit Plans | | | | |
| Balance at April 1, 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 |
| Changes due to share transfer, etc. | — | (839) | 435 | — | — | 404 | — | — | — | — | — | — | — |
| Purchase of shares of consolidated subsidiaries | — | — | 7,971 | — | — | — | — | — | — | — | 7,971 | — | 7,971 |
| Sales of shares of consolidated subsidiaries | — | — | 6 | — | — | — | — | — | — | — | 6 | — | 6 |
| Net income attributable to owners of the parent | — | — | — | — | 17,191 | — | — | — | — | — | 17,191 | — | 17,191 |
| Cash dividends, ¥105.00 per share on common stock | — | — | — | — | (3,925) | — | — | — | — | — | (3,925) | — | (3,925) |
| Transfer of land revaluation surplus | — | — | — | — | 298 | — | — | — | — | — | 298 | — | 298 |
| Purchase of treasury stock | (462) | — | — | — | — | (1,116) | — | — | — | — | (1,116) | — | (1,116) |
| Disposal of treasury stock | 10 | — | (1) | — | — | 28 | — | — | — | — | 27 | — | 27 |
| Net change in the year | — | — | — | 11 | — | (10,102) | (259) | (298) | (652) | (11,300) | (9,558) | (20,858) | |
| Balance at March 31, 2022 | 36,921 | ¥36,000 | ¥61,807 | ¥180 | ¥238,135 | ¥(2,221) | ¥ 49,189 | ¥ — | ¥12,468 | ¥3,341 | ¥398,899 | ¥ 3,705 | ¥402,604 |

| | 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 Gain on Derivatives under Hedge Accounting | Land Revaluation Surplus | Defined Retirement Benefit Plans | | | |
| Balance at April 1, 2021 | \$300,997 | \$436,277 | \$1,381 | \$1,834,880 | \$(12,558) | \$484,443 | \$ 2,116 | \$104,306 | \$32,625 | \$3,184,467 | \$108,367 | \$3,292,834 |
| Changes due to share transfer, etc. | (6,855) | 3,554 | — | — | 3,301 | — | — | — | — | — | — | — |
| Purchase of shares of consolidated subsidiaries | — | 65,128 | — | — | — | — | — | — | — | 65,128 | — | 65,128 |
| Sales of shares of consolidated subsidiaries | — | 49 | — | — | — | — | — | — | — | 49 | — | 49 |
| Net income attributable to owners of the parent | — | — | — | 140,461 | — | — | — | — | — | 140,461 | — | 140,461 |
| Cash dividends, \$0.86 per share on common stock | — | — | — | (32,070) | — | — | — | — | — | (32,070) | — | (32,070) |
| Transfer of land revaluation surplus | — | — | — | 2,435 | — | — | — | — | — | 2,435 | — | 2,435 |
| Purchase of treasury stock | — | — | — | — | (9,119) | — | — | — | — | (9,119) | — | (9,119) |
| Disposal of treasury stock | — | (8) | — | — | 229 | — | — | — | — | 221 | — | 221 |
| Net change in the year | — | — | 90 | — | (82,539) | (2,116) | (2,435) | (5,327) | (92,327) | (78,095) | (170,422) | |
| Balance at March 31, 2022 | \$294,142 | \$505,000 | \$1,471 | \$1,945,706 | \$(18,147) | \$401,904 | \$ — | \$101,871 | \$27,298 | \$3,259,245 | \$ 30,272 | \$3,289,517 |

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Juroku Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2022

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|------------------------------------|
| | 2022 | 2022 |
| OPERATING ACTIVITIES: | | |
| Income before income taxes | ¥ 26,645 | \$ 217,706 |
| Adjustments for: | | |
| Income taxes—paid | (10,532) | (86,053) |
| Income taxes—refund | 42 | 343 |
| Depreciation | 3,362 | 27,470 |
| Interest income recognized on statements of income | (54,688) | (446,834) |
| Interest expense recognized on statements of income | 318 | 2,598 |
| Net loss on securities | 4,305 | 35,174 |
| Unrealized gain on derivatives | (449) | (3,669) |
| Net decrease in allowance for loan losses | (44) | (360) |
| Net increase in asset for retirement benefits for employees | (2,764) | (22,584) |
| Net decrease in liability for retirement benefits for employees | (25) | (204) |
| Net increase in provision required under the Special Act | 3 | 25 |
| Net increase in loans | (40,674) | (332,331) |
| Net increase in deposits | 152,818 | 1,248,615 |
| Net decrease in negotiable certificates of deposit | (14,100) | (115,205) |
| Net increase in borrowed money (excluding subordinated loans) | 938,646 | 7,669,303 |
| Net decrease in due from banks (excluding cash equivalents) | 11,089 | 90,604 |
| Net increase in call money and others | 7,047 | 57,578 |
| Net decrease in money held in trust | 700 | 5,720 |
| Net increase in payables under securities lending transactions | 57,866 | 472,800 |
| Net decrease in lease receivables and investments in leases | 2,673 | 21,840 |
| Interest income—cash basis | 55,204 | 451,050 |
| Interest expense—cash basis | (371) | (3,031) |
| Other—net | (12,896) | (105,368) |
| Total adjustments | 1,097,530 | 8,967,481 |
| Net cash provided by operating activities—(Forward) | ¥1,124,175 | \$ 9,185,187 |
| INVESTING ACTIVITIES: | | |
| Purchases of securities | (513,552) | (4,196,029) |
| Proceeds from sales of securities | 489,717 | 4,001,283 |
| Proceeds from maturities of securities | 109,124 | 891,609 |
| Purchases of premises and equipment | (1,691) | (13,816) |
| Purchases of intangible assets | (1,674) | (13,678) |
| Proceeds from sales of premises and equipment | 830 | 6,781 |
| Other—net | (52) | (425) |
| Net cash provided by investing activities | 82,702 | 675,725 |
| FINANCING ACTIVITIES: | | |
| Proceeds from sales of treasury stock | 0 | 0 |
| Acquisition of treasury stock | (1,116) | (9,118) |
| Acquisition of treasury stock of subsidiaries (Note 5) | (2,928) | (23,924) |
| Dividends paid | (4,061) | (33,181) |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Note 5) | 988 | 8,073 |
| Net cash used in financing activities | (7,117) | (58,150) |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS | 9 | 74 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,199,769 | 9,802,836 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 930,918 | 7,606,160 |
| CASH AND CASH EQUIVALENTS, END OF YEAR (Note 6) | ¥2,130,687 | \$17,408,996 |

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Juroku Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2022

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 Financial Group, Inc. (the "Company") 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 ¥122.39 to \$1, the approximate rate of exchange at March 31, 2022. 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, 2022, include the accounts of the Company and its nine significant subsidiaries, including Juroku Bank, Ltd., Juroku Research Institute Co., Ltd., Juroku Card Co., Ltd., Juroku Lease Co., Ltd., Juroku Densan Digital Service Co., Ltd., NOBUNAGA Capital Village Co., Ltd., Juroku Business Service Co., Ltd., Juroku Credit Guarantee Co., Ltd., and Juroku Tokai Tokyo Securities Co., Ltd. ("Juroku TT Securities") (together, the "Group").

Due to the establishment of NOBUNAGA Capital Village Co., Ltd., it is included in the scope of consolidation of Juroku Bank, Ltd. from the fiscal year ended March 31, 2022. Since Juroku Bank, Ltd., became a wholly-owned subsidiary following the establishment of the Company, the Juroku Bank, Ltd., and its consolidated subsidiaries are included in the scope of consolidation from the fiscal year ended March 31, 2022.

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

Investments in ten 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 revalued 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 Company, 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 ¥983 million (\$8,032 thousand) as of March 31, 2022, 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 Company elected a one-time revaluation of its consolidated subsidiary's land operating as Bank 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 significantly declines 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 ¥14,043 million (\$114,740 thousand) as of March 31, 2022.

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 Company's 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 Company's policies and rules for self-assessment of asset quality.

The Company 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 and caution loans with equivalent credit risk, which are classified within normal and caution loans (hereinafter, "loans to customers who are likely to become bankrupt or to be closely monitored, etc.") 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) for loans to customers who are likely to become bankrupt or to be closely monitored, etc. and other loans, based on the loss ratios, which are based on the average of actual past loss ratios for the past three years and 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 Company 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.

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. 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.

o. Provision for Contingent Losses

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

p. 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.

q. 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.

r. 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.

s. Derivatives and Hedging Activities

The Company 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 Company 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.

t. 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.

u. Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) has been applied from the beginning of the fiscal year ended March 31, 2022, and revenue will be recognized in the amount expected to be received in exchange for the goods or services when control of the promised goods or services is transferred to a customer. The impact of this change on the consolidated financial statements is immaterial.

Application of Accounting Standards for Fair Value Measurement

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standards") has been applied from the beginning of the fiscal year ended March 31, 2022, and the Company has decided to prospectively apply the new accounting policies stipulated in the Fair Value Measurement Accounting Standards, etc. in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standards and Article 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the consolidated financial statements. In addition, in the note "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES," the Company has decided to make notes on matters such as financial instruments categorized by fair value hierarchy.

v. New Accounting Pronouncements

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The calculation of the fair value of investment trusts and the treatment of notes as well as notes on the fair value of investments in associations, etc. whose equity interests are reported on the consolidated balance sheet at a net amount were stipulated.

(2) Application date

The Company will apply the guidance from the beginning of the year ending March 31, 2023.

(3) Impact of adoption

The Company is currently assessing the impact of adopting the above guidance on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for Loan Losses

(1) Amount recorded on the consolidated financial statements in the year ended March 31, 2022

Allowance for loan losses: ¥25,809 million (\$210,875 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 and bills discounted originating from the Company's 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 continue in the current fiscal year for Juroku Bank, Ltd.

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. CHANGES IN THE ACCOUNTING ESTIMATES

Change in the method of recording allowances for loan losses

Due to the spread of the new coronavirus disease, from the fiscal year ended March 31, 2022, consolidated subsidiaries engaged in the banking business have determined that among caution loans other than loans to customers who are likely to become bankrupt or to be closely monitored, the credit risk has increased for loans to debtors who require the equivalent support of loans to customers who are likely to become bankrupt or to be closely monitored. Therefore, they have recorded expected losses equivalent to loans to customers who are likely to become bankrupt or to be closely monitored for those loans. As a result of this change in the estimate, allowance for loan losses at the end of the fiscal year ended March 31, 2022 increased by ¥1,036 million (\$8,465 thousand), and income before income taxes decreased by the same amount.

5. BUSINESS COMBINATIONS For the Year Ended March 31, 2022

Establishment of a holding company through a sole share transfer
On October 1, 2021, the Company has become a holding company through a sole share transfer of Juroku Bank, Ltd. The Company was established with the aim of expanding business areas by entering new businesses, etc., strengthening group collaboration through awareness and behavior reform among executives and employees, optimizing the allocation of group management resources, strengthening auditing and supervisory functions, and improving the speed of business execution. The Company acquired all of the shares of the consolidated subsidiaries, Juroku Research Institute Co., Ltd. and Juroku Computer Service Co., Ltd. (trade name was changed to Juroku Densan Digital Service Co., Ltd. on March 1, 2022), among the subsidiary shares held by Juroku Bank, Ltd., which is a wholly-owned subsidiary of the Company, as of October 1, 2021 through a transfer of shares from Juroku Bank, Ltd., and these two companies are directly owned by the Company.

In addition, the Company acquired all of the shares of the consolidated subsidiaries, Ltd., Juroku Tokai Tokyo Securities Co., Ltd., Juroku Card Co., Ltd., Juroku Lease Co., Ltd. and Nobunaga Capital Village Co., Ltd., and all of the Company's shares among the subsidiary shares held by the Juroku Bank, Ltd. as of October 1, 2021 using the method of receiving dividends in kind from the Juroku Bank, Ltd., and these four companies are directly owned by the Company. The Company's shares held by the Juroku Bank, Ltd. are allocated and issued with the same number of the Company's common shares to one treasury share held by the Juroku Bank, Ltd. at the time of the enforcement of the share transfer and are promptly disposed of in accordance with the provisions of laws and regulations.

The transaction was accounted for as a transaction 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."

Acquisition of Treasury Stock by Consolidated Subsidiaries

On October 1, 2021, the Company has acquired part of the treasury stock which are owned by noncontrolling interests, in exchange for cash in the amount of ¥1,549 million (\$12,657 thousand). This transaction was made to perform flexible implementation of capital measures in response to changes in the business environment and strengthen the governance and increase profitability of the Juroku Card Co., Ltd. and Juroku Credit Guarantee Co., Ltd. The transaction was accounted for as a transaction with noncontrolling interests 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." The Company has recognized an increase of capital surplus in the amount of ¥4,005 million (\$32,723 thousand) for the year ended March 31, 2022.

Acquisition of Treasury Stock by Consolidated Subsidiaries

On December 20, 2021, the Company has acquired part of the treasury stock which are owned by noncontrolling interests, in exchange for cash in the amount of ¥1,379 million (\$11,267 thousand). This transaction was made to perform flexible implementation of capital measures in response to changes in the business environment and strengthen the governance and increase profitability of the Juroku Lease Co., Ltd. The transaction was accounted for as a transaction with noncontrolling interests 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." The Company has recognized an increase of capital surplus in the amount of ¥3,966 million (\$32,405 thousand) for the year ended March 31, 2022.

Sale of Stocks of Consolidated Subsidiary

At a meeting of the Board of Directors held on February 24, 2022, the Company resolved to partially sell the shares of Juroku Computer Service Co., Ltd. (trade name was changed to Juroku Densan Digital Service Co., Ltd. on March 1, 2022), a consolidated subsidiary of the Company,

to Densan System Holdings Co., Ltd., and partially sold the shares in exchange for cash on March 1, 2022. The aim of this transaction is to contribute to the digitalization and promotion of DX in regional companies and government and to the advancement of the Group's DX capabilities by combining the foundations and networks in the group's business areas with the capabilities of solution proposal of Densan System Holdings Co., Ltd. The transaction was accounted for as a transaction 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." The Company has recognized an increase of capital surplus in the amount of ¥6 million (\$49 thousand) for the year ended March 31, 2022.

6. CASH AND DUE FROM BANKS

Cash and due from banks as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|----------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Cash | ¥ 61,604 | \$ 503,342 |
| Due from banks | 2,074,091 | 16,946,572 |
| Total | ¥ 2,135,695 | \$17,449,914 |

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 year ended March 31, 2022 was as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Cash and due from banks | ¥2,135,695 | \$17,449,914 |
| Due from banks other than the Bank of Japan | (5,008) | (40,918) |
| Cash and cash equivalents | ¥2,130,687 | \$17,408,996 |

7. TRADING SECURITIES AND SECURITIES

Trading securities as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Japanese government bonds | ¥ 87 | \$711 |
| Japanese local government bonds | 28 | 229 |
| Total | ¥115 | \$940 |

The Company records net valuation gains and losses as other operating income and expenses, respectively. For the year ended March 31, 2022, the Company recorded net valuation losses of ¥2 million (\$16 thousand).

Securities as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Equity securities | ¥ 138,421 | \$ 1,130,983 |
| Japanese government bonds | 204,739 | 1,672,841 |
| Japanese local government bonds | 549,054 | 4,486,102 |
| Japanese corporate bonds | 273,266 | 2,232,748 |
| Other securities | 293,743 | 2,400,057 |
| Total | ¥1,459,223 | \$11,922,731 |

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥62,738 million (\$512,607 thousand) as of March 31, 2022 were included in Japanese government bonds.

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2022 was as follows:

| March 31, 2022 | Millions of Yen | | | |
|----------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 45,695 | ¥88,138 | ¥ 1,465 | ¥132,368 |
| Debt securities | 971,548 | 1,232 | 8,516 | 964,264 |
| Other | 287,099 | 1,453 | 11,045 | 277,507 |
| Held-to-maturity—debt securities | 62,795 | 281 | 216 | 62,860 |

| March 31, 2022 | Thousands of U.S. Dollars | | | |
|----------------------------------|---------------------------|------------------|-------------------|-------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | \$ 373,356 | \$720,140 | \$11,970 | \$1,081,526 |
| Debt securities | 7,938,132 | 10,066 | 69,581 | 7,878,617 |
| Other | 2,345,771 | 11,872 | 90,244 | 2,267,399 |
| Held-to-maturity—debt securities | 513,073 | 2,296 | 1,765 | 513,604 |

Proceeds from sales of available-for-sale securities for the year ended March 31, 2022 consisted of the following:

| March 31, 2022 | Millions of Yen | | |
|---------------------------------|-----------------|----------------|-----------------|
| | Proceeds | Realized Gains | Realized Losses |
| Equity securities | ¥ 33,305 | ¥6,643 | ¥ 197 |
| Debt securities: | | | |
| Japanese government bonds | 43,318 | 196 | 151 |
| Japanese local government bonds | 16,137 | 34 | 29 |
| Japanese corporate bonds | 43,612 | 26 | — |
| Other | 339,947 | 1,845 | 12,121 |
| Total | ¥476,319 | ¥8,744 | ¥12,498 |

| March 31, 2022 | Thousands of U.S. Dollars | | |
|---------------------------------|---------------------------|----------------|-----------------|
| | Proceeds | Realized Gains | Realized Losses |
| Equity securities | \$ 272,122 | \$54,277 | \$ 1,610 |
| Debt securities: | | | |
| Japanese government bonds | 353,934 | 1,602 | 1,234 |
| Japanese local government bonds | 131,849 | 278 | 237 |
| Japanese corporate bonds | 356,336 | 212 | — |
| Other | 2,777,572 | 15,075 | 99,035 |
| Total | \$3,891,813 | \$71,444 | \$102,116 |

In addition, held-to-maturity securities amounting to ¥21 million (\$172 thousand) were reclassified as available-for-sale securities due to a decline in the issuer's credit worthiness as of March 31, 2022. The effect of these reclassifications on the accompanying consolidated financial statements was immaterial.

Securities other than trading securities (excluding those securities that do not have a market price and investments in partnerships) 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, 2022, was ¥33 million (\$270 thousand), which consisted of ¥17 million (\$139 thousand) of equity securities and ¥16 million (\$131 thousand) of debt securities.

Unrealized gain on available-for-sale securities as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Unrealized gain before deferred tax on: | | |
| Available-for-sale securities | ¥ 69,914 | \$ 571,240 |
| Money held in trust—other | 12 | 98 |
| Deferred tax liabilities | (20,736) | (169,426) |
| Unrealized gain on available-for-sale securities before interest adjustments | 49,190 | 401,912 |
| Noncontrolling interests | (1) | (8) |
| Unrealized gain on available-for-sale securities | ¥ 49,189 | \$ 401,904 |

Unrealized gain before deferred tax on available-for-sale securities includes ¥490 million (\$4,004 thousand) of revaluation gain on available-for-sale securities as of March 31, 2022, which is held by an investment limited partnership and similar groups.

Investments in and advances to subsidiaries and associated companies as of March 31, 2022 were ¥840 million (\$6,863 thousand).

8. MONEY HELD IN TRUST

Information regarding money held in trust for trading purposes as of March 31, 2022 was as follows:

| | Carrying Amount | |
|---|-----------------|---------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| | 2022 | 2022 |
| Money held in trust classified as trading purpose | ¥ 6,000 | \$49,024 |
| Money held in trust—other | 5,612 | 45,853 |
| Total | ¥11,612 | \$94,877 |

9. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2022 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------|-----------------|--------------|---------------------------|
| | 2022 | 2022 | |
| Bills discounted | ¥ 12,026 | \$ 98,260 | |
| Loans on bills | 88,196 | 720,614 | |
| Loans on deeds | 4,078,798 | 33,326,236 | |
| Overdrafts | 337,839 | 2,760,348 | |
| Others | 4,965 | 40,567 | |
| Total | ¥ 4,521,824 | \$36,946,025 | |

Loans under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions are as follows: Loans are corporate bonds in "Securities" on the consolidated balance sheet (guaranteed for all or part of the redemption of the principal and payment of interest, and the issuance of such bonds is limited to private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange, accrued interest and advance payments in "Other Assets", etc., as well as securities recorded in each account, such as customers' liabilities for acceptances and guarantee, and securities (limited to those under use leases or lease agreements) in the case of lending of securities that are to be noted.

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Loans under bankruptcy/rehabilitation or similar proceedings | ¥ 12,288 | \$ 100,400 |
| Doubtful loans | 56,831 | 464,344 |
| Loans requiring management | 2,262 | 18,482 |
| Accruing loans past due three months or more | 19 | 155 |
| Restructured loans | 2,243 | 18,327 |
| Normal loans | 4,613,945 | 37,698,709 |
| Total | ¥4,685,326 | \$ 38,281,935 |

“Loans under bankruptcy/rehabilitation or similar proceedings” are loans against borrowers who have fallen into bankruptcy due to reasons such as the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, or the application for the commencement of rehabilitation proceedings, and the commencement of rehabilitation proceedings, as well as similar loans.

“Doubtful loans” are claims in which the debtor has not yet reached a state of bankruptcy, but whose financial position and operating results have deteriorated and there is a high possibility that the principal of the receivables and interest cannot be collected in accordance with the contract. Loans under bankruptcy/rehabilitation or similar proceedings are excluded from doubtful loans.

“Accruing loans past due three months or more” are defined as loans and bills discounted for which principal or interest is past due more than three months from the date following the prescribed payment date. Loans under bankruptcy/rehabilitation or similar proceedings and doubtful loans are excluded from accruing loans past due three months or more.

“Restructured loans” are defined as loans and bills discounted in which the Company 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 under bankruptcy/rehabilitation or similar proceedings, doubtful loans and accruing loans past due three months or more are excluded from restructured loans.

“Normal loans” are those that do not have any particular problems with the financial position and operating results of the borrower and classified other than loans under bankruptcy/rehabilitation or similar proceedings, doubtful loans, accruing loans past due three months or more and restructured loans.

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, 2022 were ¥12,363 million (\$101,013 thousand).

Changes in Presentation

In accordance with the Cabinet Office Ordinance Partially Amending the Enforcement Regulations of the Banking Act, etc. (Cabinet Office Ordinance No. 3 of January 24, 2020) that came into effect on March 31, 2022, the classification of “risk management loans” under the Banking Act is presented in accordance with the classification of disclosure loans based on the Act on Emergency Measures for the Revitalization of Financial Functions.

10. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Assets: | | |
| Due from foreign correspondent account | ¥7,952 | \$64,973 |
| Foreign bills of exchange bought | 337 | 2,753 |
| Foreign bills of exchange receivable | 572 | 4,674 |
| Total | ¥8,861 | \$72,400 |
| Liabilities: | | |
| Due to foreign correspondent account | ¥1,165 | \$ 9,519 |
| Foreign bills of exchange payable | 430 | 3,513 |
| Total | ¥1,595 | \$13,032 |

11. OTHER ASSETS

Other assets as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|-------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Accrued income | ¥ 4,338 | \$ 35,444 |
| Accounts receivable | 11,016 | 90,007 |
| Installment receivables | 18,256 | 149,163 |
| Derivative assets | 6,995 | 57,153 |
| Other | 74,224 | 606,455 |
| Total | ¥114,829 | \$938,222 |

12. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Land | ¥43,437 | \$354,906 |
| Building | 10,576 | 86,412 |
| Construction in progress | 3 | 25 |
| Other | 4,297 | 35,109 |
| Total | ¥58,313 | \$476,452 |

The accumulated depreciation of premises and equipment as of March 31, 2022 amounted to ¥62,558 million (\$511,137 thousand).

13. 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 Company'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 Company offsets customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥62,847 million (\$513,498 thousand) arising from guarantees of private placement securities as of March 31, 2022.

14. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Assets pledged as collateral: | | |
| Securities | ¥ 884,605 | \$ 7,227,756 |
| Loans and bills discounted | 1,187,313 | 9,701,062 |
| Other assets | 94 | 768 |
| Total | ¥2,072,012 | \$ 16,929,586 |
| Relevant liabilities to above assets: | | |
| Deposits | ¥ 105,140 | \$ 859,057 |
| Payables under repurchase agreements | 133,747 | 1,092,794 |
| Payables under securities lending transactions | 87,538 | 715,238 |
| Borrowed money | 1,384,230 | 11,309,993 |
| Total | ¥1,710,655 | \$13,977,082 |

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 |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Initial margins of future markets | ¥ 2,215 | \$ 18,098 |
| Cash collateral received for financial instruments liabilities | 3,489 | 28,507 |
| Guarantee deposits | 1,884 | 15,393 |
| Initial margins of Central Counterparty | 36,345 | 296,961 |
| Total | ¥43,933 | \$358,959 |

15. DEPOSITS

Deposits as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Current deposits | ¥ 442,580 | \$ 3,616,145 |
| Ordinary deposits | 3,673,361 | 30,013,571 |
| Deposits at notice | 48,122 | 393,186 |
| Savings deposits | 99,790 | 815,344 |
| Time deposits | 1,892,701 | 15,464,507 |
| Other deposits | 68,737 | 561,623 |
| Total | ¥6,225,291 | \$50,864,376 |

16. BORROWED MONEY AND LEASE OBLIGATION

Borrowed money and lease obligation as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Borrowings due serially to December 2026 with weighted average interest rates of 0.00% in 2022 | ¥1,405,797 | \$11,486,208 |
| Lease obligation | — | — |

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, 2022 were as follows:

| As of March 31, 2022 Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| 2023 | ¥1,227,702 | \$10,031,065 |
| 2024 | 113,770 | 929,569 |
| 2025 | 62,475 | 510,458 |
| 2026 | 1,435 | 11,725 |
| 2027 | 415 | 3,391 |
| 2028 and thereafter | — | — |
| Total | ¥1,405,797 | \$11,486,208 |

There was no lease obligation as of March 31, 2022.

17. OTHER LIABILITIES

Other liabilities as of March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Domestic exchange settlement account, credit* | ¥ 158 | \$ 1,291 |
| Income taxes payable | 3,005 | 24,553 |
| Accrued expenses | 1,168 | 9,543 |
| Deferred income | 17,496 | 142,953 |
| Derivative liabilities | 10,674 | 87,213 |
| Accounts payable | 7,382 | 60,315 |
| Other | 22,605 | 184,697 |
| Total | ¥62,488 | \$510,565 |

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

18. RETIREMENT AND PENSION PLANS

The consolidated subsidiary engaged in banking business (the "Bank"), has a contributory funded defined benefit pension plan, lump-sum payment severance plan for employees and defined contribution pension plan. The Bank contributed certain assets to the employee retirement benefit trust for its contributory funded defined benefit pension plan and the assets in this trust are qualified as plan assets. Certain subsidiaries other than above 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.

(1) The changes in defined benefit obligation for the year ended March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Balance at beginning of year | ¥41,803 | \$341,556 |
| Current service cost | 1,491 | 12,182 |
| Interest cost | 141 | 1,152 |
| Actuarial losses | 99 | 809 |
| Benefits paid | (2,184) | (17,845) |
| Balance at end of year | ¥41,350 | \$337,854 |

(2) The changes in plan assets for the year ended March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Balance at beginning of year | ¥47,992 | \$392,123 |
| Expected return on plan assets | 1,440 | 11,766 |
| Actuarial gains | 919 | 7,509 |
| Contributions from the employer | 695 | 5,678 |
| Benefits paid | (1,648) | (13,465) |
| Balance at end of year | ¥49,398 | \$403,611 |

(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, 2022 was as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Funded defined benefit obligation | ¥ 35,178 | \$ 287,425 |
| Plan assets | (49,398) | (403,611) |
| | (14,220) | (116,186) |
| Unfunded defined benefit obligation | 6,172 | 50,429 |
| Net asset arising from defined benefit obligation | ¥ (8,048) | \$ (65,757) |

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Liability for retirement benefits for employees | ¥ 6,172 | \$ 50,429 |
| Asset for retirement benefits for employees | (14,220) | (116,186) |
| Net asset arising from defined benefit obligation | ¥ (8,048) | \$ (65,757) |

(4) The components of net periodic benefit costs for the year ended March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Service cost | ¥ 1,491 | \$ 12,182 |
| Interest cost | 141 | 1,152 |
| Expected return on plan assets | (1,440) | (11,766) |
| Recognized actuarial gains | (282) | (2,304) |
| Past service cost | (1,469) | (12,002) |
| Net periodic benefit costs | ¥(1,559) | \$ (12,738) |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|-------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Past service cost | ¥(1,469) | \$ (12,002) |
| Actuarial gains | 539 | 4,404 |
| Total | ¥ (930) | \$ (7,598) |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Unrecognized past service cost | ¥(1,836) | \$ (15,001) |
| Unrecognized actuarial gains | (2,931) | (23,948) |
| Total | ¥(4,767) | \$ (38,949) |

(7) Plan assets

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

| | 2022 |
|------------------------------------|------|
| Debt investments | 26% |
| Equity investments | 44 |
| General account for life insurance | 17 |
| Others | 13 |
| Total | 100% |

Note: The retirement benefit trust that contributed to the pension plan is included in the plan assets and constitutes 20% of the total plan assets as of March 31, 2022.

(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 year ended March 31, 2022 were set forth as follows:

| | 2022 |
|--|--------|
| Discount rate: | |
| Lump-sum payment | 0.084% |
| Pension plan | 0.382 |
| Expected rate of return on plan assets | 3.000 |

The amount to be paid to defined contribution pension plan was ¥373 million (\$3,048 thousand) for the year ended March 31, 2022.

19. 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 year ended March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| | 2022 | 2022 |
| Balance at beginning of year | ¥203 | \$1,658 |
| Reconciliation associated with passage of time | 4 | 33 |
| Balance at end of year | ¥207 | \$1,691 |

20. 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 Juroku Bank, Ltd.'s legal reserve amount, which is included in retained earnings, totals ¥20,155 million (\$164,678 thousand) as of March 31, 2022.

21. STOCK OPTIONS

The stock options outstanding as of March 31, 2022 are as follows:

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|------------------|--|---------------------------|---------------|----------------|---|
| 1st Stock Option | 11 directors (Juroku Bank, Ltd.) | 2,780 shares | 2013.7.23 | ¥ 1 (\$0.01) | From October 1, 2021 to July 23, 2043 |
| 2nd Stock Option | 11 directors (Juroku Bank, Ltd.) | 6,240 shares | 2014.7.23 | ¥ 1 (\$0.01) | From October 1, 2021 to July 23, 2044 |
| 3rd Stock Option | 10 directors (Juroku Bank, Ltd.) | 3,600 shares | 2015.7.23 | ¥ 1 (\$0.01) | From October 1, 2021 to July 23, 2045 |
| 4th Stock Option | 7 directors 8 executive officers (Juroku Bank, Ltd.) | 5,200 shares | 2016.7.22 | ¥ 1 (\$0.01) | From October 1, 2021 to July 22, 2046 |
| 5th Stock Option | 7 directors 8 executive officers (Juroku Bank, Ltd.) | 6,100 shares | 2017.7.21 | ¥ 1 (\$0.01) | From October 1, 2021 to July 21, 2047 |
| 6th Stock Option | 7 directors 9 executive officers (Juroku Bank, Ltd.) | 8,530 shares | 2018.7.23 | ¥ 1 (\$0.01) | From October 1, 2021 to July 23, 2048 |
| 7th Stock Option | 7 directors 9 executive officers (Juroku Bank, Ltd.) | 13,100 shares | 2019.7.23 | ¥ 1 (\$0.01) | From October 1, 2021 to July 23, 2049 |
| 8th Stock Option | 6 directors 9 executive officers (Juroku Bank, Ltd.) | 15,900 shares | 2020.7.22 | ¥ 1 (\$0.01) | From October 1, 2021 to July 22, 2050 |
| 9th Stock Option | 6 directors 3 executive officers (the Company) 6 directors 12 executive officers (Juroku Bank, Ltd.) | 29,470 shares | 2021.12.23 | ¥ 1 (\$0.01) | From December 24, 2021 to December 23, 2051 |

Note: The 1st to 8th Stock Option are the rights issued by the Company to the holders of stock option rights issued by the Juroku Bank, Ltd. due to the establishment of the Company through the sole share transfer of the Juroku Bank, Ltd.

The stock option activity is as follows:

| Year Ended March 31, 2022 | 1st Stock | 2nd Stock | 3rd Stock | 4th Stock | 5th Stock |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Option | Option | Option | Option | Option |
| Non-vested | | | | | |
| March 31, 2021—Outstanding | — | — | — | — | — |
| Granted | 2,780 | 6,240 | 3,600 | 5,200 | 6,100 |
| Canceled | — | — | — | — | — |
| Vested | 2,780 | 6,240 | 3,600 | 5,200 | 6,100 |
| March 31, 2022—Outstanding | — | — | — | — | — |
| Vested | | | | | |
| March 31, 2021—Outstanding | — | — | — | — | — |
| Vested | 2,780 | 6,240 | 3,600 | 5,200 | 6,100 |
| Exercised | — | — | — | — | — |
| Canceled | — | — | — | — | — |
| March 31, 2022—Outstanding | 2,780 | 6,240 | 3,600 | 5,200 | 6,100 |
| Exercise price | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) |
| Average stock price at exercise | — | — | — | — | — |
| Fair value price at grant date | ¥3,650 (\$29.82) | ¥3,200 (\$26.15) | ¥4,640 (\$37.91) | ¥2,390 (\$19.53) | ¥3,170 (\$25.90) |
| Year Ended March 31, 2022 | | | | | |
| Non-vested | | | | | |
| March 31, 2021—Outstanding | — | — | — | — | — |
| Granted | 8,530 | 13,100 | 15,900 | 29,470 | — |
| Canceled | — | — | — | — | — |
| Vested | 8,530 | 13,100 | 15,900 | 16,840 | — |
| March 31, 2022—Outstanding | — | — | — | 12,630 | — |
| Vested | | | | | |
| March 31, 2021—Outstanding | — | — | — | — | — |
| Vested | 8,530 | 13,100 | 15,900 | 16,840 | — |
| Exercised | 540 | 710 | 790 | — | — |
| Canceled | — | — | — | — | — |
| March 31, 2022—Outstanding | 7,990 | 12,390 | 15,110 | 16,840 | — |
| Exercise price | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) | ¥ 1 (\$0.01) | — |
| Average stock price at exercise | ¥2,112 (\$17.26) | ¥2,112 (\$17.26) | ¥2,112 (\$17.26) | — | — |
| Fair value price at grant date | ¥2,587 (\$21.14) | ¥2,068 (\$16.90) | ¥1,670 (\$13.64) | ¥1,748 (\$14.28) | — |

Note: For the 1st to 8th Stock Options, the fair valuation rate as of the initial date granted by the Juroku Bank, Ltd. is described.

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

| (1) Estimate method: Black-Scholes option pricing model | 1st Stock | 2nd Stock | 3rd Stock | 4th Stock | 5th Stock |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
| | Option | Option | Option | Option | Option |
| (2) Main basic amount and the method of estimation | | | | | |
| Volatility of stock price (%): | 30.795 | 30.872 | 30.851 | 29.674 | 31.781 |
| Estimated remaining outstanding period (years): | 5.9 | 9.2 | 8.7 | 5.6 | 5.1 |
| Estimated dividend (per share): | ¥70 (\$0.57) | ¥70 (\$0.57) | ¥70 (\$0.57) | ¥70 (\$0.57) | ¥70 (\$0.57) |
| Risk free interest rate (%): | 0.322 | 0.484 | 0.328 | (0.337) | (0.052) |
| 6th Stock 7th Stock 8th Stock 9th Stock | | | | | |
| Option Option Option Option | | | | | |
| Volatility of stock price (%): | 32.072 | 32.063 | 31.476 | 34.594 | — |
| Estimated remaining outstanding period (years): | 4.3 | 4.2 | 3.6 | 4.3 | — |
| Estimated dividend (per share): | ¥70 (\$0.57) | ¥70 (\$0.57) | ¥70 (\$0.57) | ¥100 (\$0.82) | — |
| Risk free interest rate (%): | (0.116) | (0.229) | (0.153) | (0.096) | — |

22. OTHER OPERATING INCOME

Other operating income for the year ended March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Gains on sales of Japanese government bonds and other | ¥ 1,730 | \$ 14,135 |
| Income on lease transaction and installment receivables | 24,811 | 202,721 |
| Other | 5,615 | 45,878 |
| Total | ¥32,156 | \$262,734 |

23. OTHER INCOME

Other income for the year ended March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Gain on sales of stock and other securities | ¥7,013 | \$57,300 |
| Other | 641 | 5,237 |
| Total | ¥7,654 | \$62,537 |

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Salaries and wages | ¥18,359 | \$150,004 |
| Commission fee | 4,706 | 38,451 |
| Other | 21,495 | 175,627 |
| Total | ¥44,560 | \$364,082 |

25. OTHER EXPENSE

Other expense for the year ended March 31, 2022 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Loss on sales of stock and other securities | ¥ 461 | \$3,767 |
| Write-down of stock and other securities | 21 | 172 |
| Other | 590 | 4,820 |
| Total | ¥1,072 | \$8,759 |

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 year ended March 31, 2022.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities as of March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Deferred tax assets: | | |
| Allowance for loan losses | ¥ 6,672 | \$ 54,514 |
| Write-down of securities | 6,671 | 54,506 |
| Liability for retirement benefits for employees | 1,851 | 15,124 |
| Depreciation | 1,274 | 10,409 |
| Other | 2,102 | 17,175 |
| Less: valuation allowance | (8,435) | (68,919) |
| Total | 10,135 | 82,809 |
| Deferred tax liabilities: | | |
| Unrealized gain on available-for-sale securities | (20,736) | (169,425) |
| Net defined benefit asset | (2,198) | (17,959) |
| Gain on contribution of available-for-sale securities to employees' retirement benefit trusts | (955) | (7,803) |
| Other | (1,429) | (11,676) |
| Total | (25,318) | (206,863) |
| Net deferred tax liabilities | ¥(15,183) | \$(124,054) |

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2022 was as follows:

| | 2022 |
|---|---------|
| Normal effective statutory tax rate | 29.92% |
| Expenses not deductible for income tax purposes | 1.12 |
| Income not taxable for income tax purposes | (20.81) |
| Per capita tax | 0.26 |
| Net change in valuation allowance | 13.87 |
| Elimination of dividend income | 3.51 |
| Consolidated adjustment for gains on sale of shares of subsidiaries | 4.32 |
| Other—net | 1.41 |
| Actual effective tax rate | 33.61% |

27. LEASES

Finance Leases

(Lessee)

A subsidiary leases certain premises.

There was no rental expense including lease payments under the finance leases for the year ended March 31, 2022.

(Lessor)

A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|------------------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Gross lease receivables | ¥53,339 | \$435,812 |
| Unguaranteed residual values | 1,353 | 11,055 |
| Deferred interest income | (4,449) | (36,351) |
| Total | ¥50,243 | \$410,516 |

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, 2022 Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| 2023 | ¥1,362 | \$11,128 |
| 2024 | 1,158 | 9,462 |
| 2025 | 835 | 6,822 |
| 2026 | 503 | 4,110 |
| 2027 | 310 | 2,533 |
| 2028 and thereafter | 456 | 3,726 |
| Total | ¥4,624 | \$37,781 |

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, 2022 Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| 2023 | ¥14,992 | \$122,494 |
| 2024 | 12,489 | 102,043 |
| 2025 | 9,687 | 79,148 |
| 2026 | 6,786 | 55,446 |
| 2027 | 4,231 | 34,570 |
| 2028 and thereafter | 5,154 | 42,111 |
| Total | ¥53,339 | \$435,812 |

Operating Leases

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Due within one year | ¥ 241 | \$ 1,969 |
| Due after one year | 1,430 | 11,684 |
| Total | ¥1,671 | \$13,653 |

(Lessor)

Expected future rental revenues under operating leases as of March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------|-----------------|---------------------------|
| | 2022 | 2022 |
| Due within one year | ¥ 474 | \$3,873 |
| Due after one year | 598 | 4,886 |
| Total | ¥1,072 | \$8,759 |

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.

In the core banking business, in addition to procurement through the acceptance of deposits, the Group raises funds through borrowings and other means, manage loans with a focus on business loans and housing loans, and manage securities investment with a focus on bonds.

In this way, since the Group has financial assets and liabilities mainly with interest rate fluctuations, the Group conducts comprehensive management of assets and liabilities (ALM) so that adverse effects from interest rate fluctuations do not occur. As part of this, the Group also conducts derivative transactions.

(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.

(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. Integrated risk is managed by the Group Risk Supervisory Division and is reported generally quarterly to the Group Risk Compliance Meeting and Group Risk Compliance Committee and generally semiannually to the Board of Directors' meetings. Necessary actions such as risk control are taken promptly.

Credit risk management

Credit risk refers to the risk of incurring losses due to a decrease or loss in the value of assets as a result of deterioration in the financial situation of a creditor.

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 discusses countermeasures with the Group companies as necessary in addition to monitoring the status of credit risk management at the Group companies and the risk of credit concentration throughout the Group.

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

Market risk refers to the risk that the value of assets and liabilities will fluctuate due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stocks, and the risk of incurring losses due to fluctuations in the earnings generated from assets and liabilities.

Under integrated risk management, the consolidated subsidiaries engaged in banking business semi-annually allocate risk capital to each business (deposit, loan, investment securities and other securities) and establish a cap on the investment amount and a maximum loss amount and matter to be discussed (level of loss to be re-examined) and department in charge handles market transactions within these risk limits expeditiously and effectively.

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 ¥22,170 million (\$181,142 thousand) in aggregate as of March 31, 2022.

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 ¥42,442 million (\$346,777 thousand) in aggregate as of March 31, 2022.

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 ¥39,326 million (\$321,317 thousand) in aggregate as of March 31, 2022.

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

Liquidity risk refers to cash flow risk and market liquidity risk. Cash flow risk refers to the risk of incurring losses due to a mismatch between the investment and funding periods or an unexpected outflow of funds, which makes it difficult to secure the necessary funds, or due to being forced to raise funds at a significantly higher interest rate than usual. Market liquidity risk refers to the risk of incurring losses due to the inability to trade in the market due to market turmoil or other factors or being forced to trade at a significantly more disadvantageous price than usual. The Company monitors the status of cash flow and liquidity risk and matters affecting cash flow and has established a system to respond promptly and accurately even if an unforeseen situation occurs.

(4) Financial Instruments Categorized by Fair Value Hierarchy

Fair values of financial instruments are calculated based on certain assumptions; therefore, fair values may vary according to the assumptions used.

The amount recorded on the consolidated balance sheet, market value, the difference between these, and the market value for each level are as follows. Shares without market prices and investment in partnerships are not included in the following table.

The fair value of financial instruments is categorized into the following three levels according to the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2: Fair values measured by using observable inputs other than Level 1 inputs.

Level 3: Fair values measured by using unobservable inputs.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) Financial instruments measured at fair value:

| | Millions of Yen | | | |
|--|-----------------|-----------|---------|------------|
| | Carrying Amount | | | |
| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
| Securities (available-for-sale securities) | ¥318,463 | ¥945,113 | ¥ 28 | ¥1,263,604 |
| Japanese equity securities | 129,724 | 2,644 | — | 132,368 |
| Japanese government bonds | 186,434 | 18,305 | — | 204,739 |
| Japanese local government bonds | — | 549,054 | — | 549,054 |
| Japanese corporate bonds | — | 210,443 | 28 | 210,471 |
| Other securities | 2,305 | 164,667 | — | 166,972 |
| Total assets | ¥318,463 | ¥945,113 | ¥ 28 | ¥1,263,604 |
| Derivative transactions | — | ¥ (3,664) | ¥ (15) | ¥ (3,679) |
| Interest-related transaction | — | 350 | — | 350 |
| Currency-related transaction | — | (4,014) | — | (4,014) |
| Credit derivative transaction | — | — | (15) | (15) |

| | Thousands of U.S. Dollars | | | |
|--|---------------------------|-------------|----------|--------------|
| | Carrying Amount | | | |
| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
| Securities (available-for-sale securities) | \$2,602,034 | \$7,722,142 | \$ 229 | \$10,324,405 |
| Japanese equity securities | 1,059,923 | 21,603 | — | 1,081,526 |
| Japanese government bonds | 1,523,278 | 149,563 | — | 1,672,841 |
| Japanese local government bonds | — | 4,486,101 | — | 4,486,101 |
| Japanese corporate bonds | — | 1,719,446 | 229 | 1,719,675 |
| Other securities | 18,833 | 1,345,429 | — | 1,364,262 |
| Total assets | \$2,602,034 | \$7,722,142 | \$ 229 | \$10,324,405 |
| Derivative transactions | — | \$ (29,937) | \$ (123) | \$ (30,060) |
| Interest-related transaction | — | 2,860 | — | 2,860 |
| Currency-related transaction | — | (32,797) | — | (32,797) |
| Credit derivative transaction | — | — | (123) | (123) |

(*1) Investment trusts to which the transitional measures stated in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the above table. The amount of the investment trusts on the consolidated balance sheet is ¥110,535 million (\$903,138 thousand).

(*2) Derivative transactions recorded in other assets and liabilities are presented collectively. Net receivables and liabilities arising from derivative transactions are presented in net amounts, and items that constitute net liabilities in total are presented in parentheses.

(b) Financial instruments other than those measured at fair value:

Cash and due from Banks, negotiable certificates of deposit, payables under repurchase agreements and payables under securities lending transactions are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, the notes are omitted.

| | Millions of Yen | | | | Carrying Amount | Difference |
|---|-----------------|------------|------------|------------|-----------------|------------|
| | Fair Value | | | | | |
| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total | | |
| Securities (held-to-maturity—debt securities) | — | — | ¥ 62,860 | ¥ 62,860 | ¥ 62,795 | ¥ 65 |
| Corporate bonds | — | — | — | — | 4,521,824 | — |
| Loans and bills discounted | — | — | — | — | (24,429) | — |
| Reserve for possible loan losses | — | — | 4,510,646 | 4,510,646 | 4,497,395 | 13,251 |
| Total assets | — | — | ¥4,573,506 | ¥4,573,506 | ¥4,560,190 | ¥13,316 |
| Deposits | — | ¥6,225,324 | — | ¥6,225,324 | ¥6,225,291 | ¥ 33 |
| Borrowed money | — | 1,405,773 | — | 1,405,773 | 1,405,797 | (24) |
| Total liabilities | — | ¥7,631,097 | — | ¥7,631,097 | ¥7,631,088 | ¥ 9 |

| | Thousands of U.S. Dollars | | | | Carrying Amount | Difference |
|---|---------------------------|--------------|--------------|--------------|-----------------|------------|
| | Fair Value | | | | | |
| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total | | |
| Securities (held-to-maturity—debt securities) | — | — | \$ 513,604 | \$ 513,604 | \$ 513,073 | \$ 531 |
| Corporate bonds | — | — | — | — | 36,946,025 | — |
| Loans and bills discounted | — | — | — | — | (199,600) | — |
| Reserve for possible loan losses | — | — | 36,854,694 | 36,854,694 | 36,746,425 | 108,269 |
| Total assets | — | — | \$37,368,298 | \$37,368,298 | \$37,259,498 | \$108,800 |
| Deposits | — | \$50,864,646 | — | \$50,864,646 | \$50,864,376 | \$ 270 |
| Borrowed money | — | 11,486,012 | — | 11,486,012 | 11,486,208 | (196) |
| Total liabilities | — | \$62,350,658 | — | \$62,350,658 | \$62,350,584 | \$ 74 |

* Allowances for general doubtful accounts and allowances for individual doubtful accounts corresponding to loans are deducted.

(Note 1) Explanation of evaluation techniques used for the measurement of market value and inputs related to the measurement of market value

Assets Securities

Securities whose unadjusted quoted prices in active markets are available are categorized as Level 1. This mainly includes listed stocks and government bonds.

Securities whose quoted prices are not considered to be in active markets due to low market transactions are categorized as level 2. This mainly includes Japanese local government bonds and corporate bonds.

When the quoted price is not available, the fair value is measured by using valuation techniques such as the discounted present value method of future cash flows. The Company makes maximum use of observable inputs for valuation techniques, which include TIBOR, prepayment rate, credit spread, bankruptcy probability, and bankruptcy loss rate. Securities whose fair values are measured by using significant unobservable inputs are categorized as Level 3.

Loans and Bills Discounted

The fair values of loans are measured by discounting the total amount of principal and interest at a discount rate that reflects credit risk, etc. in the market interest rate for each type of loan, internal rating, and classification based on period. 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. 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 discounted 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 fair value approximates the carrying amount. The fair value is classified as a level 3 fair value.

Liabilities Deposits

For demand deposits, the amount payable immediately on demand as of the consolidated balance sheet date 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 market interest rate. For the deposits and negotiable certificates of deposits with the repayment period within one year, the fair value approximates the carrying amount due to their short-term maturities. The fair value is classified as a level 2 fair value.

Borrowed Money

For borrowed money, the present value is calculated by discounting the total principal and interest of the borrowings divided into certain periods by the interest rate that is taken into account the remaining term of the borrowing and credit risk. 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 Company and its consolidated subsidiaries has not changed significantly since inception. Also, for borrowed money that mature within one year, the fair value approximates the carrying amount due to its short-term maturities. The fair value is classified as a level 2 fair value.

Derivatives

Derivatives whose unadjusted quoted prices in active markets are available are categorized as Level 1. This mainly includes transactions of bond futures and interest rate futures.

However, since most derivatives transactions are over-the-counter transactions and there is no published quoted price, the fair value is calculated using valuation techniques such as the discounted present value method and the Black Scholes model according to the type of transaction and the period until maturity. The main inputs used in these valuation techniques are interest rates, exchange rates, volatility, etc. If unobservable inputs are not used or their effects are not significant, they are classified as Level 2, and include plain vanilla interest rate swap transactions, foreign exchange contract transactions, etc. Derivatives whose fair values are measured by using significant unobservable inputs are categorized as level 3.

(Note 2) Information about Level 3 of financial instruments measured at fair value

(1) Quantitative information on significant unobservable inputs

| Categories | Valuation techniques | Significant unobservable inputs | Scope of inputs | Weighted average of inputs |
|--|----------------------------------|--|--------------------------------|----------------------------|
| Securities (available-for-sale securities) | | | | |
| Corporate bonds | Discounted cash flow method (*1) | Probability of bankruptcy Loss rate at the time of bankruptcy | 4.7% - 33.6% 20.0% - 100.0% | 24.5% 66.7% |

(*1) For some corporate bonds, the estimated amount of loan losses is calculated based on the estimated amount of collateral and guarantees, etc. and the fair value is the amount obtained by deducting the estimated amount of loan losses from the corporate bond value.

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period

| | Millions of Yen | | | |
|---|-------------------------------|---------|-------------------------|-------------------------------------|
| | Securities Available-for-sale | | Derivative transactions | |
| | Corporate bonds | Others | Corporate bonds | Credit derivative transactions (*4) |
| March 31, 2022 | | | | |
| Beginning balance | ¥ 181 | ¥ 4,002 | | — |
| Profit or loss or other comprehensive income for the period | | | | |
| Recorded in profit or loss (*1) | (11) | — | | ¥(16) |
| Recorded in other comprehensive income (*2) | 2 | (2) | | — |
| Purchases, sales, issuances, and settlements | (165) | (4,000) | | — |
| Transfer into Level 3 (*3) | 21 | — | | — |
| Transfer out of Level 3 | — | — | | — |
| Ending balance | ¥ 28 | ¥ — | | ¥(16) |
| Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1) | | | | ¥(15) |

| | Thousands of U.S. Dollars | | | |
|---|-------------------------------|-----------|-------------------------|-------------------------------------|
| | Securities Available-for-sale | | Derivative transactions | |
| | Corporate bonds | Others | Corporate bonds | Credit derivative transactions (*4) |
| March 31, 2022 | | | | |
| Beginning balance | \$ 1,479 | \$ 32,698 | | — |
| Profit or loss or other comprehensive income for the period | | | | |
| Recorded in profit or loss (*1) | (90) | — | | \$(131) |
| Recorded in other comprehensive income (*2) | 16 | (16) | | — |
| Purchases, sales, issuances, and settlements | (1,348) | (32,682) | | — |
| Transfer into Level 3 (*3) | 172 | — | | — |
| Transfer out of Level 3 | — | — | | — |
| Ending balance | \$ 229 | \$ — | | \$(131) |
| Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1) | | | | \$(123) |

(*1) Included in "Other operating income" and "Other operating expenses" in the Consolidated Statement of Income.

(*2) Included in the "Unrealized gain (loss) on available-for-sale securities" under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income.

(*3) These are privately placed guaranteed bonds held by the Bank, and due to the significant deterioration in the credit condition of the issuer of the bonds, the holding classification of the bond has been changed from held -to-maturity to available-for-sale.

(*4) Net receivables, payables, profits and losses arising from derivatives transactions are presented as net amounts, and items that constitute net payables and losses in total are presented in parentheses.

(3) A description of valuation processes used for fair value measurements The risk management division of the Group has established policies and procedures for measuring fair value, and each trading division measures fair value following the policies and procedures. A risk management division verifies whether the fair value obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy.

In measuring fair value, the Company uses a valuation model that most appropriately reflects the nature, characteristics and risks of each asset. In addition, when using quoted prices obtained from third parties, the Company verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

(4) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of the corporate bonds are probability of bankruptcy and loss rate at the time of bankruptcy. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for probability of bankruptcy is accompanied by a directionally similar change in the assumption used for loss rate at the time of bankruptcy.

(Note 3) Securities, etc. that do not have a market price and investment in partnerships are as follows and are not included in "Securities (available-for-sale securities)" in the table of financial instruments measured at fair value.

| | Carrying Amount | |
|---|-----------------|---------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| | 2022 | 2022 |
| Securities, etc. that do not have a market price (*1, *2) | ¥ 6,114 | \$ 49,955 |
| Investment in partnerships (*3) | 16,174 | 132,151 |
| Total | ¥22,288 | \$182,106 |

(*1) Securities, etc. that do not have a market price are not subject to fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) Impairment loss of ¥5 million (\$41 thousand) is recorded for unlisted equity securities for the year ended March 31, 2022.

(*3) Investments in partnerships are not subject to fair value disclosure in accordance with Article 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note4) Maturity Analysis for Financial Assets, Securities and Financial Liabilities with Contractual Maturities

| | 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 |
| March 31, 2022 | | | | |
| Securities: | | | | |
| Held-to-maturity securities: | | | | |
| Debt securities— Japanese corporate bonds | ¥ 15,496 | ¥ 40,550 | ¥ 6,607 | ¥ 142 |
| Available-for-sale securities with contractual maturities: | | | | |
| Debt securities: | | | | |
| Japanese government bonds | 2,400 | 15,000 | 135,000 | 54,000 |
| Japanese local government bonds | 8,649 | 123,345 | 418,550 | 200 |
| Japanese corporate bonds | 14,670 | 38,268 | 50,139 | 106,019 |
| Other | 5,472 | 86,856 | 42,534 | 138,813 |
| Loans and bills discounted * | 796,069 | 1,201,325 | 922,044 | 1,526,135 |
| Total | ¥842,756 | ¥1,505,344 | ¥1,574,874 | ¥1,825,309 |

| | 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 |
| March 31, 2022 | | | | |
| Deposits | ¥5,762,350 | ¥462,936 | ¥5 | — |
| Borrowed money | 1,227,702 | 178,095 | — | — |
| Total | ¥6,990,052 | ¥641,031 | ¥5 | — |

| | 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 |
| March 31, 2022 | | | | |
| Securities: | | | | |
| Held-to-maturity securities: | | | | |
| Debt securities— Japanese corporate bonds | \$ 126,612 | \$ 331,318 | \$ 53,983 | \$ 1,160 |
| Available-for-sale securities with contractual maturities: | | | | |
| Debt securities: | | | | |
| Japanese government bonds | 19,609 | 122,559 | 1,103,031 | 441,213 |
| Japanese local government bonds | 70,668 | 1,007,803 | 3,419,806 | 1,634 |
| Japanese corporate bonds | 119,863 | 312,672 | 409,666 | 866,239 |
| Other | 44,709 | 709,666 | 347,528 | 1,134,186 |
| Loans and bills discounted * | 6,504,363 | 9,815,549 | 7,533,655 | 12,469,442 |
| Total | \$6,885,824 | \$12,299,567 | \$12,867,669 | \$14,913,874 |

| | 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 |
| March 31, 2022 | | | | |
| Deposits | \$47,081,869 | \$3,782,466 | \$41 | — |
| Borrowed money | 10,031,065 | 1,455,143 | — | — |
| Total | \$57,112,934 | \$5,237,609 | \$41 | — |

* Loans and bills discounted whose cash flows cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans amounting to ¥66,403 million (\$542,552 thousand) as of March 31, 2022 and loans and bills discounted with no contractual maturities, amounting to ¥9,849 million (\$80,472 thousand) as of March 31, 2022 are not included.

Please see Note 16 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, 2022 were ¥1,307,876 million (\$10,686,134 thousand). Multi-purpose accounts included in the unused open commitments as of March 31, 2022 were ¥535,278 million (\$4,373,544 thousand). The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2022 were ¥1,227,145 million (\$10,026,514 thousand).

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, 2022

| March 31, 2022 | 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 | ¥ 10,320 | ¥ 10,320 | ¥ 226 | ¥ 226 |
| Variable rate receipt, fixed rate payment | 10,320 | 10,320 | 124 | 124 |
| Over-the-counter: | | | | |
| Currency-related contracts: | | | | |
| Currency swap | 282,396 | 282,396 | (2,679) | (1,612) |
| Foreign exchange forward: | | | | |
| Sell | 43,565 | 83 | (2,557) | (2,557) |
| Buy | 20,946 | — | 1,225 | 1,225 |
| Currency option: | | | | |
| Sell | 79,180 | 53,384 | (4,195) | 1,115 |
| Buy | 81,120 | 54,997 | 4,192 | (377) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |
| Over-the-counter: | | | | |
| Credit derivative contracts: | | | | |
| Credit default options | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |
| Credit default swap | | | | |
| Sell | — | — | — | — |
| Buy | 711 | 711 | (15) | (15) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |

| March 31, 2022 | 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 | \$ 84,321 | \$ 84,321 | \$ 1,847 | \$ 1,847 |
| Variable rate receipt, fixed rate payment | 84,321 | 84,321 | 1,013 | 1,013 |
| Over-the-counter: | | | | |
| Currency-related contracts: | | | | |
| Currency swap | 2,307,345 | 2,307,345 | (21,889) | (13,171) |
| Foreign exchange forward: | | | | |
| Sell | 355,952 | 678 | (20,892) | (20,892) |
| Buy | 171,141 | — | 10,009 | 10,009 |
| Currency option: | | | | |
| Sell | 646,948 | 436,179 | (34,276) | 9,110 |
| Buy | 662,799 | 449,359 | 34,251 | (3,080) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |
| Over-the-counter: | | | | |
| Credit derivative contracts: | | | | |
| Credit default options | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |
| Credit default swap | | | | |
| Sell | — | — | — | — |
| Buy | 5,809 | 5,809 | (123) | (123) |
| Other: | | | | |
| Sell | — | — | — | — |
| Buy | — | — | — | — |

Notes:

- Derivative transactions are valued at market and the gains/losses are recognized in the consolidated statement of income.
- There were no transactions applicable for stock-related contracts, bond-related contracts, and commodities for the year ended March 31, 2022.

Derivative Transactions to Which Hedge Accounting Is Applied as of March 31, 2022

There were no derivative transactions to which hedge accounting is applied as of March 31, 2022.

31. COMPREHENSIVE INCOME

The components of other comprehensive loss for the year ended March 31, 2022 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Unrealized loss on available-for-sale securities: | | |
| Gains arising during the year | ¥(18,050) | \$(147,479) |
| Reclassification adjustments to profit or loss | 3,447 | 28,164 |
| Amount before income tax effect | (14,603) | (119,315) |
| Income tax effect | 4,332 | 35,395 |
| Total | (10,271) | (83,920) |
| Deferred loss on hedges: | | |
| Adjustments arising during the year | (124) | (1,013) |
| Reclassification adjustments to profit or loss | (245) | (2,002) |
| Amount before income tax effect | (369) | (3,015) |
| Income tax effect | 110 | 899 |
| Total | (259) | (2,116) |
| Defined retirement benefit plans: | | |
| Adjustments arising during the year | 821 | 6,708 |
| Reclassification adjustments to profit or loss | (1,751) | (14,307) |
| Amount before income tax effect | (930) | (7,599) |
| Income tax effect | 278 | 2,272 |
| Total | (652) | (5,327) |
| Total other comprehensive loss | ¥(11,182) | \$ (91,363) |

32. PER SHARE INFORMATION

a. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2022 was as follows:

| Year Ended March 31, 2022 | 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 | ¥17,191 | | | |
| Amount not attributable to common shareholders | — | | | |
| Basic EPS—Net income available to common shareholders | 17,191 | 37,335 | ¥460.45 | \$3.76 |
| Effect of dilutive securities—Stock acquisition rights | | 68 | | |
| | | 68 | | |
| Diluted EPS—Net income for computation | ¥17,191 | 37,403 | ¥459.62 | \$3.76 |

Since the Company was established on October 1, 2021 through a sole share transfer, the average number of shares of its common stock during the period from April 1, 2021 to September 30, 2021 prior to the establishment of the Company was calculated using the average number of shares during the period of the Juroku Bank, Ltd., and it was calculated using the average number of shares of the Company during the period from October 1, 2021 to March 31, 2022.

b. Net Assets per Share

Net assets per share as of March 31, 2022 were ¥10,799.18 (\$88.24).

Net assets per share of common stock as of March 31, 2022 were calculated based on the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| | 2022 | 2022 |
| Total net assets | ¥402,604 | \$3,289,517 |
| Deductions from total net assets: | | |
| Stock acquisition rights | 180 | 1,471 |
| Noncontrolling interests | 3,705 | 30,272 |
| Net assets attributable to common stock at the end of the fiscal year | ¥398,719 | \$3,257,774 |
| 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) | 36,921 | |

33. REVENUE RECOGNITION

Disaggregation of revenue from contracts with customers

Information regarding disaggregation of revenue from contracts with customers for the year ended March 31, 2022 is as follows.

| March 31, 2022 | Millions of Yen | | | | |
|-----------------------------|--------------------|---------|----------|---------|----------|
| | Reportable Segment | | | Other | Total |
| | Banking | Lease | Total | | |
| Interest income | ¥54,588 | ¥ 195 | ¥ 54,783 | ¥ 2,971 | ¥ 57,754 |
| Fees and commissions | 18,590 | — | 18,590 | 5,928 | 24,518 |
| Deposit and Lending Service | 3,288 | — | 3,288 | — | 3,288 |
| Foreign exchanges service | 4,054 | — | 4,054 | — | 4,054 |
| Securities-related service | 2,836 | — | 2,836 | 1,856 | 4,692 |
| Guarantee service | 1,993 | — | 1,993 | 118 | 2,111 |
| Credit card service | — | — | — | 2,471 | 2,471 |
| Other operating income | 4,425 | 26,360 | 30,785 | 1,934 | 32,719 |
| Other income | 9,087 | 1,615 | 10,702 | 438 | 11,140 |
| Income | ¥86,690 | ¥28,170 | ¥114,860 | ¥11,271 | ¥126,131 |

| March 31, 2022 | Millions of U.S. Dollars | | | | |
|-----------------------------|--------------------------|-----------|-----------|----------|-------------|
| | Reportable Segment | | | Other | Total |
| | Banking | Lease | Total | | |
| Interest income | \$446,017 | \$ 1,593 | \$447,610 | \$24,275 | \$ 471,885 |
| Fees and commissions | 151,891 | — | 151,891 | 48,435 | 200,326 |
| Deposit and Lending Service | 26,865 | — | 26,865 | — | 26,865 |
| Foreign exchanges service | 33,124 | — | 33,124 | — | 33,124 |
| Securities-related service | 23,172 | — | 23,172 | 15,165 | 38,337 |
| Guarantee service | 16,284 | — | 16,284 | 964 | 17,248 |
| Credit card service | — | — | — | 20,190 | 20,190 |
| Other operating income | 36,155 | 215,377 | 251,532 | 15,802 | 267,334 |
| Other income | 74,246 | 13,196 | 87,442 | 3,579 | 91,021 |
| Income | \$708,309 | \$230,166 | \$938,475 | \$92,091 | \$1,030,566 |

*1. The above table also includes revenue based on the ASBJ statement No. 10 “Accounting Standards for Financial Instruments.”

*2. “Other” refers to business segments that are not included in the reporting segment, such as financial instruments transactions, credit card service, and computer-related service.

*3. The difference between the “total” amount in the above table and the amount recorded in the consolidated statement of income is mainly the elimination of intersegment transactions.

34. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On May 12, 2022, the Board of Directors resolved an appropriation of retained earnings as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Year-end cash dividends— ¥70.00 (\$0.57) per share on common stock | ¥2,584 | \$21,113 |

Establishment of a Subsidiary

At the Board of Directors meeting held on March 29, 2022, the Company resolved to establish a wholly-owned subsidiary of Kanda Machiokoshi Co., Ltd., and established the company on April 1, 2022.

1. Purpose of establishment

The Company has set forth the “Regional Commitment Strategy” as one of the pillars of its management plan and has been working on improving the attractiveness of the region and supporting the resolution of issues as priority measures.

The Company will establish a subsidiary within the Group that plays a central role in regional revitalization as a banking company in other industries (*) to expand our business domains, further promote total design and consulting for regional revitalization, and contribute to the fulfillment of our responsibilities for the sustainable growth of the region and regional revitalization.

(*) Banking companies in other industries: A subsidiary of a bank holding company stipulated in Article 52-23, Paragraph 1, Item 14 of the Banking Act

2. Overview of a subsidiary

| | |
|---|--|
| (1) Name | Kanda Machiokoshi Co., Ltd., Kyowa No.2 Building, 6-11-1 Kandamachi, Gifu City |
| (2) Address | |
| (3) Business description | Consulting services related to regional revitalization |
| (4) Established | April 1, 2022 |
| (5) Capital | ¥80 million (\$654 thousand) |
| (6) Major shareholders and shareholding ratio | The Juroku Financial Group, Inc. 99% Music Securities Co., Ltd. 1% |

35. 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

(1) Method for determining the 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 provides banking services-based comprehensive financial services and leasing business. The Group consists of two reportable segments: banking business and lease business.

(2) Types of products and services belonging to each reportable segment

The banking business is operated by the Juroku Bank, Ltd. 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 Juroku Bank, Ltd. In addition, consolidated subsidiaries operate credit guarantee business and supplement the banking business.

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

(3) Matters regarding changes, etc. to the reporting segments

From the fiscal year ended March 31, 2022, in accordance with the establishment of the Company and the reorganization within the Group, the business segment of Juroku Credit Guarantee Co., Ltd., which was previously included in “Other,” has been changed to “Banking”.

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

| 2022 | Millions of Yen | | | | | | |
|--|--------------------|---------|-----------|----------|-----------|-----------------|--------------|
| | Reportable Segment | | | Other | Total | Reconciliations | Consolidated |
| | Banking | Lease | Total | | | | |
| Ordinary income: | | | | | | | |
| (1) Outside customers | ¥ 84,313 | ¥26,201 | ¥ 110,514 | ¥ 6,836 | ¥ 117,350 | — | ¥ 117,350 |
| (2) Intersegment transactions | 2,377 | 1,969 | 4,346 | 4,435 | 8,781 | ¥ (8,781) | — |
| Total | ¥ 86,690 | ¥28,170 | ¥ 114,860 | ¥ 11,271 | ¥ 126,131 | ¥ (8,781) | ¥ 117,350 |
| Segment profit | ¥ 26,941 | ¥ 1,958 | ¥ 28,899 | ¥ 4,248 | ¥ 33,147 | ¥ (6,348) | ¥ 26,799 |
| Segment assets | 8,305,412 | 82,273 | 8,387,685 | 336,250 | 8,723,935 | (348,603) | 8,375,332 |
| Other: | | | | | | | |
| Depreciation | 2,564 | 532 | 3,096 | 139 | 3,235 | 127 | 3,362 |
| Amortization of goodwill | 245 | — | 245 | 207 | 452 | — | 452 |
| Interest income | 54,588 | 195 | 54,783 | 2,971 | 57,754 | (3,066) | 54,688 |
| Interest expense | 250 | 190 | 440 | 16 | 456 | (138) | 318 |
| Allowance for loan losses | 2,376 | 369 | 2,745 | 62 | 2,807 | — | 2,807 |
| Increase in premises and equipment and intangible assets | 2,879 | 336 | 3,215 | 105 | 3,320 | 46 | 3,366 |

| 2022 | Thousands of U.S. Dollars | | | | | | |
|--|---------------------------|-----------|------------|-----------|--------------|-----------------|--------------|
| | Reportable Segment | | | Other | Total | Reconciliations | Consolidated |
| | Banking | Lease | Total | | | | |
| Ordinary income: | | | | | | | |
| (1) Outside customers | \$ 688,888 | \$214,078 | \$ 902,966 | \$ 55,854 | \$ 958,820 | — | \$ 958,820 |
| (2) Intersegment transactions | 19,421 | 16,088 | 35,509 | 36,237 | 71,746 | \$ (71,746) | — |
| Total | \$ 708,309 | \$230,166 | \$ 938,475 | \$ 92,091 | \$ 1,030,566 | \$ (71,746) | \$ 958,820 |
| Segment profit | \$ 220,124 | \$ 15,998 | \$ 236,122 | \$ 34,709 | \$ 270,831 | \$ (51,867) | \$ 218,964 |
| Segment assets | 67,860,217 | 672,220 | 68,532,437 | 2,747,365 | 71,279,802 | (2,848,296) | 68,431,506 |
| Other: | | | | | | | |
| Depreciation | 20,949 | 4,347 | 25,296 | 1,136 | 26,432 | 1,038 | 27,470 |
| Amortization of goodwill | 2,002 | — | 2,002 | 1,691 | 3,693 | — | 3,693 |
| Interest income | 446,017 | 1,593 | 447,610 | 24,275 | 471,885 | (25,051) | 446,834 |
| Interest expense | 2,043 | 1,552 | 3,595 | 131 | 3,726 | (1,128) | 2,598 |
| Allowance for loan losses | 19,413 | 3,015 | 22,428 | 507 | 22,935 | — | 22,935 |
| Increase in premises and equipment and intangible assets | 23,523 | 2,745 | 26,268 | 858 | 27,126 | 376 | 27,502 |

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 and computer services.
- 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.
- NOBUNAGA Capital Village Co., Ltd., newly established on April 1, 2021, and the Company newly established on October 1, 2021, are included in “Other.”

d. Associated Information

(1) Information about services

| 2022 | Millions of Yen | | | | |
|-------------------|-----------------|---------------------|---------|---------|----------|
| | Lending Service | Securities Services | Leasing | Other | Total |
| Ordinary income— | | | | | |
| Outside customers | ¥40,206 | ¥22,930 | ¥26,066 | ¥28,148 | ¥117,350 |

| 2022 | Thousands of U.S. Dollars | | | | |
|-------------------|---------------------------|---------------------|-----------|-----------|-----------|
| | Lending Service | Securities Services | Leasing | Other | Total |
| Ordinary income— | | | | | |
| Outside customers | \$328,507 | \$187,352 | \$212,975 | \$229,986 | \$958,820 |

(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

There was no impairment loss by reportable segment for the year ended March 31, 2022.

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

| 2022 | Millions of Yen | | | | |
|----------------------------|-----------------|-------|-------|-----------------------|-------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Amortization of goodwill | ¥ 245 | — | ¥ 207 | — | ¥ 452 |
| Goodwill at March 31, 2022 | 2,141 | — | 1,505 | — | 3,646 |
| Gain on negative goodwill | — | — | — | — | — |

| 2022 | Thousands of U.S. Dollars | | | | |
|----------------------------|---------------------------|-------|----------|-----------------------|----------|
| | Banking | Lease | Other | Elimination/Corporate | Total |
| Amortization of goodwill | \$ 2,002 | — | \$ 1,691 | — | \$ 3,693 |
| Goodwill at March 31, 2022 | 17,493 | — | 12,297 | — | 29,790 |
| 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 Juroku Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Juroku Financial Group, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, 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, 2022, 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 Group positions banking as its core business and has a consolidated subsidiary that operates their banking business (the "Banking Subsidiary"). The Banking Subsidiary provides lending services to local government, general corporate, and individual customers.</p> <p>As there is a risk of loan losses in the lending business as a result of loans becoming uncollectible in whole or in part due to borrowers' bankruptcy or other reasons, an allowance for loan losses has been established to account for such losses.</p> <p>As of March 31, 2022, the Group recorded loans and bills discounted of ¥4,521,624 million and allowance for loan losses of ¥25,809 million against these loans and bills discounted on the consolidated balance sheet.</p> <p>The Banking Subsidiary 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>In the Banking Subsidiary's self-assessment of asset quality, debtors are classified based on a comprehensive consideration of the following factors: the debtor's repayment ability as evidenced by its financial position, cash flows and earnings ability, the forecast for the debtor's 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.</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, on which the classification determination of those debtors is based, 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 management's 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 Banking Subsidiary 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 Group'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 a highly uncertain environment by comparing the assumptions with available external information, such as reports published by external organizations. |

| | |
|--|---|
| <p>In particular, the assessment of the reasonableness and feasibility of debtors' business improvement plans, on which the classification determination of some debtors is based and 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 Group assumed that the effect of the spread of the coronavirus (COVID-19) infection on the economy would continue through 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 a relatively higher degree of uncertainty and subjective judgment.</p> <p>If the debtor classification is determined incorrectly due to these subjective judgments, 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 Banking Subsidiary as the basis for the determination and available external information about trends of the industries in which the debtors operate. Specifically, we evaluated such forecasts by determining whether projected sales were at attainable levels by referencing 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 aforementioned forecasts of sales and costs included in their business improvement plans. |
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Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee is 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.

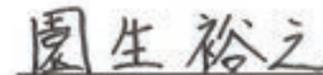
We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

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



Hiroyuki Sono
Designated Engagement Partner
Certified Public Accountant



Haruhisa Suzuki
Designated Engagement Partner
Certified Public Accountant



Yoshihiro Ishihara
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

October 12, 2022

Corporate Data

(as of March 31, 2022)

Date of Establishment:

October 1877

Authorized Shares:

46,000 thousand shares

Shares of Common Stock Issued and Outstanding:

37,924 thousand shares

Stock Listed:

First Sections of the Tokyo and Nagoya Stock Exchanges

Paid-in Capital:

¥36,839 million

Number of Common Stock Shareholders:

17,912

Number of Employees:

2,705

10 Principal Shareholders:

The Master Trust Bank of Japan (Trust)

Custody Bank of Japan, Ltd. (Trust)

Juroku Bank Employee Stockholding Association

Fuji Baking Group

Meiji Yasuda Life Insurance Company

MUFG Bank, Ltd.

Sompo Japan Insurance Inc.

Seino Holdings Co., Ltd.

The Bank of Nagoya, Ltd.

Nippon Life Insurance Company

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(as of June 30, 2022)

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SWIFT Address: JUROJJP T

Head of Office
Hiroyuki Kawase

Overseas Network

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Chief Representative
Hiroyasu Kawahata

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Foreign Exchange
Business

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JUROKU Financial Group