

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 re-rated 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	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 pre-scribed 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.,	
(2) Address	Kyowa No.2 Building, 6-11-1 Kandamachi, Gifu City	
(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. Music Securities Co., Ltd.	99% 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.