



# **THE IYO BANK, LTD.** **Annual Report 2021**

Year ended March 31, 2021



# *The Region's Best Partner for Creating a Prosperous, Dynamic and Bright Future*

Founded in 1878, The Iyo Bank, Ltd. is a regional financial services institution boasting a solid operating base centered on the four prefectures of Shikoku and the seven prefectures surrounding the Seto Inland Sea. With branches in Tokyo and Nagoya as well, we are Japan's No.1 regional bank in terms of broad regional coverage. In recent years, we have also enhanced our network of overseas bases primarily in the ASEAN region to support the international business expansion of our clients. We at Iyo Bank are working to be the region's best partner for creating a prosperous, dynamic and bright future by offering friendly and trustworthy financial services to customers.

## *Corporate Credo*

*1 Creating a bright and prosperous future for the region*

*2 Offering the best service and being worthy of people's trust*

*3 Rendering our best service with gratitude in our hearts*

### Contents

|   |    |
|---|----|
| Our Operating Area .....                                  | 2  |
| Message from the President .....                          | 4  |
| Our Vision and Plan .....                                 | 8  |
| Efforts for SDGs .....                                    | 9  |
| Corporate Governance / Compliance / Risk Management ..... | 11 |
| Financial Section .....                                   | 14 |
| Corporate Data / Directory .....                          | 57 |

#### Forward-Looking Statements:

Statements contained in this report concerning plans, predictions, and strategies to improve future performance ("Forward-Looking Statements") are based information currently available to the Bank's management, and inevitably involve a certain element of risk and uncertainty.



Cover Photos (from the top):  
Shikoku Karst in summer  
Recommended citrus in Ehime  
Matsuyama Castle with spring flowers





## THE IYO BANK, LTD.

### Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514

URL: <https://www.iyobank.co.jp/>



### Year of Foundation

1878

### Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)

3,071

### Number of Branches

(As of March 31, 2021)

150 (Domestic 149, Foreign 1)

## Global Network

Our global network comprehensively supports our clients' overseas business endeavors.

We support our customers' efforts to globalize their businesses through trade operations, the establishment of local corporations and fund procurement by leveraging our network of three overseas sites consisting of the Singapore branch and two representative offices in Shanghai and Hong Kong.

Our overseas network also involves business alliances and cooperations with banks, etc., in China, India, Indonesia, Mexico, Singapore, Philippines, Taiwan, Thailand, U.S.A. and Vietnam (as of March 31, 2021).

Bangkok, Thailand

Dalian, China

Hanoi, Vietnam

Jakarta, Indonesia

Mexico

Makati City, Philippines

Mumbai, India

Shanghai, China

Singapore

Taipei, Taiwan

Honolulu, Hawaii, U.S.A.

Business alliance with Kasikorn Bank

Business alliance with Bank of Dalian

Business cooperation with BIDV

Business alliance with BNI

Business cooperation with Jalisco, Aguascalientes, Guanajuato, Nuevo León and Banamex (Mexico City)

Business alliance with Metropolitan Bank

Business cooperation with State Bank of India

Business alliance with Bank of Communications

Business alliance with UOB

Business alliance with CTBC Financial Holding

Business alliance with Central Pacific Bank

● **Shanghai, China**  
Representative Office

● **Hong Kong**  
Representative Office

● **Singapore**  
Branch

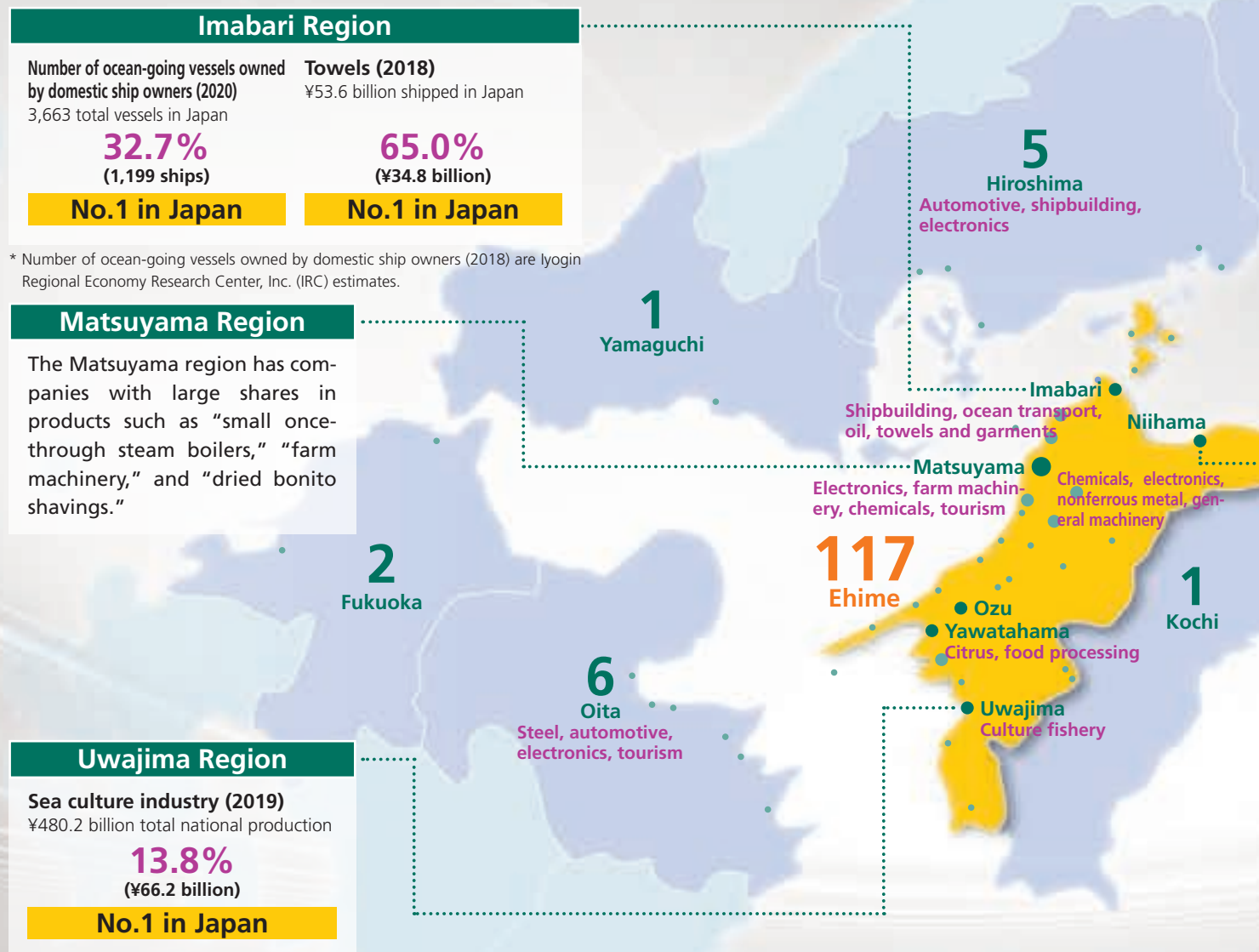
## Our Overseas Business Support

- Provision of various types of information about entering overseas markets
- Advice about entering overseas markets
- Advice about trade operations and fund settlements
- Support for funds procurement in the local area overseas
- Implementation of overseas business matching
- Holding of seminars about entering overseas markets

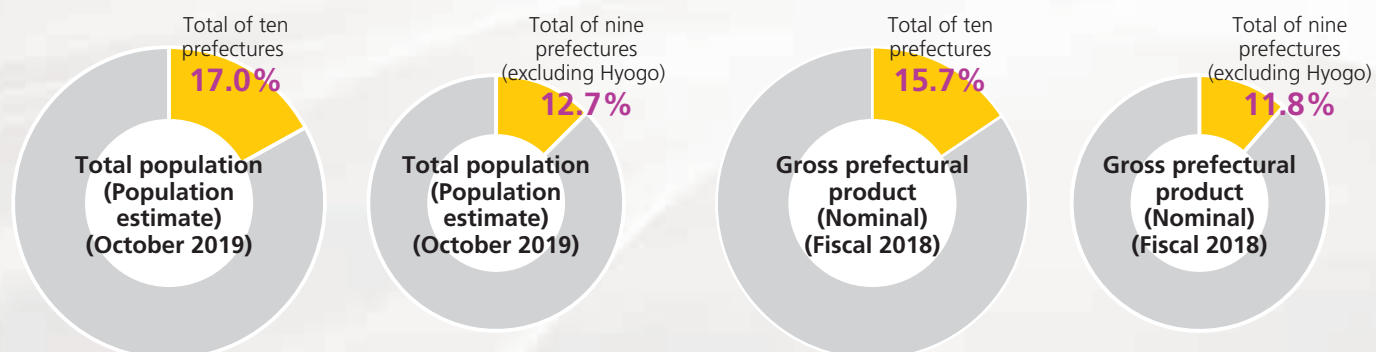
## Our Operating Area

### Domestic Branch Network

The No. 1 regional bank in terms of broad regional coverage, Iyo Bank's network consists of 149 branches located in 13 prefectures (as of March 31, 2021).



### Economic Indicators of the Setouchi Region



(Prepared based on various statistical data)

## Main Industries in Ehime Prefecture

- Industries with top national share concentrated in each region
- Manufactured product shipments from Ehime Prefecture totaled ¥4.3 trillion (45% of Shikoku) in 2018



## Industrial Structure of the Setouchi Region

- The Setonaikai coastal region has established various industrial structures

### Shikokuchuo Region

**Pulp and paper industry (2019)**  
¥7,679.3 billion shipped in Japan

**7.2%**  
(¥570.2 billion)

**No.2 in Japan**

### Niihama Region

**Manufactured product shipments (2018)**

**¥1,740.4 billion**

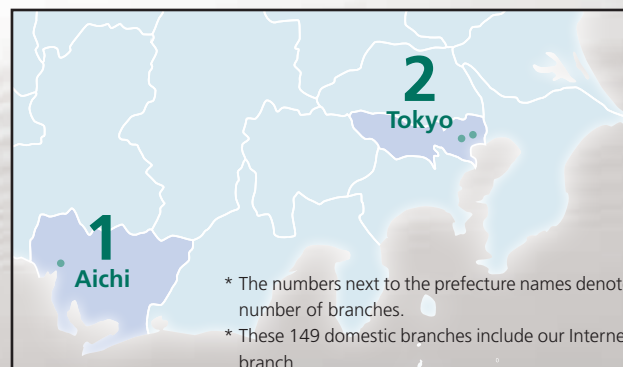
**Approx. 41%** of shipments of manufactured products in Ehime

As a corporate town under the Sumitomo Group, nonferrous metal, chemicals, steel, machinery and equipment are concentrated particularly in the Niihama region.

## No. 1 Market Share in Ehime

About Ehime Prefecture

|                        |   |
|------------------------|---|
| • Area                 | 5,676 km <sup>2</sup> (As of January 1, 2021) |
| • Population           | 1,324,882 (As of July 1, 2021)                |
| • Number of households | 601,809 (As of July 1, 2021)                  |



## Strengthen Measures Toward Regional Vitalization through the "Shikoku Alliance"

- Formed the "**Shikoku Alliance**," a comprehensive alliance between four regional banks aiming for revitalizing the Shikoku region in November 2016
- Announced key measures and the logo in April 2017

**The region, customers and the four banks will sustainably grow and develop**

**Iyo Bank**

**Build**  
Support industrial development

**Foster**  
Support the formation of financial assets

**Shikoku Bank**



**SHIKOKU ALLIANCE**

**Cooperate**

**Hyakujushi Bank**

**Utilize**  
Shikoku resources branding

**Connect**  
Support network expansion

**Awa Bank**



Kenji Miyoshi, President

### Introduction

I would like to wholeheartedly thank you all for your continued support of Iyo Bank.

Even amid the changes to the environment brought about by factors such as COVID-19, Iyo Bank will continue to strive to solve the challenges facing its local communities and customers and create new value. Based on our corporate credo to “create a bright and prosperous future for the region,” we will provide services using digital technology, achieve high productivity, and implement meticulous consulting activities through our people.

As a comprehensive financial institution in your hometown, we will strive for sound management while strengthening our capabilities. Management and employees alike will continue to work together as a group, ever mindful of our gratitude to the people of the region, to realize a sustainable and vibrant local community. We sincerely thank you for your continued support and encouragement.

### Financial and Economic Environment

Due to the impact of COVID-19, the situation of the Japanese economy in fiscal 2020, ended March 31, 2021, was generally severe. Consumer spending was down, manufacturing activities stagnated, corporate earnings fell, and the employment situation deteriorated. At the moment, the resurgence of COVID-19 is increasing downward pressure on the economy, hampering the move towards recovery. Looking ahead, although there is a high degree of uncertainty, as we recover from the effects of the pandemic, the economy is expected to improve, albeit gradually, supported by renewed foreign demand and the government's economic stimulus package.

Like Japan as a whole, the economy of Ehime Prefecture as a whole is expected to recover gradually, although there is still a sense of stagnation due to a recent resurgence in COVID-19 cases.

### Business Performance

Under these circumstances, in line with our “Digital-Human-Digital Bank” vision set forth in the Fiscal 2018 Medium-Term Management Plan, we endeavored to expand our fields of operation and strengthen profitability by leveraging digital technologies to improve customer convenience and productivity, and by refining our ability to provide value that only people can provide.

### Regional Vitalization Initiatives

In line with its aim of growing sustainably along with its region, Iyo Bank has been involved in a variety of regional vitalization measures and provided support for realizing customers' bountiful lives and business development.

Using the framework of the Shikoku Alliance, in April 2020, we established a regional trading company, Shikoku Brand Co., Ltd. as an advanced banking service company through joint investments by four banks to promote Shikoku's abundant raw commodities and tourism resources both domestically and internationally. The new company will create added value by providing a one-stop shop for branding and sales channel development to address the challenges faced by customers in the region. It will also implement *Shikoku Sōsei* (Shikoku Creation), which aims to create a virtuous cycle for the economy.

As an initiative for community development and tourism promotion, in July 2020, as the Ozu Town Creation Fund LLP's first project, we invested in a corporation established by Kita Management, a general incorporated association and a destination management organization (DMO) for Ozu City. By supporting businesses through investment, we are promoting regional vitalization initiatives, such as the opening of NIP-PONIA HOTEL Ozu Castle Town, a hotel spread over several renovated historical mansions, townhouses, and traditional houses around the Ozu castle town.

As an initiative to provide support for those affected by COVID-19, while working to prevent the spread, we are



taking all possible measures as the region's financial infrastructure to support our customers' cash flow and resolve their business issues.

In addition to confirming the impact of COVID-19 through a survey of all business locations, and providing appropriate and timely information on interest-free loans and other financing support, in April 2020, we launched the Iyogin Business Support Loan "Just." The loan allows customers to take flexible measures such as defer principal repayments depending on their cash situation. We are actively working to stabilize customers' cash flow and reduce their repayment burden.

Additionally, to provide not just financing support, but support across a wide range of business issues, we established a COVID-19 support team, also in April. Our branches and headquarters are working together to provide management support. Then in July, to help businesses facing a changing environment due to the pandemic, we launched a website to support local products and services in the categories of food, alcohol, sightseeing and experiences, crafts, and others. We are expanding the circle in the local area for people to support businesses by eating or using their products and services.

## Bank Branches and ATMs

Iyo Bank has continued to have a broad-ranging branch network that covers 13 prefectures in Japan, the largest number of prefectures covered by a regional bank. And given the current decline in population and branch foot traffic, we have been reviewing the allocation of our branches while maintaining touch points with local customers. We relocated eight branches—Iioka and Funaki (July 2020), Haramachi, Okada, and Miyanishi (September), Ozu Honmachi (January 2021), and Nakanosho and Yanomachi (March)—to neighboring branches. Thus, we are working to ensure the best way to operate branches depending on each area's characteristics.

So that we can listen to our customers' challenges and provide higher value-added consulting services, we are aiming to transform our branches from a "place mainly for administrative tasks" to a "place where customers' issues are solved." We opened two pilot branches: Yogo Branch, a newly built branch in April 2020, and the refurbished Yawatahama Branch in September. In addition to these two branches, Matsuyamakita Branch has extended its consultation service hours to 5pm on weekdays. In solving customers' challenges, such as asset management and borrowing, we are working to create an environment that enables us to deliver value that only people can provide.

In addition, we have been working to improve customer convenience by simplifying administrative procedures and reducing waiting time. We installed the AGENT System on tablet devices across all our branches, enabling customers to carry out procedures at the bank without their personal seal or filling forms. We also expanded the "Satto (quick) counter" in 76 branches (as of March 31, 2021) which provides semi-self-served cash transactions and tax payments among others. In April 2020, in order to simplify administrative procedures for both customers and the Bank, we introduced CUBE, a system that allows customers to sign electronically rather than use a traditional personal seal when they entrust the Bank with cash or their bank book. In addition, we have been working to expand business opportunities by taking the AGENT System tablets to our sales liaison activities since July.

We have installed out-of-store ATMs in 180 locations (as of March 31, 2021; excluding convenience store ATMs), the

largest number in Ehime Prefecture. We also offer a no-fee service when using other banks' ATMs in collaboration with regional banks in Shikoku (Awa Bank, Hyakujushi Bank, and Shikoku Bank), Hiroshima Bank, San-in Godo Bank, JA EHIME KENSHINREN, and agricultural cooperatives in Ehime Prefecture.

## Products and Services

With regard to deposit products, since the aging population has increased demand for adult guardianship, in April 2020, we launched a deposit system to support guardianship. The system was created to prevent trouble with guardians related to the protection and management of assets, and to protect the customers' valued assets themselves.

As for financing products, in September 2020, we added a service to our Flood Damage Responsive Financing that can detect and warn of flooding using IoT technology. Additionally, we became Japan's first financial institution to offer a financing scheme that exempts debt obligations for a prescribed ratio of principal balance of loans when IoT sensors installed on the customer's premises detect flooding. Thus, we are working to support customers' BCP and their natural disaster risk response.

As part of our consulting services, we launched in April 2020 a staffing business to provide solutions to securing personnel, a key management challenge for businesses across the region. After listening to our clients' recruitment needs, we collaborate with partner staffing agencies to introduce the right people. In December, we launched an SDG diagnosis service to enable our customers to objectively grasp their efforts toward achieving the SDGs. We are supporting their efforts to improve their corporate image and create new business opportunities. Going forward, we will continue to support the growth and development of our customers' businesses in the non-financial sector by expanding our consulting services.

As for initiatives utilizing digital technology, we expanded the API collaboration linking Fintech companies with the Bank's systems to provide services that support asset formation, asset management, and accounting efficiency. In November 2020, we renewed our Money Manager smartphone app, adding a transfer function, revamping the screen design, and making it possible to conduct banking transactions even more conveniently. In May, we also began offering SAFETY, a smartphone card-loan app that automatically calculates monthly shortfalls. It notifies the customer when such a shortfall occurs, allowing them to borrow 24 hours a day with a single tap. In December, as an addition to our HOME, a service enabling customers to make applications for home loans with a smartphone, we introduced HOME House Builder, which aims to reduce the burden on customers in the loan process through collaboration between the Bank and housing-related companies. This service enables housing-related companies to submit the large number of documents necessary for the home loan procedure on behalf of customers via a dedicated website and without the need for face-to-face meetings. We will continue to proactively utilize digital technology and provide high-value added financial services to increase ease-of-use and convenience for customers.

### SDGs Initiatives

In terms of our work on the SDGs, goals for the entire international community adopted by the United Nations, in July 2019, we established the Iyogin Declaration on SDGs to overcome the social and environmental challenges in the region. We are promoting efforts to address the SDGs through our core business in addition to our existing social contribution activities.

In our efforts to support the local economy and community, we are working to revitalize the economy by supporting startups and business succession. In the crowdfunding business, which is part of our support for startups, we have organized a total of about 50 projects since its inception in September 2018. In addition to actively supporting new challenges and initiatives in the region, we have provided business succession support to more than 3,900 customers and will continue to respond to the diversifying needs of succession and inheritance. In addition, the Iyo Bank Social Welfare Fund, a public interest incorporated foundation, continues to provide welfare equipment and scholarships to help improve social welfare and develop the next generation of human resources.

We are undertaking initiatives for the realization of sustainable local community through financial and information services. In light of the current rapid shift toward digital brought about by COVID-19, we are focusing on ICT consulting services, such as the introduction of groupware and cloud tools to improve the productivity and operational efficiency of both our customers and the Bank through digitalization. We will continue to support our customers as they introduce ICT, as well as hold online seminars and other events to raise awareness of ICT utilization in the region.

As for initiatives to build a strong management foundation, we are a company with an Audit & Supervisory Committee, so the number of outside directors exceeds one third of the total number of directors. We have also established a system to ensure the management transparency and objectivity through the establishment of a Management Deliberation Committee and an Advisory Board. In July 2020, as a collaborative measure with the TSUBASA Alliance, we helped establish TSUBASA Alliance Co., Ltd. for the purpose of consolidating operations and functions common to each bank. As the first step, we opened the AML (Anti-Money Laundering) Center in October. Combining the knowledge and expertise of each bank, the center is working to improve the systems to combat money laundering in light of international requirements.

With respect to diversity and work style reforms and with the aim of realizing a society in which a diverse range of personnel can play an active role, we introduced in April 2020 a side-job system to help secure a diverse and talented workforce with knowledge, skills, and personal connections developed outside the Bank. Through investment in gender bonds issued by the Asian Development Bank, we support the activities of projects that promote the advancement of women from a financial perspective. In December, the Bank was awarded three stars in the "L Star" program, for making excellent efforts to promote the activities of women.

Lastly, for environmental protection, we are promoting initiatives to reduce the environmental burden through our business and social contribution activities such as financing and forestation that contribute to environmental protection, focusing on solar power generation, biomass power generation, and other renewable energy sources. In February 2021, we endorsed the recommendations of the Task Force on

Climate-related Financial Disclosure (TCFD) to contribute to the realization of a lower-carbon society while assuming the risks that climate change poses to our customers and the Bank. We will strive to enhance our information disclosure going forward.

### Special Benefit Program for Shareholders

We have introduced a special benefit program for shareholders as a way of responding to the daily support of our shareholders and with the aims of making it more appealing to buy shares in the Bank and ensuring that greater numbers of people hold shares in the Bank.

Under this program, shareholders listed or recorded in the Shareholder Register who hold no less than 100 shares and less than 1,000 shares as of March 31 each year will receive a special gift (Imabari towel), and shareholders holding 1,000 shares or more can select one of the following options: "Shareholder Special Time Deposit," "Ehime Prefecture Special Product or TSUBASA Alliance Jointly Planned Specialty Goods," or "Donation to The Japanese Red Cross Society."

### IR Activities and Ratings

Regarding our efforts to increase management transparency, due to the COVID-19 impact, we did not hold annual results briefings for analysts and institutional investors. However, we strove to provide vigorous disclosure through our briefing materials.

To provide an objective understanding for stockholders, suppliers, and investors of our creditworthiness by external rating agencies, the Bank is rated highly, with an "AA" rating by Japan Credit Rating Agency (JCR), an influential Japanese credit rating agency, an "A+" rating by Rating and Investment (R&I), and an "A-" rating by Standard & Poor's (S&P), a global credit rating agency.

### Compliance and Risk Management

With respect to compliance, since June 2020, when companies were obliged to prevent power harassment, we have established Harassment Prevention Regulations to strengthen our legal compliance system and clearly state our commitment to eradicating various types of harassment.

We have taken measures to sophisticate the risk appetite framework for business management. Through regular discussions and monitoring, we aim to ensure balanced, sustainable growth and soundness. Also, we regularly review our business continuity structure in order to appropriately respond to the spread of infectious diseases such as COVID-19, natural disasters such as the Nankai Trough earthquake and heavy rainfall, and cyberattacks.

Amidst the initiatives described above, we received the strong support of our shareholders and business partners. As a result of devoting the collective strengths of the Iyo Bank Group to our business performance, we have achieved the following business results.



## Business Performance

In fiscal 2020, ended March 31, 2021, our non-consolidated performance was as follows: The term-end balance of deposits, including NCDs, increased ¥768.2 billion over the previous fiscal year-end to ¥6,522.6 billion (US\$58,916 million). The loan balance at the end of the fiscal year rose ¥242.6 billion over the previous fiscal year-end to ¥4,999.3 billion (US\$45,157 million). The balance of securities at the end of the fiscal year increased ¥182.9 billion over the previous fiscal year-end to ¥1,890.5 billion (US\$17,076 million). The balance of total assets at the end of the fiscal year rose ¥741.8 billion over the previous fiscal year-end to ¥8,506.7 billion (US\$76,838 million).

Ordinary revenue decreased ¥1,970 million over the previous fiscal year-end to ¥104,428 million (US\$943 million), mainly due to a decrease in investment income. Ordinary expenses increased ¥835 million over the previous fiscal year to ¥80,651 million (US\$728 million), mainly due to an increase in other ordinary expenses caused by an increase in the provision of reserve for loan losses, despite a decrease in interest expenses caused by a decline in overseas interest rates. As a result, ordinary income decreased ¥2,805 million to ¥23,776 million (US\$214 million), while net profit decreased ¥1,823 million to ¥16,679 million (US\$150 million).

On consolidated basis, the capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.65%.

## Issues

In addition to the structural socioeconomic changes due to Japan's shrinking and aging population and the maturing economy, the Bank is facing irreversible and drastic changes through digitalization, the COVID-19 pandemic, and the need to respond to deregulation and ESG/SDGs.

We started the Fiscal 2021 Medium-Term Management Plan in April this year amid this environment. At the outset of our new plan, we have set our long-term vision to become "a corporate group that continues to create and provide new value." We aim to create and unerringly deliver value needed by the community and our customers, implement these values as an integrated group, and take on new business challenges. While further deepening and evolving our Digital-Human-Digital model, and by adapting to changes in the business environment and working to transform our business model as a group, we will strive to solve the issues facing our local communities and customers and aim to achieve sustainable growth enhancing our corporate value.

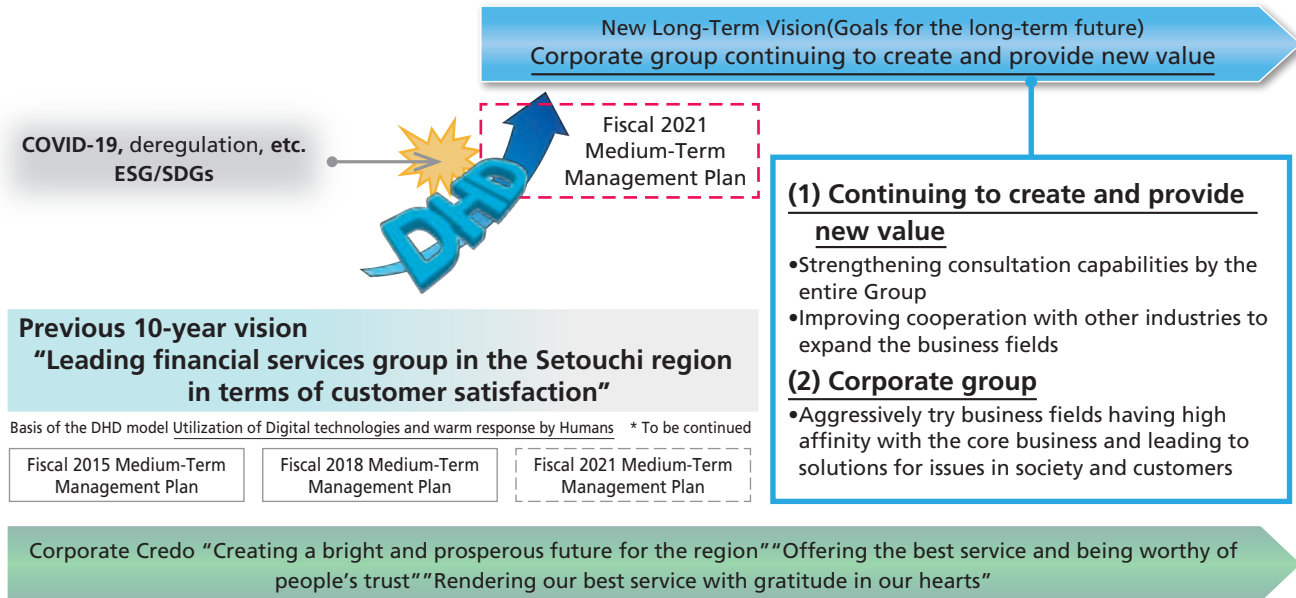
It is our firm belief that the source of the Bank's development is to work together with and contribute to the community, and to enrich the community both materially and spiritually. We will continue to fulfill our mission to "create a bright and prosperous future for the region." In these endeavors, we ask for the ongoing support of our stockholders.



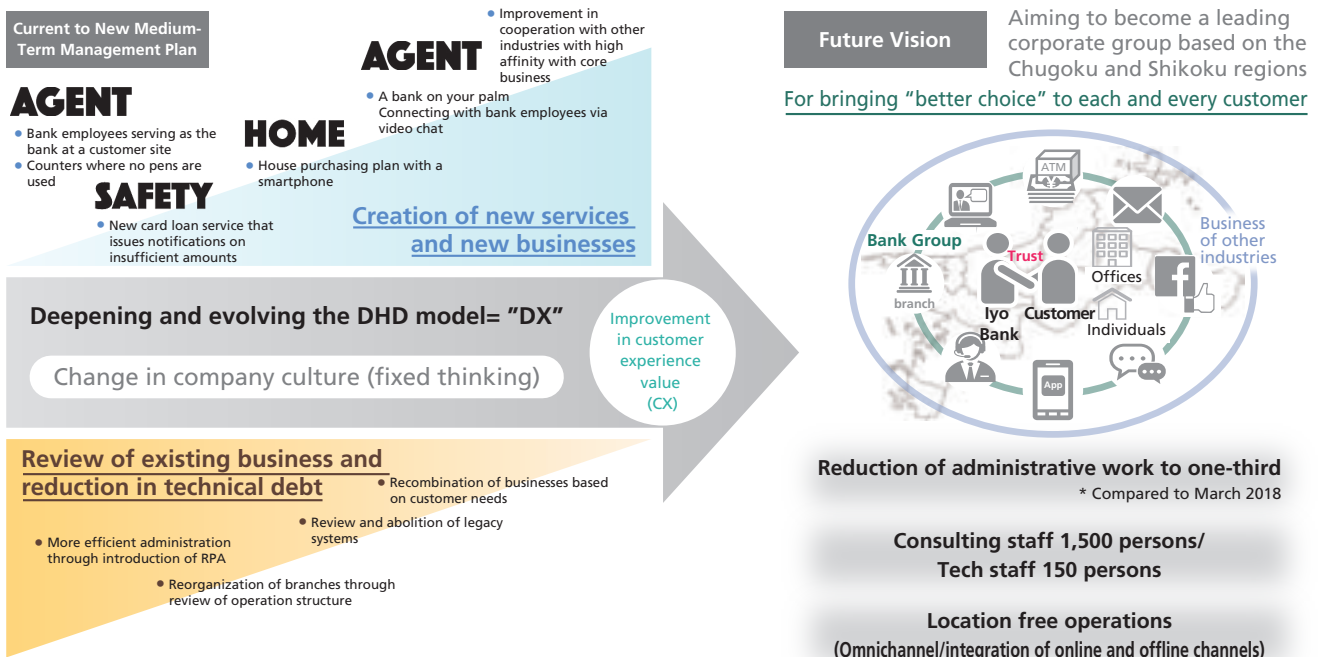
Kenji Miyoshi, *President*

## Positioning and New Long-Term Vision

- ◆ The new "Long-Term Vision" looking 10 years ahead was established to promptly solve issues in society and customers and address industry deregulation by further deepening and evolving the DHD model



## Future Vision Following the Long-Term Vision



## "Iyogin Declaration on SDGs"

Based on our corporate credo, the Bank aims to realize a bright and prosperous local community by contributing to the achievement of the Sustainable Development Goals (SDGs) advocated by the United Nations and working to overcome social and environmental issues in the region including population decline and an aging population.

### 1. Local economy and community

We will expand our efforts for promoting growth in local economies and regional development, and contribute to enriching the lifestyles and developing the businesses of our customers.

### 2. Financial and information services

We will provide advanced, high-quality, and comprehensive financial and information services, and continue to maintain the trust and meet the expectations of our customers.

### 3. Strong management foundation

We will work to further strengthen and enhance our management foundation, and fulfill our social responsibilities as a regional bank.

### 4. Diversity and work style reforms

We will promote diversity and work style reforms, and endeavor to create an organization in which various types of human resources can actively perform their roles.

### 5. Environmental protection

We will actively and continuously work to reduce the environmental burden and participate in activities for environmental conservation, and endeavor to preserve and protect the natural local environment.

## <Environmental Protection>

### Efforts with Project Finance for Renewable Energy



[Renewable energy]

|                        |    |
|------------------------|----|
| Solar power generation | 14 |
| Biomass generation     | 4  |

[Number of other environmental loans executed]

|  |   |
|--|---|
| Loans relating to the interest subsidy business implemented by the Ministry of the Environment | 9 |
| Arrangement of syndicated loans for investment funds for green bonds                           | 1 |

### Promoting paperless

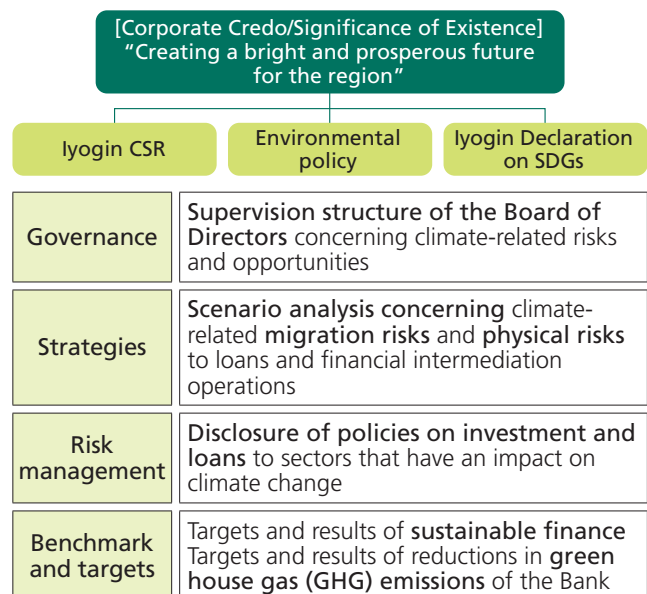
- ◆ Utilized an electronic approval system (April 2017)
- ◆ Promoted development of web databases (April 2019)
  - ➔ Digitalized application flows (123 cases)
- ◆ Introduced "CUBE" management system for properties in custody (April 2020)
  - ➔ Reduced collection slips and reception slips (11,000 books / year)



[Reduction of paper use]  
**Approx. 7 million sheets during the year**  
 ≒ approx. 600 forest planted trees

### Expressed support for the TCFD Recommendations

Improving information disclosure to contribute to achieving a decarbonized society, assuming risks of climate change to customers and the Bank



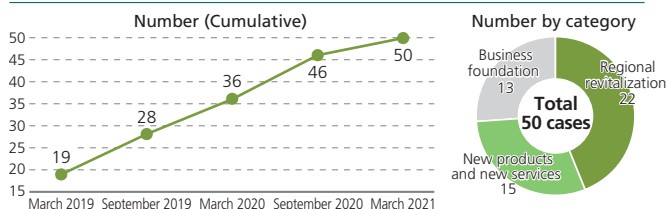


## <Local Economy and Community> Business Foundation Support



| Number of business foundation support  | March 2019 | March 2020 | March 2021 |
|--|------------|------------|------------|
| Business foundation planning support   | 205        | 255        | 367        |
| Of which, start-up loans (with/without Credit Guarantee Association)                                   | 93         | 72         | 301        |
| Of which, referrals to government-affiliated financial institutions and start-up support organizations | 43         | 50         | 17         |
| Of which, venture companies registered for grants or investments                                       | 26         | 25         | 24         |

## Crowdfunding



## <Diversity and Work Style Reforms>

### Change in Overtime Work under Labor Standards Act

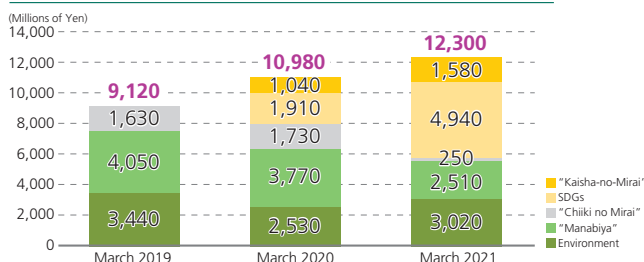


## <Financial and Information Services> Iyogin SDGs Advisory Service

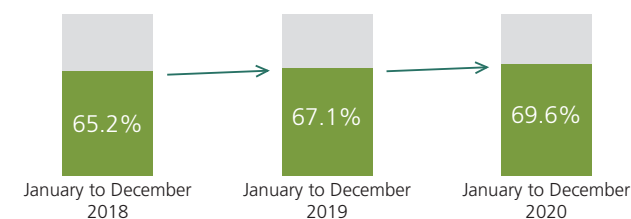


- Started operations of "Iyogin SDGs Advisory Service" in December 2020
- Number of support services provided for preparing "SDGs Declaration"
  - ➔ 18 cases (As of March 31, 2021)

## ESG/SDGs Related Private Placement Bonds



## Change in paid leave utilization rate



## Enhancement of Employee Engagement with "wevox" Introduced

- Tool for visualizing and analyzing engagement at each office
- Improving organizational capacity and business results by implementing the PDCA cycle speedily through meetings, etc. at each office based on the results

## <Governance>

### Governance System



## Strengthening Group Governance

Introduced the "Group Chief Officer System" from this Medium-Term Management Plan for the purpose of further strengthening the Group's management control structure

## Countermeasures against Money Laundering and Terrorism Funding

### <Strict customer management>

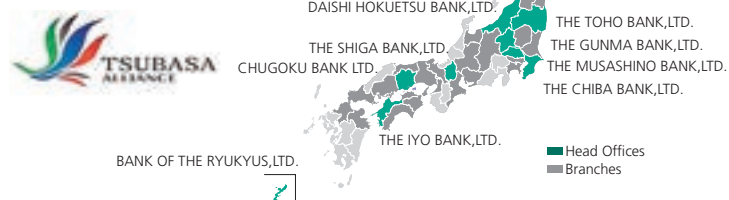
- Improving the counter reception structure
- Introducing "customer risk rating"
- Conducting "continuous customer management"

### <Thorough examination and verification>

- Investigating "suspicious transactions"
- Conducting "track monitoring" for ship finance
- Monitoring overseas remittance by utilizing AI
- Investigating foreign companies based on external databases

## Building Structures for AML Enhancement

- The AML Center was established at TSUBASA Alliance Co., Ltd. in October 2020. Discussions toward joint operations are promoted for more advanced, efficient, and stable AML operations.



## Corporate Governance

### Basic Philosophy

Based on our corporate philosophy, to ensure the unshakeable trust of our stockholders, customers, employees and other stakeholders we believe it is vital to raise enterprise value and ensure a more sound and transparent management system, while remaining mindful of our social responsibilities as a regional bank. To meet these responsibilities, we will reinforce and enhance our efforts at corporate governance, which we consider one of our most important management priorities.

Through corporate governance appropriate to the Bank, we seek to achieve sustainable growth and enhance enterprise value over the medium to long term. To this end, we have formulated and publicized our Corporate Governance Guide Line, which outlines our fundamental perspectives and frameworks on corporate governance.

### Internal Control Systems

- The Board of Directors' granting of voting rights to directors on auditing and the Audit and Supervisory Committee members that include multiple outside directors is expected to enhance the auditing and supervisory functions, as well as corporate governance. At the same time, we believe this delegation of authority will contribute to swifter decision-making and heightened management efficiency. To achieve these aims, we have adopted the system of a "company with an Audit and Supervisory Committee."
- The Bank has also separated the management decisionmaking and supervisory functions from business execution, thereby strengthening the Board of Directors' decisionmaking function. To further enhance corporate governance, we have introduced an executive officer system.
- In principle, the Board of Directors meets once a month to decide on important matters stipulated in law and the Articles

of Incorporation, as well as to make important decisions related to management policy and management strategy.

The Chairman, who chairs the Board of Directors, is in a supervisory position and has no business execution authority.

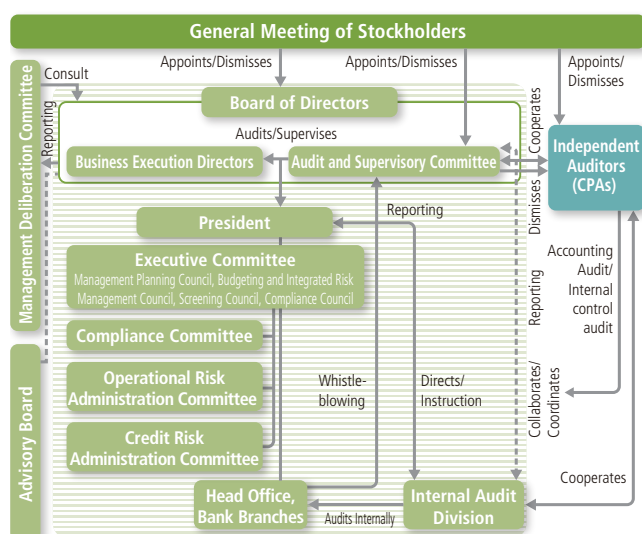
- In principle, the Audit and Supervisory Committee meets at least once each month. In accordance with the law, Articles of Incorporation and Audit and Supervisory Committee Regulations, this committee, together with the Board of Directors and the Chairman, provides a supervisory function and also audits the execution of business by directors.
- In principle, the Executive Committee, consisting of the President, Deputy President, Senior Managing Directors and Managing Directors, meets once a week to discuss important issues affecting all areas of operations, based on the fundamental policies decided upon by the Board of Directors. The Executive Committee comprises four councils, according to the content of matters to be discussed: the Management Planning Council, the Budgeting and Integrated Risk Management Council, the Screening Council and the Compliance Council. The Chairman and standing members of Audit and Supervisory Committee attend the Executive Committee, where they provide appropriate statements and advice.

The Bank established the Management Deliberation Committee, comprising the Bank's representative directors and the Audit and Supervisory Committee members, to deliberate director nominations and compensation and other important matters.

The Management Deliberation Committee, which is positioned as an advisory body to the Board of Directors, is composed of a majority of members who are independent outside directors.

- In an effort to develop and enhance a structure for legal observance and risk management, we have established the Compliance Committee (secretariat: the Compliance Division; held monthly) chaired by the director in charge of the Compliance Division, as well as the Operational Risk Administration Committee (secretariat: the Risk Management Division; held at least quarterly) and the Credit Risk Management Committee (secretariat: the Risk Management Division; held at least quarterly), both of which are chaired by the director in charge of the Risk Management Division.
- The Bank holds a semi-annual meeting of the Advisory Board (secretariat: the General Planning Division) chaired by the president. To ensure the management transparency and objectivity of the Group, further strengthen the management base and contribute to the local community, we are introducing external perspectives regarding the Group's management strategies and governance.
- The Group Chief Officer System\* has been introduced, and under the overall supervision of the Group CEO, Group Chief Officers are assigned as persons in charge of key areas in order to promote unified and strategic initiatives across the Group, thereby building an integrated Group management control structure.

### Business Executive Functions, Oversight and Internal Controls



\* Currently, the following Group Chief Officers have been assigned.

- Group Chief Executive Officer (Group CEO)
- Group Chief Operating Officer (Group COO)
- Group Chief Strategy Officer (Group CSO)
- Group Chief Information Officer (Group CIO)
- Group Chief Risk Officer (Group CRO)
- Group Chief Business Officer (Group CBO)

## Compliance

As an institution with a public profile and social responsibilities, the Bank regards a good compliance record as indispensable for deepening the trust and support of our customers, shareholders and the communities we serve. We ensure not only that all our employees observe all laws, ordinances and regulations in their duties, but also meet the highest ethical standards.

### Compliance Organizations

We established a Compliance Council chaired by the President. This committee deliberates matters relating to compliance, and seeks to foster a corporate culture in which compliance-related information is shared by all employees from the branch level to top management.

At all head office and branch business departments, we have appointed compliance officers, who assess progress in compliance-related matters and organize training and awareness-raising activities such as study groups.

The Compliance Division, working closely with the Compliance Committee and compliance officers, integrates collection and management of compliance-related information.

## Risk Management

### Basic Philosophy

In its daily business operations, a bank is exposed to credit risks, market risks and other risks. These risks are growing in diversity and complexity as deregulation progresses and the business of banking grows ever more complex. Therefore, finding ways of appropriately managing risk has become a vital challenge for a bank.

On the other hand, for a bank, risk-taking is essential for generation of revenue. Only by assuming a reasonable level of risk, it is possible to ensure acceptable earnings growth. Accordingly, the bank sets reasonable profit targets after factoring in all conceivable risks, and takes every precaution to manage risk. Iyo Bank's management treats risk management as a priority issue.

Each fiscal year, the Board of Directors compiles risk management policies, and, based on these policies, takes steps to strengthen risk management and improve the quality of risk management.

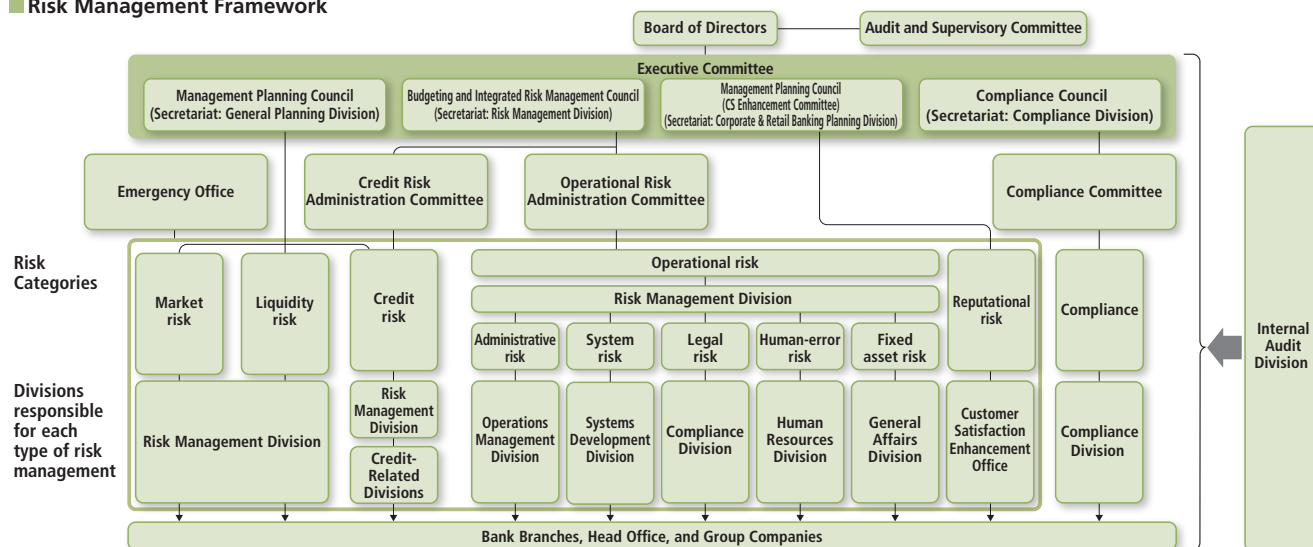
### Risk Management Framework

The Bank's risk management framework has four main pillars:

1. Legal observance under the Compliance Committee
2. Managing revenue-generating risk assets under the ALM Committee
3. The Credit Risk Administration Committee undertakes risk management that focuses on curbing credit risk
4. Management of operational risk to minimize administrative and system risk, under the Operational Risk Administration Committee

The Bank's risk exposure is assessed by the ALM committee by quantifying market and credit risk, and optimal fund management and procurement structures are put in place to assure stable earnings over the medium and long term.

### ■ Risk Management Framework





Additionally, the Credit Risk Administration Committee works to manage credit risk, design and evaluate frameworks for the Internal Rating System, and resolve issues concerning Basel Regulations.

At the same time, the Operational Risk Administration Committee is taking measures to refine operational risk management through organization-wide discussion and monitoring regarding important topics arising from reviews of actual operational risk. With regard to administrative risk, system risk, legal risk, human-error risk, and fixed asset risk, which together constitute operational risk, organization-wide responses include establishment of offices for each category of risk, and rigorous risk management. At the same time, the Risk Management Division is responsible for coordination of risk management carried out by the departments in charge of each category of risk.

In addition, the Group CRO is assigned to supervise risk management of the Group as a whole.

## Health and Productivity Management Initiatives

Based on the recognition that it is the employees who support the sustainable growth of any company, the Director of Human Resources, appointed as the person in charge of health management, has made a Declaration of Health and Productivity Management. In addition to the promotion of work-life balance and work style reforms, we are actively developing measures to maintain and improve employee health. These measures include support for raising employee awareness of health and the promotion of mental health care. In 2019, it became compulsory for members of the corporate health insurance scheme aged 40 and above to undergo a comprehensive medical checkup. In April 2020, as a population approach to health management needs to raise employees' health awareness, we started lending wearable devices to all executives and employees wishing to use them to visualize the number of steps they take, heart rate, calories consumed, sleep, and other lifestyle habits. Additionally, the health management system we introduced as a measure to strengthen our high-risk approach allows employees to verify their health check results and consult with public health nurses at any time using their smartphones.

We are also working to maintain and improve the health of people in the community by offering business loan products for clients who are striving to promote good health among their employees.

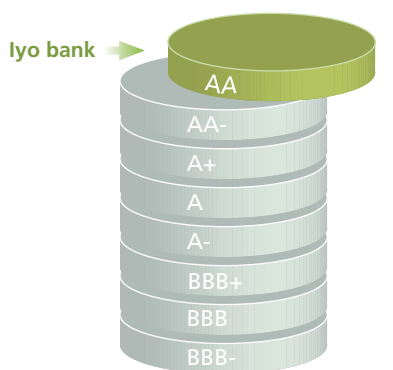
## Financial Highlights

The Iyo Bank, Ltd. and its Consolidated Subsidiaries

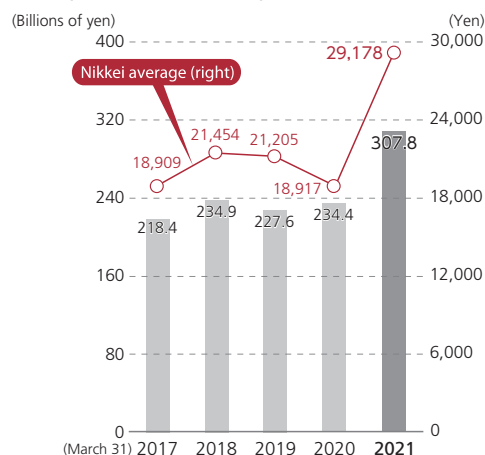
|   | Millions of yen |            |            |            |            |
|---|-----------------|------------|------------|------------|------------|
| Years ended March 31:                     | 2021            | 2020       | 2019       | 2018       | 2017       |
| <b>At Year-End:</b>                       |                 |            |            |            |            |
| <b>Assets</b>                             |                 |            |            |            |            |
| Securities                                | ¥1,897,768      | ¥1,713,574 | ¥1,574,849 | ¥1,815,554 | ¥1,735,981 |
| Loans and bills discounted                | 4,975,984       | 4,733,091  | 4,527,810  | 4,269,697  | 4,021,442  |
| Total assets                              | 8,550,739       | 7,795,554  | 7,165,655  | 7,096,633  | 6,849,283  |
| <b>Liabilities</b>                        |                 |            |            |            |            |
| Deposits                                  | 6,495,645       | 5,728,742  | 5,688,021  | 5,525,398  | 5,437,276  |
| Total liabilities                         | 7,809,498       | 7,123,706  | 6,517,327  | 6,450,329  | 6,240,221  |
| <b>For the Year:</b>                      |                 |            |            |            |            |
| Total income                              | ¥ 124,852       | ¥ 126,545  | ¥ 126,291  | ¥ 121,002  | ¥ 117,356  |
| Total expenses                            | 99,052          | 98,153     | 98,163     | 85,209     | 84,228     |
| Income before income taxes                | 25,799          | 28,329     | 28,129     | 35,791     | 33,127     |
| Profit attributable to owners of parent   | 18,088          | 18,922     | 18,527     | 23,639     | 21,797     |
| Net cash provided by operating activities | 778,734         | 49,279     | (150,925)  | 3,870      | 226,523    |
| Net cash provided by investing activities | (69,750)        | (134,032)  | 237,490    | (57,093)   | 6,797      |
| Net cash provided by financing activities | (13,314)        | (5,741)    | (4,346)    | (4,106)    | (7,401)    |
| Cash and cash equivalents                 | 1,413,563       | 717,887    | 808,389    | 726,157    | 783,504    |
| <b>Per Share Data:</b>                    |                 |            |            |            |            |
| Basic net income                          | ¥ 57.12         | ¥ 59.77    | ¥ 58.54    | ¥ 74.73    | ¥ 68.93    |
| Stockholders' equity                      | 2,313.28        | 2,052.46   | 1,975.54   | 1,969.99   | 1,864.28   |
| Capital ratio (BIS standards) (%)         | 14.65           | 14.85      | 14.38      | 14.31      | 14.58      |
| Return on equity (ROE) (%)                | 2.50            | 2.95       | 2.99       | 3.83       | 3.77       |
| Price earnings ratio (PER) (Times)        | 11.62           | 9.15       | 10.01      | 10.71      | 10.86      |
| Number of employee                        | 3,071           | 3,109      | 3,147      | 3,122      | 3,082      |

Note: Japanese yen amounts, except net income per share, are presented in millions of yen and are rounded down to the nearest million.

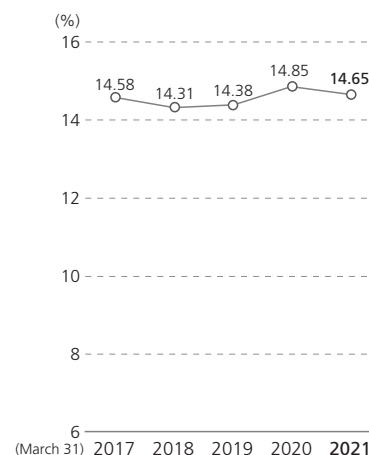
### Ratings [JCR]



### Evaluation gain on securities (Non-consolidated)



### Capital ratio(BIS standards)



# Management Discussion and Analysis of Operations

## ■ Business Environment

Due to the impact of COVID-19, the situation of the Japanese economy in fiscal 2020, ended March 31, 2021, was generally severe. Consumer spending was down, manufacturing activities stagnated, corporate earnings fell, and the employment situation deteriorated. At the moment, the resurgence of COVID-19 is increasing downward pressure on the economy, hampering the move towards recovery. Looking ahead, although there is a high degree of uncertainty, as we recover from the effects of the pandemic, the economy is expected to improve, albeit gradually, supported by renewed foreign demand and the government's economic stimulus package.

Like Japan as a whole, the economy of Ehime Prefecture as a whole is expected to recover gradually, although there is still a sense of stagnation due to a recent resurgence in COVID-19 cases.

## Overview of Business Results, etc.

Consolidated ordinary revenue decreased ¥1,689 million over the previous fiscal year to ¥124,817 million (US\$1,127 million), mainly due to a decrease of gain on funds management. On the other hand, consolidated ordinary expense increased ¥1,551 million over the previous fiscal year to ¥98,644 million (US\$891 million), mainly due to an increase in other expenses as provision of reserve for loan losses rose.

As a result, consolidated ordinary income decreased ¥3,241 million over the previous fiscal year to ¥26,172 million (US\$236 million). Profit attributable to owners of parent decreased ¥834 million over the previous fiscal year to ¥18,088 million (US\$163 million).

On a non-consolidated basis, core business gross profit increased ¥3,827 million over the previous fiscal year to ¥80,595 million (US\$727 million), mainly due to an increase in interest and dividend income for securities. Core business

net income increased ¥4,099 million over the previous fiscal year to ¥30,934 million (US\$279 million) due to an increase in core business gross profit and a decrease in expenses, etc. Ordinary income decreased ¥2,805 million over the previous fiscal year to ¥23,776 million (US\$214 million), due to an increase in credit costs as a preventive provision for future loan losses by COVID-19 was recorded.

As a result, net income decreased ¥1,823 million over the previous fiscal year to ¥16,679 million (US\$150 million).

## ■ Segment Information

The Iyo Bank Group consists of the Iyo Bank and 16 consolidated subsidiaries. The Group's operations center on commercial banking services, and also cover leasing and other financial services (Note 1-1).

## Banking Operations

Ordinary revenue was ¥105,584 million (US\$953 million), due to an ordinary revenue from customers of ¥104,986 million and ordinary revenue from intersegment transactions of ¥598 million. Segment profit decreased ¥3,437 million over the previous fiscal year to ¥25,093 million (US\$226 million).

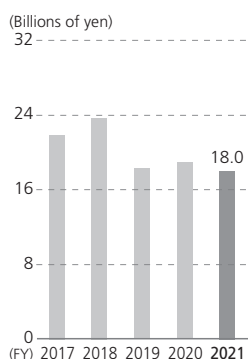
## Leasing Operations

Ordinary revenue was ¥17,117 million (US\$154 million), due to an ordinary revenue from customers of ¥16,692 million and ordinary revenue from intersegment transactions of ¥424 million. Segment profit decreased ¥126 million over the previous fiscal year to ¥583 million (US\$5.2 million).

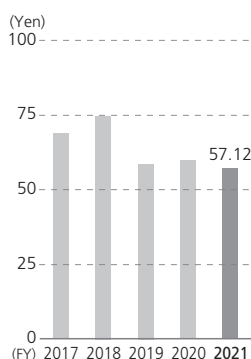
## Other Businesses

Ordinary revenue was ¥5,107 million (US\$46 million), due to an ordinary revenue from customers of ¥3,138 million and ordinary revenue from intersegment transactions of ¥1,968 million. Segment profit increased ¥365 million over the

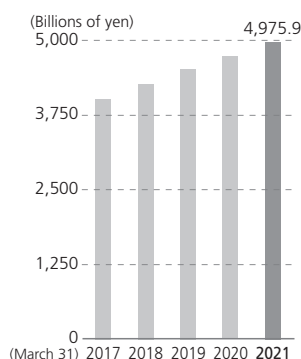
**Profit Attributable to Owners of Parent**



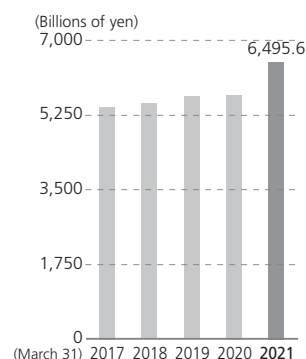
**Net Income per Share**



**Loans and Bills Discounted**



**Deposits**





previous fiscal year to ¥489 million (US\$4.4 million).

The term-end balance of deposits including NCDs, increased ¥766.9 billion over the previous fiscal year-end to ¥6,495.6 billion (US\$58,672 million).

The term-end balance of loans increased ¥242.8 billion over the previous fiscal year-end to ¥4,975.9 billion (US\$44,945 million).

The balance of securities at the end of the fiscal year

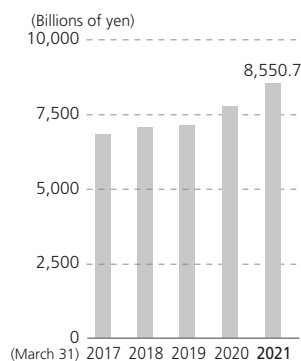
increased ¥184.1 billion from the previous fiscal year-end to ¥1,897.7 billion (US\$17,141 million).

The capital ratio (Basel III standards), which measures bank prudence and soundness, stood at 14.65%.

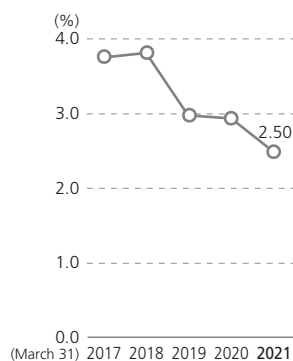
## Loans by Industry

| Years ended March 31:                                   | Millions of yen                        |               |  |               |
|---|--|---------------|--|---------------|
|   | 2021                                   |               | 2020                                   |               |
|   | Loans and bills discounted outstanding | Share (%)     | Loans and bills discounted outstanding | Share (%)     |
| <b>Domestic total (excluding loans booked offshore)</b> | <b>¥4,786,235</b>                      | <b>100.00</b> | <b>¥4,584,038</b>                      | <b>100.00</b> |
| Manufacturing   | 660,296                                | 13.80         | 650,562                                | 14.19         |
| Agricultural and forestry                               | 2,989                                  | 0.06          | 3,115                                  | 0.07          |
| Fishing   | 8,879                                  | 0.19          | 11,918                                 | 0.26          |
| Mining, quarrying and gravel extraction                 | 6,792                                  | 0.14          | 7,131                                  | 0.16          |
| Construction  | 135,172                                | 2.82          | 116,088                                | 2.53          |
| Electricity, gas and water utilities, sewage            | 176,739                                | 3.69          | 154,410                                | 3.37          |
| Communications  | 17,791                                 | 0.37          | 18,940                                 | 0.42          |
| Transportation and postal service                       | 859,780                                | 17.96         | 769,705                                | 16.79         |
| Wholesale and retail                                    | 518,160                                | 10.83         | 504,305                                | 11.00         |
| Finance and insurance                                   | 155,990                                | 3.26          | 159,666                                | 3.48          |
| Real estate and rental                                  | 530,296                                | 11.08         | 514,007                                | 11.21         |
| Service   | 496,773                                | 10.38         | 467,637                                | 10.20         |
| Local authorities                                       | 212,067                                | 4.43          | 230,048                                | 5.02          |
| Others  | 1,004,507                              | 20.99         | 976,500                                | 21.30         |
| <b>Overseas total (including loans booked offshore)</b> | <b>189,749</b>                         | <b>100.00</b> | <b>149,053</b>                         | <b>100.00</b> |
| Governments   | —                                      | —             | —                                      | —             |
| Financial institutions                                  | —                                      | —             | —                                      | —             |
| Others  | 189,749                                | 100.00        | 149,053                                | 100.00        |
| <b>Total</b>  | <b>¥4,975,984</b>                      | <b>—</b>      | <b>¥4,733,091</b>                      | <b>—</b>      |

## Total Assets



## Return on Equity



## ■ Financial Position and Business Results

### Consolidated gross profit

Consolidated gross profit increased ¥4,295 million over the previous consolidated fiscal year to ¥89,191 million (US\$805 million), mainly as a result of two following factors.

Interest and dividend income increased ¥5,240 million over the previous consolidated fiscal year to ¥71,615 million (US\$646 million), mainly due to an increase in loan management gain as loans grew, and increased gain on securities management and fund cancellation. Fees and commissions decreased ¥1,214 million over the previous consolidated fiscal year to ¥9,001 million (US\$81 million), mainly due to restricted face to face sales under COVID-19.

### Operating costs

Operating expenses increased ¥256 million over the previous consolidated fiscal year to ¥51,909 million (US\$468 million) due to an increase in personnel expenses.

### Credit costs

Credit costs increased ¥5,974 million over the previous consolidated fiscal year to ¥13,353 million (US\$120 million), as a preventive provision for future loan losses by COVID-19 was recorded.

### Gain (loss) related to stock, etc.

Net gains related to stocks decreased ¥359 million over the previous consolidated fiscal year to ¥1,088 million (US\$9.8 million) due to losses on the sale of ETF (exchange-traded fund).

### Extraordinary income (losses)

Extraordinary losses decreased by ¥649 million over the previous consolidated fiscal year to (¥372 million) (US\$3.3 million) due to a decrease of impairment losses.

### Deposits

With deposits held by individuals and corporations both increasing steadily, the balance of deposits, including NCDs, increased ¥766.9 billion over the previous consolidated fiscal year-end, to ¥6,495.6 billion (US\$58,672 million).

### Loans and bills discounted

With corporate and housing loans mainly to individuals both increasing steadily, loans and bills discounted increased ¥242.8 billion over the previous consolidated fiscal year-end, to ¥4,975.9 billion (US\$44,945 million).

### Risk management loans

Risk management loans decreased ¥4.8 billion over the previous consolidated fiscal year-end, to ¥74.7 billion (US\$674 million).

Risk management loans remained at the low level of 1.50% as a proportion of the outstanding balance of loans and bills discounted.

### Securities

The balance of securities increased ¥184.1 billion from the previous fiscal year to ¥1,897.7 billion (US\$17,141 million) mainly due to an increase in other securities by acquisitions of foreign currency securities.

## ■ Cash Flow Analysis

### Consolidated Cash Flows

Cash and cash equivalents at the end of the term increased ¥695.6 billion over the previous consolidated fiscal year to ¥1,413.5 billion (US\$12,767 million).

Cash flows from operating activities were ¥778.7 billion (US\$7,033 million), mainly due to an increase in deposits and decrease in call loans.

Cash flows from investing activities were (¥69,750 million) (US\$630 million), mainly due to an acquisition of securities.

Cash flows from financing activities were (¥13,314 million) (US\$120 million), mainly due to payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

# Consolidated Balance Sheet

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
March 31, 2021

|   | Millions of yen |            | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|------------|--------------------------------------|
|   | 2021            | 2020       | 2021                                 |
| <b>ASSETS</b>   |                 |            |                                      |
| Cash and due from banks   | ¥1,415,522      | ¥ 719,086  | \$12,785,854                         |
| Receivables under resale agreements (Note 2-5)                    | —               | 355,563    | —                                    |
| Monetary claims purchased   | 6,834           | 8,173      | 61,728                               |
| Trading account securities  | 649             | 727        | 5,862                                |
| Money held in trust   | 6,427           | 7,074      | 58,052                               |
| Securities (Notes 2-1, 2-5 and 2-9)                               | 1,897,768       | 1,713,574  | 17,141,793                           |
| Loans and bills discounted (Notes 2-3, 2-4, 2-5 and 2-6)          | 4,975,984       | 4,733,091  | 44,946,111                           |
| Reserve for loan losses   | (37,043)        | (31,374)   | (334,594)                            |
| Foreign exchange (Note 2-4)                                       | 8,596           | 10,741     | 77,644                               |
| Lease receivables and investment assets                           | 31,680          | 33,803     | 286,153                              |
| Other assets (Note 2-5)   | 100,097         | 119,495    | 904,136                              |
| Tangible fixed assets (Note 2-8)                                  | 72,991          | 72,229     | 659,299                              |
| Intangible fixed assets   | 9,035           | 8,048      | 81,609                               |
| Net defined benefit asset   | 33,201          | 18,734     | 299,891                              |
| Deferred tax assets   | 195             | 199        | 1,761                                |
| Customers' liabilities for acceptances and guarantees             | 28,796          | 26,382     | 260,102                              |
| Total assets  | ¥8,550,739      | ¥7,795,554 | \$77,235,471                         |
| <b>LIABILITIES AND NET ASSETS</b>                                 |                 |            |                                      |
| <b>Liabilities</b>  |                 |            |                                      |
| Deposits (Note 2-5)   | ¥6,495,645      | ¥5,728,742 | \$58,672,613                         |
| Call money and bills sold   | 61,624          | 217,618    | 556,625                              |
| Payables under repurchase agreements (Note 2-5)                   | 199,289         | 30,357     | 1,800,099                            |
| Payables under securities lending transactions (Note 2-5)         | 91,604          | 198,436    | 827,422                              |
| Borrowed money (Note 2-5)   | 743,645         | 770,378    | 6,717,053                            |
| Foreign exchange  | 266             | 295        | 2,402                                |
| Borrowed money from trust account                                 | 5               | 28         | 45                                   |
| Other liabilities   | 76,058          | 64,935     | 687,002                              |
| Accrued employees' bonuses  | 1,785           | 1,649      | 16,123                               |
| Net defined benefit liability                                     | 11,326          | 12,487     | 102,303                              |
| Reserve for losses on repayment of dormant bank accounts          | 1,652           | 2,393      | 14,921                               |
| Reserve for contingent losses                                     | 703             | 591        | 6,349                                |
| Reverse for share-based payments                                  | 289             | 192        | 2,610                                |
| Reserve under the special laws                                    | 3               | 2          | 27                                   |
| Deferred tax liabilities  | 87,228          | 59,577     | 787,896                              |
| Deferred taxes on revaluation excess (Note 2-7)                   | 9,573           | 9,637      | 86,469                               |
| Acceptances and guarantees  | 28,796          | 26,382     | 260,102                              |
| Total liabilities   | 7,809,498       | 7,123,706  | 70,540,131                           |
| <b>Net assets</b>   |                 |            |                                      |
| Common stock  |                 |            |                                      |
| Authorized — 600,000,000 shares                                   |                 |            |                                      |
| Issued — 323,775,366 shares                                       | 20,948          | 20,948     | 189,215                              |
| Capital surplus   | 20,352          | 14,578     | 183,831                              |
| Retained earnings   | 446,871         | 433,082    | 4,036,410                            |
| Treasury stock  | (5,045)         | (5,131)    | (45,569)                             |
| Total stockholders' equity  | 483,127         | 463,478    | 4,363,896                            |
| Net unrealized holding gains (losses) on securities               | 222,338         | 166,775    | 2,008,291                            |
| Net deferred gains (losses) on derivatives under hedge accounting | (374)           | 792        | (3,378)                              |
| Land revaluation excess (Note 2-7)                                | 19,178          | 19,315     | 173,227                              |
| Remeasurements of defined benefit plans                           | 8,279           | (650)      | 74,780                               |
| Total accumulated other comprehensive income                      | 249,421         | 186,233    | 2,252,922                            |
| Stock acquisition rights  | 273             | 343        | 2,465                                |
| Non-controlling interests   | 8,418           | 21,792     | 76,036                               |
| Total net assets  | 741,240         | 671,848    | 6,695,330                            |
| Total liabilities and net assets                                  | ¥8,550,739      | ¥7,795,554 | \$77,235,471                         |

See Notes to Consolidated Financial Statements.



## Consolidated Statement of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2021

|  | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------|--------------------------------------|
|  | 2021            | 2020     | 2021                                 |
| <b>INCOME</b>  |                 |          |                                      |
| Interest and dividend income:                              |                 |          |                                      |
| Interest on loans and discounts                            | ¥ 49,572        | ¥ 54,492 | \$ 447,764                           |
| Interest and dividends on securities                       | 25,530          | 23,594   | 230,602                              |
| Interest on receivables under resale agreements            | (160)           | (6)      | (1,445)                              |
| Other interest income                                      | 1,049           | 1,522    | 9,475                                |
| Fees and commissions                                       | 14,321          | 15,406   | 129,355                              |
| Other operating income                                     | 29,882          | 25,344   | 269,912                              |
| Other income   | 4,655           | 6,192    | 42,046                               |
| Total income   | 124,852         | 126,545  | 1,127,739                            |
| <b>EXPENSES</b>  |                 |          |                                      |
| Interest expense:  |                 |          |                                      |
| Interest on deposits                                       | 1,722           | 4,416    | 15,554                               |
| Interest on borrowings and rediscounts                     | 974             | 1,699    | 8,797                                |
| Interest on payables under repurchase agreements           | 187             | 716      | 1,689                                |
| Interest on payables under securities lending transactions | 12              | 1,864    | 108                                  |
| Other interest expense                                     | 1,479           | 4,529    | 13,359                               |
| Fees and commissions                                       | 5,319           | 5,190    | 48,044                               |
| Other operating expenses                                   | 21,308          | 17,038   | 192,466                              |
| General and administrative expenses (Note 3-1)             | 51,909          | 51,653   | 468,873                              |
| Other expenses (Notes 3-2 and 3-3)                         | 16,138          | 11,044   | 145,768                              |
| Total expenses   | 99,052          | 98,153   | 894,697                              |
| Income before income taxes                                 | 25,799          | 28,392   | 233,032                              |
| Income taxes   |                 |          |                                      |
| Current  | 8,845           | 7,866    | 79,893                               |
| Deferred   | (1,295)         | 233      | (11,697)                             |
| Total taxes  | 7,549           | 8,099    | 68,187                               |
| Profit   | 18,250          | 20,292   | 164,845                              |
| Profit attributable to noncontrolling interests            | 162             | 1,370    | 1,463                                |
| Profit attributable to owners of parent                    | ¥ 18,088        | ¥ 18,922 | \$ 163,381                           |

Per share of common stock (yen and U.S. dollars):

|                    | Yen    |        | U.S. dollars (Note 1-1) |
|--------------------|--------|--------|-------------------------|
| Basic net income   | ¥57.12 | ¥59.77 | \$0.51                  |
| Diluted net income | 57.05  | 59.69  | 0.51                    |
| Dividends          | 14.00  | 14.00  | 0.12                    |

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2021

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2021            | 2020    | 2021                                 |
| Profit  | ¥18,250         | ¥20,292 | \$164,845                            |
| Other comprehensive income (Note 4-1)                             | 64,428          | 8,957   | 581,952                              |
| Net unrealized holding gains (losses) on securities               | 56,666          | 8,048   | 511,841                              |
| Net deferred gains (losses) on derivatives under hedge accounting | (1,167)         | 2,338   | (10,541)                             |
| Remeasurements of defined benefit plans                           | 8,929           | (1,429) | 80,652                               |
| Comprehensive income  | ¥82,678         | ¥29,249 | \$746,797                            |
| Comprehensive income attributable to:                             |                 |         |                                      |
| Owners of parent  | ¥81,413         | ¥25,910 | \$735,371                            |
| Noncontrolling interests  | 1,265           | 3,339   | 11,426                               |

See Notes to Consolidated Financial Statements.

# Consolidated Statement of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2021

| For the year ended March 31, 2021   | Millions of yen      |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Stockholders' equity |                 |                   |                |                            |
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of the accounting period   | ¥20,948              | ¥14,578         | ¥433,082          | ¥(5,131)       | ¥463,478                   |
| Changes during the accounting period  |                      |                 |                   |                |                            |
| Dividends   |                      |                 | (4,436)           |                | (4,436)                    |
| Profit attributable to owners of parent   |                      |                 | 18,088            |                | 18,088                     |
| Purchase of treasury stock  |                      |                 |                   | (0)            | (0)                        |
| Disposal of treasury stock  |                      | 11              |                   | 86             | 98                         |
| Reversal of land revaluation excess   |                      |                 | 137               |                | 137                        |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |                      | 5,761           |                   |                | 5,761                      |
| Changes in items other than stockholders' equity, net   |                      |                 |                   |                |                            |
| Total changes during the accounting period  | —                    | 5,773           | 13,789            | 85             | 19,648                     |
| Balance at the end of the accounting period   | ¥20,948              | ¥20,352         | ¥446,871          | ¥(5,045)       | ¥483,127                   |

| For the year ended March 31, 2021   | Thousands of U.S. dollars (Note 1-1) |                 |                   |                |                            |
|---|--------------------------------------|-----------------|-------------------|----------------|----------------------------|
|   | Stockholders' equity                 |                 |                   |                |                            |
|   | Common stock                         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of the accounting period   | \$189,215                            | \$131,677       | \$3,911,859       | \$(46,346)     | \$4,186,414                |
| Changes during the accounting period  |                                      |                 |                   |                |                            |
| Dividends   |                                      |                 | (40,068)          |                | (40,068)                   |
| Profit attributable to owners of parent   |                                      |                 | 163,381           |                | 163,381                    |
| Purchase of treasury stock  |                                      |                 |                   | (0)            | (0)                        |
| Disposal of treasury stock  |                                      | 99              |                   | 776            | 885                        |
| Reversal of land revaluation excess   |                                      |                 | 1,237             |                | 1,237                      |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |                                      | 52,036          |                   |                | 52,036                     |
| Changes in items other than stockholders' equity, net   |                                      |                 |                   |                |                            |
| Total changes during the accounting period  | —                                    | 52,145          | 124,550           | 767            | 177,472                    |
| Balance at the end of the accounting period   | \$189,215                            | \$183,831       | \$4,036,410       | \$(45,569)     | \$4,363,896                |

| For the year ended March 31, 2021   | Millions of yen                                     |   |                         |   |  |                          |                          |                  |
|---|---|---|-------------------------|---|--|--------------------------|--------------------------|------------------|
|   | Total other comprehensive income                    |   |                         |   |  |                          |                          |                  |
|   | Net unrealized holding gains (losses) on securities | Net deferred gains (losses) on derivatives under hedge accounting | Land revaluation excess | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Noncontrolling interests | Total net assets |
| Balance at the beginning of the accounting period   | ¥166,775  | ¥ 792   | ¥19,315                 | ¥ (650)                                 | ¥186,233                                     | ¥343                     | ¥ 21,792                 | ¥671,848         |
| Changes during the accounting period  |   |   |                         |   |  |                          |                          |                  |
| Dividends   |   |   |                         |   |  |                          |                          | (4,436)          |
| Profit attributable to owners of parent   |   |   |                         |   |  |                          |                          | 18,088           |
| Purchase of treasury stock  |   |   |                         |   |  |                          |                          | (0)              |
| Disposal of treasury stock  |   |   |                         |   |  |                          |                          | 98               |
| Reversal of land revaluation excess   |   |   |                         |   |  |                          |                          | 137              |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |   |   |                         |   |  |                          | (5,761)                  | —                |
| Changes in items other than stockholders' equity, net   | 55,563  | (1,167)   | (137)                   | 8,929                                   | 63,187                                       | (69)                     | (7,612)                  | 55,505           |
| Total changes during the accounting period  | 55,563  | (1,167)   | (137)                   | 8,929                                   | 63,187                                       | (69)                     | (13,374)                 | 69,392           |
| Balance at the end of the accounting period   | ¥222,338  | ¥ (374)   | ¥19,178                 | ¥8,279                                  | ¥249,421                                     | ¥273                     | ¥ 8,418                  | ¥741,240         |

Thousands of U.S. dollars (Note 1-1)

|   | Total other comprehensive income                    |   |                         |   |  | Stock acquisition rights | Noncontrolling interests | Total net assets |
|---|---|---|-------------------------|---|--|--------------------------|--------------------------|------------------|
|   | Net unrealized holding gains (losses) on securities | Net deferred gains (losses) on derivatives under hedge accounting | Land revaluation excess | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                          |                          |                  |
| For the year ended March 31, 2021   |   |   |                         |   |  |                          |                          |                  |
| Balance at the beginning of the accounting period   | \$1,506,413   | \$ 7,153  | \$174,464               | \$ (5,871)                              | \$1,682,169                                  | \$3,098                  | \$ 196,838               | \$6,068,539      |
| Changes during the accounting period  |   |   |                         |   |  |                          |                          |                  |
| Dividends   |   |   |                         |   |  |                          |                          | (40,068)         |
| Profit attributable to owners of parent   |   |   |                         |   |  |                          |                          | 163,381          |
| Purchase of treasury stock  |   |   |                         |   |  |                          |                          | (0)              |
| Disposal of treasury stock  |   |   |                         |   |  |                          |                          | 885              |
| Reversal of land revaluation excess   |   |   |                         |   |  |                          |                          | 1,237            |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |   |   |                         |   |  |                          | (52,036)                 | —                |
| Changes in items other than stockholders' equity, net   | 501,878   | (10,541)  | (1,237)                 | 80,652                                  | 570,743                                      | (623)                    | (68,756)                 | 501,354          |
| Total changes during the accounting period  | 501,878   | (10,541)  | (1,237)                 | 80,652                                  | 570,743                                      | (623)                    | (120,802)                | 626,790          |
| Balance at the end of the accounting period   | \$2,008,291   | \$ (3,378)  | \$173,227               | \$74,780                                | \$2,252,922                                  | \$2,465                  | \$ 76,036                | \$6,695,330      |

Millions of yen

|   | Stockholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| For the year ended March 31, 2020   |                      |                 |                   |                |                            |
| Balance at the beginning of the accounting period   | ¥20,948              | ¥11,604         | ¥418,320          | ¥(5,189)       | ¥445,684                   |
| Changes during the accounting period  |                      |                 |                   |                |                            |
| Dividends   |                      |                 | (4,435)           |                | (4,435)                    |
| Profit attributable to owners of parent   |                      |                 | 18,922            |                | 18,922                     |
| Purchase of treasury stock  |                      |                 |                   | (0)            | (0)                        |
| Disposal of treasury stock  |                      | 8               |                   | 58             | 66                         |
| Reversal of land revaluation excess   |                      |                 | 274               |                | 274                        |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |                      | 2,966           |                   |                | 2,966                      |
| Changes in items other than stockholders' equity, net   |                      |                 |                   |                |                            |
| Total changes during the accounting period  | —                    | 2,974           | 14,761            | 57             | 17,793                     |
| Balance at the end of the accounting period   | ¥20,948              | ¥14,578         | ¥433,082          | ¥(5,131)       | ¥463,478                   |

Millions of yen

|   | Total other comprehensive income                    |   |                         |   |  | Stock acquisition rights | Noncontrolling interests | Total net assets |
|---|---|---|-------------------------|---|--|--------------------------|--------------------------|------------------|
|   | Net unrealized holding gains (losses) on securities | Net deferred gains (losses) on derivatives under hedge accounting | Land revaluation excess | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                          |                          |                  |
| For the year ended March 31, 2020   |   |   |                         |   |  |                          |                          |                  |
| Balance at the beginning of the accounting period   | ¥160,696  | ¥(1,545)  | ¥19,590                 | ¥ 779                                   | ¥179,519                                     | ¥397                     | ¥22,725                  | ¥648,327         |
| Changes during the accounting period  |   |   |                         |   |  |                          |                          |                  |
| Dividends   |   |   |                         |   |  |                          |                          | (4,435)          |
| Profit attributable to owners of parent   |   |   |                         |   |  |                          |                          | 18,922           |
| Purchase of treasury stock  |   |   |                         |   |  |                          |                          | (0)              |
| Disposal of treasury stock  |   |   |                         |   |  |                          |                          | 66               |
| Reversal of land revaluation excess   |   |   |                         |   |  |                          |                          | 274              |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |   |   |                         |   |  |                          | (2,966)                  | —                |
| Changes in items other than stockholders' equity, net   | 6,078   | 2,338   | (274)                   | (1,429)                                 | 6,713  | (54)                     | 2,033                    | 8,693            |
| Total changes during the accounting period  | 6,078   | 2,338   | (274)                   | (1,429)                                 | 6,713  | (54)                     | (932)                    | 23,520           |
| Balance at the end of the accounting period   | ¥166,775  | ¥ 792   | ¥19,315                 | ¥ (650)                                 | ¥186,233                                     | ¥343                     | ¥21,792                  | ¥671,848         |

# Consolidated Statement of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2021

|   | Millions of yen   |                  | Thousands of U.S. dollars (Note 1-1) |
|---|-------------------|------------------|--------------------------------------|
|   | 2021              | 2020             | 2021                                 |
| <b>Cash flows from operating activities</b>   |                   |                  |                                      |
| Income before income taxes  | ¥ 25,799          | ¥ 28,392         | \$ 233,032                           |
| Depreciation  | 5,089             | 4,888            | 45,966                               |
| Impairment losses   | 200               | 931              | 1,806                                |
| Increase (decrease) in reserve for loan losses  | 5,668             | 3,471            | 51,196                               |
| Increase (decrease) in accrued employees' bonuses   | 136               | (10)             | 1,228                                |
| Decrease (increase) in net defined benefit asset  | (14,467)          | (1,234)          | (130,674)                            |
| Increase (decrease) in net defined benefit liability  | (1,160)           | 205              | (10,477)                             |
| Increase (decrease) in reserve for losses on repayment of dormant bank accounts                                     | (741)             | (908)            | (6,693)                              |
| Increase (decrease) in reserve for contingent losses  | 111               | 75               | 1,002                                |
| Increase (decrease) in reserve for share-based payments   | 97                | 105              | 876                                  |
| Increase (decrease) in reserve under special laws   | 0                 | 0                | 0                                    |
| Interest and dividend income  | (75,992)          | (79,601)         | (686,405)                            |
| Interest expense  | 4,376             | 13,226           | 39,526                               |
| Securities losses (gains), net  | (3,604)           | (3,469)          | (32,553)                             |
| Money in trust losses (gains), net  | (14)              | (505)            | (126)                                |
| Foreign exchange losses (gains), net  | (9,498)           | 5,606            | (85,791)                             |
| Losses (gains) on disposal of tangible fixed assets, net  | 171               | 89               | 1,544                                |
| Net changes in loans and bills discounted   | (242,893)         | (205,280)        | (2,193,957)                          |
| Net changes in deposits   | 766,902           | 40,721           | 6,927,124                            |
| Net changes in borrowed money (excluding subordinated borrowings)   | (26,732)          | 404,521          | (241,459)                            |
| Net changes in due from banks   | (759)             | 79               | (6,855)                              |
| Net changes in call loans   | 356,890           | (352,831)        | 3,223,647                            |
| Net changes in call money   | 12,938            | 19,841           | 116,863                              |
| Net changes in payables under securities lending transactions   | (106,832)         | 121,468          | (964,971)                            |
| Net changes in foreign exchange assets  | 2,144             | (3,576)          | 19,365                               |
| Net changes in foreign exchange liabilities   | (29)              | 46               | (261)                                |
| Net changes in lease receivables and investment assets  | 2,123             | (2,360)          | 19,176                               |
| Net increase (decrease) in borrowed money from trust account  | (23)              | (2)              | (207)                                |
| Interest income received  | 74,857            | 79,013           | 676,153                              |
| Interest expense paid   | (5,171)           | (13,638)         | (46,707)                             |
| Other   | 16,990            | (2,920)          | 153,464                              |
| Subtotal  | 786,579           | 56,345           | 7,104,859                            |
| Income taxes paid   | (7,845)           | (7,066)          | (70,860)                             |
| Net cash provided by (used in) operating activities   | 778,734           | 49,279           | 7,033,998                            |
| <b>Cash flows from investing activities</b>   |                   |                  |                                      |
| Purchases of securities   | (864,892)         | (528,275)        | (7,812,230)                          |
| Proceeds from sales of securities   | 594,326           | 258,254          | 5,368,313                            |
| Proceeds from maturities of securities  | 206,516           | 141,891          | 1,865,378                            |
| Increase in money held in trust   | (3,073)           | (438)            | (27,757)                             |
| Decrease in money held in trust   | 3,516             | —                | 31,758                               |
| Purchases of tangible fixed assets  | (2,849)           | (2,393)          | (25,733)                             |
| Proceeds from sales of tangible fixed assets  | 154               | 90               | 1,391                                |
| Purchases of intangible fixed assets  | (3,448)           | (3,160)          | (31,144)                             |
| Net cash provided by (used in) investing activities   | (69,750)          | (134,032)        | (630,024)                            |
| <b>Cash flows from financing activities</b>   |                   |                  |                                      |
| Proceeds from share issuance to noncontrolling stockholders   | 52                | 13               | 469                                  |
| Repayments to noncontrolling shareholders   | (3)               | —                | (27)                                 |
| Cash dividends paid   | (4,436)           | (4,435)          | (40,068)                             |
| Cash dividends paid to noncontrolling stockholders  | (5)               | (5)              | (45)                                 |
| Purchases of treasury stock   | (0)               | (0)              | (0)                                  |
| Proceeds from sales of treasury stock   | 0                 | 0                | 0                                    |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (8,921)           | (1,313)          | (80,579)                             |
| Net cash provided by (used in) financing activities   | (13,314)          | (5,741)          | (120,260)                            |
| <b>Foreign currency translation adjustments</b>   | 6                 | (6)              | 54                                   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>695,675</b>    | <b>(90,501)</b>  | <b>6,283,759</b>                     |
| <b>Cash and cash equivalents at the beginning of year</b>   | <b>717,887</b>    | <b>808,389</b>   | <b>6,484,391</b>                     |
| <b>Cash and cash equivalents at the end of year (Note 6-1)</b>  | <b>¥1,413,563</b> | <b>¥ 717,887</b> | <b>\$12,768,160</b>                  |

See Notes to Consolidated Financial Statements.



# Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries  
For the year ended March 31, 2021

## 1-1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of The Iyo Bank, Ltd. (the "Bank") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Japanese yen amounts are rounded down to the nearest million.

Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Under Japanese laws and regulations, including the Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act and the Banking Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 20% of the dividend or the excess, if any, of 100% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the stockholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act and the Banking Law, however, by resolution of the stockholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

## (Basis of Presenting Consolidated Financial Statements)

### 1 Scope of consolidation

#### (1) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and the following 16 consolidated subsidiaries.

- The Iyogin Credit Guaranty Company Limited
- The Iyogin Business Service Company Limited

- Iyogin Capital Company Limited
- Iyogin Venture Fund Corporation Limited IV
- Iyogin Venture Fund Corporation Limited V
- Iyogin Venture Fund Corporation Limited VI
- Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund II Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership
- Iyogin Regional Economy Research Center, Inc.
- Iyogin DC Card Co., Ltd.
- Iyogin Challenge & Smile Co., Ltd.
- Iyogin Leasing Company Limited
- Iyogin Computer Service Company Limited
- Shikoku Alliance Securities Co., Ltd.

#### (2) The consolidated financial statements exclude the following subsidiary.

- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund II Investment Business Limited Partnership

Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership and Iyo Evergreen Business Succession Support Fund II Investment Business Limited Partnership are excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income are immaterial to the consolidated financial statements.

No unconsolidated subsidiary is accounted for by the equity method. Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership is excluded from the scope of the equity method because its net income and retained earnings are immaterial to the consolidated financial statements.

## 2 Affiliated companies not accounted for by the equity method

The consolidated financial statements exclude the following affiliated companies.

- Iyogin REVIC Investments Company Limited
- Shikoku Alliance Capital Co., Ltd
- Ozu Town Creation Fund
- Shikoku Brand Co., Ltd.

Iyogin REVIC Investments Company Limited, Shikoku Alliance Capital Co., Ltd, Ozu Town Creation Fund and Shikoku Brand Co., Ltd. are excluded from the scope of the equity method because their net income and retained earnings are immaterial to the consolidated financial statements.

## 3 The fiscal year of consolidated subsidiaries

The consolidated financial statements include the accounts of 7 consolidated subsidiaries with fiscal years that end December 31. Appropriate adjustments are made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities are eliminated.

## 4 Significant accounting policies

### (1) Trading account securities

Trading account securities of the Bank and its consolidated subsidiaries are stated at fair market value. Gains and losses realized on the disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such trading account securities are computed using moving average cost.

### (2) Securities

- ① Held-to-maturity debt securities are stated at amortized cost by the straight-line method. Available-for-sale securities with available fair market values are stated at fair market value. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with fair values that are extremely difficult to determine are carried at cost using moving average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.
- ② Securities included in the money held in the trust account are treated in the same manner as the securities mentioned above.

### (3) Derivatives and hedge accounting

Derivative transactions are valued at fair value with changes in fair value included in current income.

### (4) Tangible and intangible fixed assets and lease assets

- ① Tangible and intangible fixed assets are generally stated at cost, less the accumulated depreciation.

Depreciation of tangible fixed assets, except for lease assets, of the Bank and its consolidated subsidiaries is recorded using the declining balance method. However, buildings acquired after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The estimated useful lives of these assets are 15 – 40 years for buildings and 5 – 10 years for equipment.
- ② Depreciation for intangible fixed assets, except for lease assets, of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of mainly five years.
- ③ Both tangible and intangible lease assets under finance leases that are not deemed to transfer ownership of the lease property to the lessee are depreciated using the straight-line method over the lease term with zero residual value. In cases in which there is a residual value guarantee in the contract, the residual value is the guaranteed value. In other cases, it is deemed to be zero.

### (5) Reserve for possible loan losses

The Bank and its consolidated subsidiaries write off loans and make provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding amounts written off and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not in the above circumstances but for who there is a high probability of becoming so, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition.

For loans, other than to insolvent customers mentioned above, that have been restructured due to the impact of the COVID-19 or for debtors in specific industries that are highly affected by the COVID-19, an allowance is provided for the amount of claims, net of the expected amount of recoveries from the disposable security and guarantees, multiplied by a certain ratio of the remaining amount.

With regard to other receivables, the Bank principally posts estimated losses for the next 1 year or the estimated losses for the next 3 years. The estimated losses are calculated based on actual average loan loss ratios for certain 1 year or 3 years periods with necessary adjustments.

Assessments and classifications are made by each business and credit supervision department and are audited by the Credit Administration Department, an independent department. The reserve for possible loan losses is provided based on such procedures.

The estimated unrecoverable portions of loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition are written off. The estimated unrecoverable amounts are determined after excluding amounts considered recoverable due to the existence of security interests or guarantees. As of March 31, 2021 and 2020, the estimated unrecoverable amounts were ¥19,347 million (\$174,753 thousand) and ¥19,283 million, respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on the actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are separately estimated and a reserve for possible loan losses is provided based on those estimations.

### (6) Accrued employees' bonuses

Accrued employees' bonuses are provided for the future payment of employees' bonuses based on the estimated amounts of the future payments that are attributed to the current fiscal year.

### (7) Reserve for losses on repayment of dormant bank accounts

Reserve for losses on repayment of dormant bank accounts is provided in connection with inactive bank accounts the balances of which have been derecognized as liabilities. The reserve is provided for the possible future demands on claims of withdrawal from these accounts in an amount based on historical reimbursement experience.

### (8) Reserve for contingent losses

Reserve for contingent losses is maintained to provide against possible losses from contingencies which are not covered by other specific reserves. The amount of reserve is based on an estimate of the amount possible future losses.

### (9) Reserve for share-based payments

Reserve for share-based payments is provided for the estimated amount of share benefit obligations at the end of the current fiscal year in order to prepare for delivery of the bank's shares to the bank's directors (excluding the audit committee members) and executive officers under the internal share delivery regulations.

### (10) Reserve under special laws

Reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other financial related transactions.

#### **(11) Accounting method for retirement benefits**

In calculating benefit obligation, the portion of the projected benefit obligation attributed to the current fiscal year is determined using the benefit formula method. Prior service cost is amortized using the straight-line method over 10 years. Actuarial differences are recognized as expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

Some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit cost. This simplified method assumes the Company's retirement benefit obligations to be equivalent to the benefits that would be payable upon the voluntary retirement of all employees at the fiscal year-end to calculate net defined benefit liability and retirement benefit cost.

#### **(12) Foreign currency translations**

Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are translated into yen at the rates prevailing at the consolidated balance sheet date. Consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the rate prevailing at their respective balance sheet dates.

#### **(13) Revenue Recognition**

- ① Finance leases  
In connection with finance leases as the lessor, sales and cost of sales are recognized at the time of receiving lease payment.
- ② Operating leases  
As lessor under operating leases, lease related income is recognized on a straight-line basis over the full term of the lease based on the contractual amount of lease fees per month.

#### **(14) Significant hedge accounting methods**

- ① Hedge interest rate risk  
In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in JICPA Industry-specific Committees Guidance No. 24, October 8, 2020, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry." The effectiveness of hedging is assessed for (i) each identified group of hedged items, such as deposits, loans and similar instruments and (ii) the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.
- ② Hedge against fluctuation in foreign exchange rates  
For certain assets and liabilities, the Bank and its consolidated subsidiaries apply the exceptional treatment permitted for interest rate swaps. The Bank applies the deferred method of hedge accounting to hedge foreign exchange risk associated with various foreign currency denominated monetary assets and liabilities as stipulated in JICPA Industry-specific Committees Guidance No. 25, October 8, 2020, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risk of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency positions of the hedged monetary assets and liabilities and the hedging instruments.  
The Bank also applies fair value hedge accounting to portfolio hedges of the foreign exchange risk associated with foreign currency

denominated available-for-sale securities (other than bonds) identified as hedged items in advance as long as the amount of spot and forward foreign exchange contracts payable exceeds the acquisition costs of the hedged securities in foreign currency.

#### **(15) Cash flow statements**

In preparing the consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

#### **(16) Consumption taxes**

National and local consumption taxes are accounted for mainly on a tax exclusion basis.

#### **(17) Application of consolidated tax reporting**

The Bank and its wholly owned consolidated subsidiaries have adopted a consolidated tax return system.

#### **(18) Changes in Presentation Method**

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Bank and its subsidiaries adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) for the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the notes to consolidated Financial Statements. The notes do not include information for the prior consolidated fiscal year in accordance with the transitional provisions set out in Paragraph 11 of the Accounting Standard.

#### **(19) Significant Accounting Estimates**

Reserve for loan losses

- ① Carrying amounts in the current year's financial statements  
¥37,043 million (\$334,594)  
(Note) The amount includes ¥8,681 million (\$78,412) reflecting the effects of the COVID-19
- ② Information on the nature of significant accounting estimates for identified items
  - (a) Method in making the accounting estimates  
For the calculation of Reserve for loan losses, See (5) Reserve for possible loan losses of "4 Significant accounting policies."
  - (b) Key assumptions used in making the accounting estimates  
The main assumption is "Credit risk of loans in determining debtor classification." "Credit risk of loans in determining debtor classification" was determined by evaluating the repayment capacity of each debtor based on its financial condition, cash flow, profitability, etc.  
In addition, for loans that have been restructured due to the impact of the COVID-19 or for debtors in specific industries that are highly affected by the COVID-19, it was highly assumed to have a deterioration in their future financial condition, cash flow, profitability, etc. than other debtors.
  - (c) The effect on the next year's financial statements  
Changes for the original assumption due to the inflection in the performance of individual debtors or the impact of the spread of the COVID-19 could effect on reserve for loan losses of the consolidated financial statements for the following fiscal year.

## **(20) Per share data**

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes the full exercise of outstanding warrants at the time of issuance.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

## **(Accounting standards not yet adopted)**

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

### **1 Overview**

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

## **2 Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

3 The impact of the adoption of this accounting standard is insignificant.

- Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosure of Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

### **1 Overview**

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments defined by in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes defined by "Accounting Standard for Measurement of Inventories."

In addition, "Implementation Guidance on Disclosure of Fair Value of Financial Instruments" was revised to require disclosure of fair value levels.

## **2 Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

3 The impact of the adoption of this accounting standard is currently under evaluation.

## **(Additional Information)**

### **1 The share-based payment program using the trust**

The Bank has introduced a share-based payment program using a trust for its directors (excluding audit committee members) and executive officers with the aim of raising awareness of contribution to the Bank's medium to long-term performance and enhancement of its corporate value.

#### **(1) Overview of transactions**

The trust acquires shares of the Bank using funds contributed by the Bank.

In accordance with internal share delivery policies set forth by the Board of Directors of the Bank, the Bank grants points to its directors (excluding audit committee members) and executive officers. At the time of retirement, shares of the Bank and money will be delivered in accordance with the points through the trust.

#### **(2) Shares of the Bank held by the trust**

- ① Shares of the Bank held by the trust are recorded as treasury stock in net assets at the book value in the Bank.
- ② The book value of the trust at March 31, 2021 and 2020 is ¥191 million (\$1,725 thousand) and ¥219 million, respectively.
- ③ The number of shares of the Bank held by the Trust at March 31, 2021 and 2020 was 247 thousand shares and 284 thousand shares, respectively.

## **2 Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system**

In relation to temporary differences that have been revised following the transition to the group tax sharing system and the revision of the single tax payment system in response to the transition, which were established by the "Act for Partial Amendment of the Income Tax Act, Etc" (Act No. 8, 2020), the Bank and some of its consolidated subsidiaries did not apply Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but provisions of the previous tax laws to calculate deferred tax assets and liabilities in accordance with Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

## **(Notes to Consolidated Balance Sheet)**

### **2-1. STOCKS AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES**

Stocks in unconsolidated subsidiaries and affiliates amounted to ¥100 million (\$903 thousand) and ¥75 million at March 31, 2021 and 2020, respectively.

Investments in unconsolidated subsidiaries and affiliates amounted to ¥212 million (\$1,914 thousand) and ¥193 million at March 31, 2021 and 2020, respectively.

2-2. Securities received under transactions with resale agreements and others that are entitled to sale or (re)pledge were nil and ¥355,563 million at March 31, 2021 and 2020, respectively.



## 2-3. LOANS AND BILLS DISCOUNTED

Loans and bills discounted included the following:

|                                    | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|------------------------------------|-----------------|---------|--------------------------------------|
|                                    | 2021            | 2020    | 2021                                 |
| Loans to bankrupt customers        | ¥ 847           | ¥ 4,544 | \$ 7,650                             |
| Non-accrual loans                  | 57,076          | 57,111  | 515,545                              |
| Loans overdue three months or more | 1,812           | 2,614   | 16,367                               |
| Restructured loans                 | 15,055          | 15,418  | 135,985                              |
| Total                              | ¥74,792         | ¥79,690 | \$675,566                            |

Loans to bankrupt customers are loans to customers who are undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest will be uncollectible.

Non-accrual loans are nonperforming loans that are not generating interest income because of nonpayment and for which accrued interest income is not recognized, excluding loans to bankrupt customers and loans on which interest payments are deferred in order to support the borrower's recovery from financial difficulties.

Loans overdue three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or deferral or waiver of interest and/or principal payments to support customers experiencing financial difficulties.

Amounts described above are before the deduction of reserve for possible loan losses.

## 2-4. COMMERCIAL BILLS

Bills discounted are accounted for as financing transactions in accordance with JICPA Industry-specific Committees Guidance No. 24, October 8, 2020, although the Bank has the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥13,187 million (\$119,112 thousand) and ¥18,514 million at March 31, 2021 and 2020, respectively.

## 2-5. ASSETS PLEDGED

Assets pledged as collateral were as follows:

|                                     | Millions of yen |            | Thousands of U.S. dollars (Note 1-1) |
|-------------------------------------|-----------------|------------|--------------------------------------|
|                                     | 2021            | 2020       | 2021                                 |
| Receivables under resale agreements | ¥ —             | ¥ 355,563  | \$ —                                 |
| Securities                          | 710,931         | 701,931    | 6,421,560                            |
| Loans                               | 661,447         | 370,591    | 5,974,591                            |
| Total                               | ¥1,372,378      | ¥1,428,086 | \$12,396,152                         |

The above pledged assets secure the following liabilities:

|  | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------|--------------------------------------|
|  | 2021            | 2020     | 2021                                 |
| Deposits                                       | ¥ 26,029        | ¥ 27,684 | \$ 235,109                           |
| Payables under repurchase agreements           | 199,289         | 30,357   | 1,800,099                            |
| Payables under securities lending transactions | 91,604          | 198,436  | 827,422                              |
| Borrowed money                                 | 732,257         | 760,024  | 6,614,190                            |

In addition to the above, assets pledged as collateral for transactions such as exchange settlement transactions and others were as follows:

|              | Millions of yen |        | Thousands of U.S. dollars (Note 1-1) |
|--------------|-----------------|--------|--------------------------------------|
|              | 2021            | 2020   | 2021                                 |
| Securities   | ¥ 434           | ¥ 437  | \$ 3,920                             |
| Other assets | 50,000          | 50,000 | 451,630                              |

Other assets above mentioned were as follow:

|  | Millions of yen |       | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|-------|--------------------------------------|
|  | 2021            | 2020  | 2021                                 |
| Initial margins of futures markets             | ¥ 292           | ¥ —   | \$ 2,637                             |
| Cash collateral paid for financial instruments | 10,239          | 9,363 | 92,484                               |
| Guarantees                                     | 74              | 75    | 668                                  |
| Security deposits                              | 276             | 280   | 2,492                                |

## 2-6. COMMITMENT LINES

Commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries will lend the funds upon the request of an obligor to draw down the funds under the loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances related to these loan agreements at March 31, 2021 and 2020 amounted to ¥1,247,214 million (\$11,265,594 thousand) and ¥1,180,388 million, respectively. Of these amounts, ¥1,105,322 million (\$9,983,940 thousand) and ¥1,053,999 million as of March 31, 2021 and 2020, respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the loan agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitments do not necessarily affect future cash flows.

Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit when there is cause to do so, such as when there is a change in the financial condition of the obligor or when it is necessary to protect the Bank's or a consolidated subsidiary's credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank and its consolidated subsidiaries' established internal procedures for confirming an obligor's financial condition, etc., at regular intervals.

## 2-7. LAND REVALUATION EXCESS

In accordance with the Revaluation Act of Land Properties, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The revaluation excess, net of deferred taxes, is shown as a separate component of net assets. The current market value of the revalued land was lower than the revalued amount by ¥12,635 million (\$114,126 thousand) and ¥13,177 million at March 31, 2021 and 2020, respectively.

## 2-8. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets at March 31, 2021 and 2020 amounted to ¥54,267 million (\$490,172 thousand) and ¥54,297 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2021 and 2020 were ¥8,243 million (\$74,455 thousand) and ¥8,256 million, respectively.

## 2-9. GUARANTEE OBLIGATIONS

Guarantee obligations for private placement bonds in securities in accordance with the Article 2-3 of the Financial Instruments and Exchange Law amounted to ¥62,323 million (\$562,939 thousand) and ¥60,466 million at March 31, 2021 and 2020, respectively.

## 2-10. ACCEPTANCES AND GUARANTEES

The principal amount of money trusts to be indemnified by the Bank and its consolidated subsidiaries was ¥5 million (\$45 thousand) and ¥28 million at March 31, 2021 and 2020, respectively.

### (Notes to Consolidated Statement of Income)

#### 3-1. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses included salaries and allowances in the amount of ¥21,173 million (\$191,247 thousand) and ¥21,223 million at March 31, 2021 and 2020, respectively.

#### 3-2. OTHER EXPENSES

Other expenses consisted of the following:

|                        | Millions of yen |      | Thousands of U.S. dollars (Note 1-1) |
|------------------------|-----------------|------|--------------------------------------|
|                        | 2021            | 2020 | 2021                                 |
| Loans written off      | ¥ 20            | ¥ 20 | \$180                                |
| Securities written off | 106             | 399  | 957                                  |

#### 3-3. IMPAIRMENT LOSS

For the year ended March 31, 2021, impairment losses were immaterial. Related information, therefore, is omitted.

For the year ended March 31, 2020, the Bank reduced the book values of the following asset groups to the recoverable amounts and recognized impairment loss of ¥931 million due to a continuous decline in land prices and a decline in operating cash flow.

| Millions of yen          |                                |                    |                 |
|--------------------------|--------------------------------|--------------------|-----------------|
| 2020                     |                                |                    |                 |
| Location                 | Major use                      | Type               | Impairment loss |
| Inside Ehime Prefecture  | 14 offices, including branches | Land and buildings | ¥ 912           |
|                          |                                | (Land)             | (678)           |
|                          |                                | (Buildings)        | (186)           |
| Inside Ehime Prefecture  | Idle assets-2 items            | Land and buildings | ¥ 17            |
|                          |                                | (Land)             | (16)            |
|                          |                                | (Buildings)        | (0)             |
| Outside Ehime Prefecture | 1 branch                       | Land and buildings | ¥ 1             |
|                          |                                | (Land)             | (0)             |
|                          |                                | (Buildings)        | (0)             |
| Total                    |                                | Land and buildings | ¥ 931           |
|                          |                                | (Land)             | (696)           |
|                          |                                | (Buildings)        | (188)           |

With respect to the calculation of impairment loss on fixed assets, the minimum operational unit recognized for management accounting purposes by the Bank is a branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch.

With respect to the consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss on fixed assets for the reporting period, the amount deemed recoverable, i.e., the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards.

### (Notes to Consolidated Statement of Comprehensive Income)

#### 4-1. RECLASSIFICATION ADJUSTMENTS AND THE RELATED TAX EFFECTS CONCERNING OTHER COMPREHENSIVE INCOME

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2021            | 2020    | 2021                                 |
| Net unrealized holding gains (losses) on securities               |                 |         |                                      |
| Incurred during the period  | ¥ 85,864        | ¥15,553 | \$ 775,575                           |
| Reclassification adjustments                                      | (3,717)         | (3,529) | (33,574)                             |
| Before tax effect adjustments                                     | 82,147          | 12,023  | 742,001                              |
| Tax effect  | (25,480)        | (3,975) | (230,150)                            |
| Net unrealized holding gains (losses) on securities               | 56,666          | 8,048   | 511,841                              |
| Net deferred gains (losses) on derivatives under hedge accounting |                 |         |                                      |
| Incurred during the period  | (2,895)         | (287)   | (26,149)                             |
| Reclassification adjustments                                      | 1,215           | 3,652   | 10,974                               |
| Before tax effect adjustments                                     | (1,680)         | 3,365   | (15,174)                             |
| Tax effect  | 512             | (1,026) | 4,624                                |
| Net deferred gains (losses) on derivatives under hedge accounting | (1,167)         | 2,338   | (10,541)                             |
| Remeasurements of defined benefit plans                           |                 |         |                                      |
| Incurred during the period  | 13,263          | (1,070) | 119,799                              |
| Reclassification adjustments                                      | (415)           | (985)   | (3,748)                              |
| Before tax effect adjustments                                     | 12,848          | (2,056) | 116,050                              |
| Tax effect  | (3,918)         | 627     | (35,389)                             |
| Remeasurements of defined benefit plans                           | 8,929           | (1,429) | 80,652                               |
| The total amount of other comprehensive income                    | ¥ 64,428        | ¥ 8,957 | \$ 581,952                           |

## (Notes to Consolidated Statement of Changes in Net Assets)

### 5-1. Type and number of shares issued and treasury stock

Type and number of shares issued and treasury stock in the year ended March 31, 2021 and 2020 were as follows:

|                | (Thousands)  |   |   |  |
|----------------|--|---|---|--|
|                | 2021   |   |   |  |
|                | Number of shares at the beginning of the accounting period | Increase in number of shares during the accounting period | Decrease in number of shares during the accounting period | Number of shares at the end of the accounting period |
| Shares issued  |  |   |   |  |
| Common stock   | 323,775  | —   | —   | 323,775  |
| Total          | 323,775  | —   | —   | 323,775  |
| Treasury stock |  |   |   |  |
| Common stock   | 7,222  | 1   | 119   | 7,104  |
| Total          | 7,222  | 1   | 119   | 7,104  |

- 1 The increase in number of shares of treasury stock was from the purchase of fractional shares (1 thousand shares)
- 2 The decrease in number of shares of treasury stock was due to the delivered shares of the Bank through the Trust (36 thousand shares) and the exercise of stock acquisition rights (82 thousand shares).
- 3 The number of shares of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payment system (284 thousand shares and 247 thousand shares, respectively).

|                | (Thousands)  |   |   |  |
|----------------|--|---|---|--|
|                | 2020   |   |   |  |
|                | Number of shares at the beginning of the accounting period | Increase in number of shares during the accounting period | Decrease in number of shares during the accounting period | Number of shares at the end of the accounting period |
| Shares issued  |  |   |   |  |
| Common stock   | 323,775  | —   | —   | 323,775  |
| Total          | 323,775  | —   | —   | 323,775  |
| Treasury stock |  |   |   |  |
| Common stock   | 7,302  | 0   | 81  | 7,222  |
| Total          | 7,302  | 0   | 81  | 7,222  |

- 1 The increase in number of shares of treasury stock was from the purchase of fractional shares (0 thousand shares)
- 2 The decrease in number of shares of treasury stock was due to the delivered shares of the Bank through the Trust (15 thousand shares) and the exercise of stock acquisition rights (65 thousand shares).
- 3 The number of shares of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payment system (300 thousand shares and 284 thousand shares, respectively).

### 5-2. Stock acquisition rights and own stock acquisition rights

Stock acquisition rights and own stock acquisition rights in the year ended March 31, 2021 and 2020 were as follows:

| 2021     |   |                             |  |          |          |                 |                 |                                      |
|----------|---|-----------------------------|--|----------|----------|-----------------|-----------------|--------------------------------------|
| Division | Details of stock acquisition rights       | Type of shares to be issued | Number of shares subject to stock acquisition rights |          |          |                 | Closing balance |                                      |
|          |   |                             | Beginning balance                                    | Increase | Decrease | Closing balance | Millions of yen | Thousands of U.S. dollars (Note 1-1) |
| The Bank | Stock acquisition rights as stock options |                             |  | —        |          |                 | 273             | 2,465                                |
| Total    |   |                             |  | —        |          |                 | 273             | 2,465                                |

| 2020     |   |                             |  |          |          |                 |                 |  |
|----------|---|-----------------------------|--|----------|----------|-----------------|-----------------|--|
| Division | Details of stock acquisition rights       | Type of shares to be issued | Number of shares subject to stock acquisition rights |          |          |                 | Closing balance |  |
|          |   |                             | Beginning balance                                    | Increase | Decrease | Closing balance | Millions of yen |  |
| The Bank | Stock acquisition rights as stock options |                             |  | —        |          |                 | 343             |  |
| Total    |   |                             |  | —        |          |                 | 343             |  |

### 5-3. Dividends

The following dividends were paid in the year ended March 31, 2021 and March 31, 2020, respectively.

| 2021  |                |                     |                                      |                          |                         |                    |                   |
|---|----------------|---------------------|--------------------------------------|--------------------------|-------------------------|--------------------|-------------------|
| Date of resolution                          | Type of shares | Amount of dividends |                                      | Cash dividends per share |                         | Record date        | Effective date    |
|   |                | Millions of yen     | Thousands of U.S. dollars (Note 1-1) | Yen                      | U.S. dollars (Note 1-1) |                    |                   |
| Directors' meeting held on May 26, 2020     | Common stock   | ¥2,217              | \$20,025                             | ¥7.00                    | \$0.06                  | March 31, 2020     | June 5, 2020      |
| Directors' meeting held on November 6, 2020 | Common stock   | ¥2,218              | \$20,034                             | ¥7.00                    | \$0.06                  | September 30, 2020 | December 10, 2020 |

1. The total amount of dividends on common stock resolved at the Directors' meeting held on May 26, 2020 includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.
2. The total amount of dividends on common stock resolved at the Directors' meeting held on November 6, 2020 includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

Dividends whose record date is attributable to the year ended March 31, 2021 but which became effective after March 31, 2021

| Date of resolution                      | Type of shares | Amount of dividends |                                      | Source of dividends | Cash dividends per share |                         | Record date    |
|---|----------------|---------------------|--------------------------------------|---------------------|--------------------------|-------------------------|----------------|
|   |                | Millions of yen     | Thousands of U.S. dollars (Note 1-1) |                     | Yen                      | U.S. dollars (Note 1-1) |                |
| Directors' meeting held on May 14, 2021 | Common stock   | ¥2,218              | \$20,034                             | Retained earnings   | ¥7.00                    | \$0.06                  | March 31, 2021 |

| 2020  |                |                     |                              |                    |                   |
|---|----------------|---------------------|------------------------------|--------------------|-------------------|
| Date of resolution                          | Type of shares | Amount of dividends |                              | Record date        | Effective date    |
|   |                | Millions of yen     | Cash dividends per share Yen |                    |                   |
| Directors' meeting held on May 10, 2019     | Common stock   | ¥2,217              | ¥7.00                        | March 31, 2019     | June 6, 2019      |
| Directors' meeting held on November 8, 2019 | Common stock   | ¥2,217              | ¥7.00                        | September 30, 2019 | December 10, 2019 |

1. The total amount of dividends on common stock resolved at the Directors' meeting held on May 10, 2019 includes ¥2 million in dividends to the Bank's shares held by the Trust for the share-based payment system.
2. The total amount of dividends on common stock resolved at the Directors' meeting held on November 8, 2019 includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

Dividends whose record date is attributable to the year ended March 31, 2020 but which became effective after March 31, 2020

| Date of resolution                      | Type of shares | Amount of dividends<br>Millions of yen | Source of dividends | Cash dividends per share |                         | Record date    | Effective date |
|---|----------------|--|---------------------|--------------------------|-------------------------|----------------|----------------|
|   |                |  |                     | Yen                      | U.S. dollars (Note 1-1) |                |                |
| Directors' meeting held on May 26, 2020 | Common stock   | ¥2,217                                 | Retained earnings   | ¥7.00                    |                         | March 31, 2020 | June 5, 2020   |

The total amount of dividends on common stock includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

## (Notes to Consolidated Statement of Cash Flows)

### 6-1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statements of cash flows included due from banks, except for deposits with the Bank of Japan, as follows:

|  | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------|--------------------------------------|
|  | 2021            | 2020     | 2021                                 |
| Cash and due from banks in the balance sheets              | ¥1,415,522      | ¥719,086 | \$12,785,854                         |
| Due from banks, except for deposits with the Bank of Japan | (1,958)         | (1,198)  | (17,685)                             |
| Cash and cash equivalents in the statements of cash flows  | ¥1,413,563      | ¥717,887 | \$12,768,160                         |

## (Notes to Lease Transactions)

### 1. LEASE TRANSACTIONS

#### (1) Finance Leases

Finance leases that do not transfer ownership of the lease assets

##### ① Details of lease assets

- (i) Tangible fixed assets  
Automatic teller machines
- (ii) Intangible fixed assets  
Not applicable

##### ② The method used to depreciate for lease assets

See "SIGNIFICANT ACCOUNTING POLICIES - Tangible and intangible fixed assets and lease assets."

#### (2) Operating Leases

Future lease payment payables and receivables under noncancelable operating leases were as follows:

##### As lessee

|                     | Millions of yen |      | Thousands of U.S. dollars (Note 1-1) |
|---------------------|-----------------|------|--------------------------------------|
|                     | 2021            | 2020 | 2021                                 |
| Due within one year | ¥107            | ¥ 92 | \$ 966                               |
| Due after one year  | 332             | 42   | 2,998                                |
| Total               | ¥440            | ¥134 | \$3,974                              |

##### As lessor

|                     | Millions of yen |      | Thousands of U.S. dollars (Note 1-1) |
|---------------------|-----------------|------|--------------------------------------|
|                     | 2021            | 2020 | 2021                                 |
| Due within one year | ¥ 47            | ¥ 65 | \$ 424                               |
| Due after one year  | 99              | 147  | 894                                  |
| Total               | ¥147            | ¥213 | \$1,327                              |



## **(Notes to Financial Instruments)**

### **1 Financial instruments**

#### **(1) Policy on financial instruments**

The Bank and its consolidated subsidiaries engage mainly in the financial services business and provide lending services and leasing services. Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and undertakes asset and liability management (ALM) in order to curb any unfavorable impact from interest rate fluctuations. The Bank also engages in derivative transactions as part of its ALM.

#### **(2) Descriptions and risks of financial instruments**

The financial assets of the Bank and its consolidated subsidiaries consist mainly of loans to customers, which are subject to default risk. Also, the Bank holds securities that are mainly stocks, bonds and mutual funds for investment, management or trading purposes. They are subject to the issuer's credit risk, interest rate risk and market price risk.

The foreign currency denominated financial assets and liabilities are subject to foreign currency risk. The Bank uses currency swaps to manage the risk.

The Bank's derivative transactions include interest rate swaps. The Bank applies hedge accounting to the interest on loans to hedge interest rate risks regarding the interest rate swaps as hedge instruments. The effectiveness is ensured by maintaining a balance of hedge instruments that does not exceed the balance of the hedged items, which are grouped by incidence and remaining period.

Other transactions not qualifying for hedge accounting expose the Bank to foreign exchange and interest rate risks.

#### **(3) Risk management system for financial products**

##### **① Credit risk management**

The Bank prescribes its credit risk management policy in its "Risk Management Plan," which is issued by the Board of Directors biannually. In particular, the Bank diversifies credit risk by ensuring that credit granted is not overconcentrated in certain customers, groups or industries. The Bank periodically analyzes and evaluates the credit conditions classified by internal ratings, business area and industry. The Bank strives to optimize its credit portfolio by promoting effective credit risk management. Feedback regarding credit risk management is reported to the Board of Directors on a regular basis.

The Bank manages each customer's credit in compliance with its "Internal Rating System," part of the Bank's credit risk management. The Risk Management Division (RMD), which is completely independent from other banking business divisions, is responsible for planning and administering the internal rating system and conducting, coordinating and monitoring the internal ratings. The Loan Group is responsible for supervising the individual credit granted and examining each customers' finances, purpose for the loan and ability to repay. The group is independent from the business promotion group and is divided into four divisions: the Credit Division - responsible for general loans, the Ship Finance Division - responsible for the loans such as loans in the shipping and shipbuilding industries, the Credit Management Division - responsible for the planning of loan administration and troubled credit and the Corporate Consulting Division - responsible for supporting company rehabilitation. The assets are initially assessed by each branch and then by the head office, followed by a validation by RMD, which is also responsible for the formulation of the assessment standards.

The credit granted by the consolidated subsidiaries is managed for each customer along with the credit granted by the Bank. RMD also manages the credit risk of issuers and counterparty risk in derivative

transactions by monitoring and periodically evaluating credit information and market prices.

##### **② Market risk management**

In order to properly manage market risk and maintain the Bank's soundness and profitability, the Bank has established a comprehensive risk management structure set forth by the ALM Committee. The ALM Committee uses various measures such as the gap method, market value analysis, periodic income/loss simulation and the VaR method to control risk. The ALM Committee also coordinates risk management plans and hedging strategies by analyzing the profitability structure and forecasting the market and the economic environment. RMD, set up as an independent supervisor, evaluates the appropriateness of market transactions dealt with by other divisions.

The Bank sets limits on the quantity of risk that may be undertaken in its "Risk Management Plan," which is developed by the Board of Directors biannually. RMD monitors compliance with the plan and reports to the Board of Directors on a monthly basis.

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance-covariance model (holding period: 120 business days; confidence interval: 99.9%; and historical observation period: 1,200 business days) is applied in the measurement of VaR.

The major market risks for the Bank are equity risk and interest rate risk. Financial instruments affected by interest rate risk are loans and bills discounted, available-for-sale securities, deposits, borrowed money, interest swap transactions and interest rate cap derivative transactions. At March 31, 2021 and 2020, the quantity of market risk (expected loss), which included equity risk and interest rate risk, amounted to ¥199.8 billion (\$1,804 million) and ¥167.1 billion, respectively.

The Bank confirms the validity of the measurement model by biannually performing back-testing which compares VaR with actual fluctuations in profit and loss during the observation period. However, VaR, the quantity of market risk which is statistically measured with historical market fluctuations, may not reflect drastic changes in the market.

##### **③ Liquidity risk management**

The liquidity risk management of the Bank is conducted through asset-liability management (ALM) and the duration of funds procured with consideration for the market environment.

#### **(4) Supplementary explanation of matters related to fair values of financial instruments and others**

The fair values of financial instruments include values based on market prices and values reasonably estimated when the financial instruments do not have market prices. Since certain assumptions underlie the estimates of such values, the values may differ when other assumptions are applied.

## 2 Fair values of financial instruments

The following tables summarize book values, fair values and any differences between them. Unlisted stocks and others for which the fair value was deemed extremely difficult to determine were excluded from the tables below (see Note ii).

|   | Millions of yen |            |            | Thousands of U.S. dollars (Note 1-1) |              |             |
|---|-----------------|------------|------------|--------------------------------------|--------------|-------------|
|   | 2021            |            |            | 2021                                 |              |             |
|   | Book value      | Fair value | Difference | Book value                           | Fair value   | Difference  |
| (1) Cash and due from banks                                       | ¥1,415,522      | ¥1,415,522 | ¥ —        | \$12,785,854                         | \$12,785,854 | \$ —        |
| (2) Receivables under resale agreements                           | —               | —          | —          | —                                    | —            | —           |
| (3) Monetary claims purchased                                     | 6,834           | 6,834      | —          | 61,728                               | 61,728       | —           |
| (4) Trading account securities                                    |                 |            |            |                                      |              |             |
| Trading securities  | 649             | 649        | —          | 5,862                                | 5,862        | —           |
| (5) Money held in trust   | 6,427           | 6,427      | —          | 58,052                               | 58,052       | —           |
| (6) Securities  |                 |            |            |                                      |              |             |
| Available-for-sale securities                                     | 1,878,329       | 1,878,329  | —          | 16,966,209                           | 16,966,209   | —           |
| (7) Loans and bills discounted                                    | 4,975,984       | 4,896,054  | —          | 44,946,111                           | 44,224,135   | —           |
| Reserve for loan losses (*1)                                      | (35,526)        | —          | —          | (320,892)                            | —            | —           |
|   | 4,940,458       | 4,896,054  | (44,403)   | 44,625,219                           | 44,224,135   | (401,074)   |
| Total Assets  | ¥8,248,221      | ¥8,203,817 | ¥(44,403)  | \$74,502,944                         | \$74,101,860 | \$(401,074) |
| (1) Deposits  | ¥5,963,676      | ¥5,963,765 | ¥ 89       | \$53,867,545                         | \$53,868,349 | \$ 803      |
| (2) Negotiable certificates of deposit                            | 531,969         | 531,969    | —          | 4,805,067                            | 4,805,067    | —           |
| (3) Call money and bills sold                                     | 61,624          | 61,624     | —          | 556,625                              | 556,625      | —           |
| (4) Payables under repurchase agreements                          | 199,289         | 199,289    | —          | 1,800,099                            | 1,800,099    | —           |
| (5) Payables under securities lending transactions                | 91,604          | 91,604     | —          | 827,422                              | 827,422      | —           |
| (6) Borrowed money  | 743,645         | 743,686    | 40         | 6,717,053                            | 6,717,423    | 361         |
| Total Liabilities   | ¥7,591,809      | ¥7,591,939 | ¥ 130      | \$68,573,832                         | \$68,575,006 | \$ 1,174    |
| Derivative Transactions (*2)                                      |                 |            |            |                                      |              |             |
| Derivative transactions to which hedge accounting is not applied  | ¥ 2,329         | ¥ 2,329    | ¥ —        | \$ 21,036                            | \$ 21,036    | \$ —        |
| Derivative transactions to which hedge accounting is applied (*3) | (7,166)         | (7,166)    | —          | (64,727)                             | (64,727)     | —           |
| Total Derivative Transactions                                     | ¥ (4,837)       | ¥ (4,837)  | ¥ —        | \$ (43,690)                          | \$ (43,690)  | \$ —        |

(\*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(\*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(\*3) They are interest rate swaps, etc. designated as hedging instruments to offset market fluctuations of loans and bills discounted in hedged items.

The Bank mainly adopts deferred hedges. The Bank applies "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No.40, September 29, 2020) applied to these hedging relationships.

(\*4) Immaterial items are omitted.

|  | Millions of yen |            |            |
|--|-----------------|------------|------------|
|  | 2020            |            |            |
|  | Book value      | Fair value | Difference |
| (1) Cash and due from banks                                      | ¥ 719,086       | ¥ 719,086  | ¥ —        |
| (2) Receivables under resale agreements                          | 355,563         | 355,563    | —          |
| (3) Monetary claims purchased                                    | 8,173           | 8,173      | —          |
| (4) Trading account securities                                   |                 |            |            |
| Trading securities   | 727             | 727        | —          |
| (5) Money held in trust  | 7,074           | 7,074      | —          |
| (6) Securities   |                 |            |            |
| Available-for-sale securities                                    | 1,694,560       | 1,694,560  | —          |
| (7) Loans and bills discounted                                   | 4,733,091       | 4,661,074  | —          |
| Reserve for loan losses (*1)                                     | (29,591)        | —          | —          |
|  | 4,703,500       | 4,661,074  | (42,425)   |
| Total Assets   | ¥7,488,686      | ¥7,446,261 | ¥(42,425)  |
| (1) Deposits   | ¥5,246,611      | ¥5,246,865 | ¥ 254      |
| (2) Negotiable certificates of deposit                           | 482,131         | 482,131    | —          |
| (3) Call money and bills sold                                    | 217,618         | 217,618    | —          |
| (4) Payables under repurchase agreements                         | 30,357          | 30,357     | —          |
| (5) Payables under securities lending transactions               | 198,436         | 198,436    | —          |
| (6) Borrowed money   | 770,378         | 770,659    | 281        |
| Total Liabilities  | ¥6,945,532      | ¥6,946,068 | ¥ 535      |
| Derivative Transactions (*2)                                     |                 |            |            |
| Derivative transactions to which hedge accounting is not applied | ¥ (2,439)       | ¥ (2,439)  | ¥ —        |
| Derivative transactions to which hedge accounting is applied     | 960             | 960        | —          |
| Total Derivative Transactions                                    | ¥ (1,479)       | ¥ (1,479)  | ¥ —        |

(\*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(\*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(\*3) Immaterial items are omitted.

Note i. Methods used to calculate fair value of financial instruments

#### Assets

##### (1) Cash and due from banks

The fair value of due from banks with no maturity is considered equal to the book value since the fair value approximates the book value. The fair value of due from banks with maturity is calculated as the present value discounted at rates that reflect the proper market risk and credit risk per contractual terms. The fair value of due from banks with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

##### (2) Receivables under resale agreements

The fair value of receivables under resale agreements is considered equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

##### (3) Monetary claims purchased

The fair value of trustee beneficial rights in monetary claims purchased is based on the price quoted by correspondent financial institutions. For monetary claims purchased with short contractual terms (within one year), the fair value is considered equal to the book value since the fair value approximates the book value.

##### (4) Trading account securities

The fair value of securities such as bonds held for trading is based on the market price or the price quoted by correspondent financial institutions.

##### (5) Money held in trust

The fair value of money held in trust is based on the price quoted by correspondent financial institutions. Information on money held in trust classified by the purpose for which it is held is disclosed in (Notes to Money held in trust).

##### (6) Securities

The fair value of stocks is based on market price. The fair value of bonds is based on market price or the price quoted by correspondent financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated as the present value discounted at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. Information on securities classified by the purpose for which they are held is disclosed in (Notes to Securities).

##### (7) Loans and bills discounted

The fair value of loans and bills discounted with floating rates are considered equal to the book value since the rate reflects the market rate in a short period, and the fair value approximates the book value unless the creditworthiness of the borrower changes significantly after the inception date. The fair value of loans and bills discounted with fixed rates is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within one year) is considered equal to the book value since the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debt since the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees.

For loans and bills discounted, the fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

#### Liabilities

##### (1) Deposits and (2) Negotiable certificates of deposit

The fair value of demand deposits is considered the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits is calculated as the present value, discounting the future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. The fair value of deposits with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value.

##### (3) Call money and bills sold, (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair value of call money, bills sold and payables under securities lending transactions is considered equal to the book value since the contractual term is within one year and the fair value of these items approximates the book value.

##### (6) Borrowed money

The fair value of borrowed money with a floating rate is considered equal to the book value since the rate reflects the market rate in a short period, the creditworthiness of the Bank and its consolidated subsidiaries has not changed significantly since the inception date and the fair value of these items approximates the book values.

The fair value of borrowed money with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank.

#### Derivative Transactions

Information on derivative transactions is disclosed in (Notes to Derivative Transactions.)

Note ii. Financial instruments whose fair value is deemed extremely difficult to determine are not included in "Available-for-sale-securities" in the table above.

| Category                         | Consolidated balance sheet amount |                 |                                      |
|----------------------------------|-----------------------------------|-----------------|--------------------------------------|
|                                  | (2021)                            | (2020)          | (2021)                               |
|                                  | Millions of yen                   | Millions of yen | Thousands of U.S. dollars (Note 1-1) |
| Unlisted stocks (*1) (*2)        | ¥13,649                           | ¥12,772         | \$123,286                            |
| Investments in partnerships (*3) | 5,788                             | 6,242           | 52,280                               |
| Total                            | ¥19,438                           | ¥19,014         | \$175,575                            |

(\*1) Unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

(\*2) The amount of impairment on unlisted stock during the year ended March 31, 2021 and the year ended March 31, 2020 were ¥90 million (\$812 thousand) and ¥59 million, respectively.

(\*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value since the fair value is deemed extremely difficult to determine.

Note iii. Expected redemption of monetary claims and securities with maturities

|                                     | Millions of yen |           |           |           |            |               |
|-------------------------------------|-----------------|-----------|-----------|-----------|------------|---------------|
|                                     | 2021            |           |           |           |            |               |
|                                     | Within 1 year   | 1-3 years | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Due from banks                      | ¥1,365,176      | ¥ —       | ¥ —       | ¥ —       | ¥ —        | ¥ —           |
| Receivables under resale agreements | —               | —         | —         | —         | —          | —             |
| Monetary claims purchased           | 3,911           | —         | —         | —         | —          | 2,911         |
| Securities                          | 147,030         | 104,177   | 190,471   | 202,469   | 315,186    | 341,650       |
| Held-to-maturity debt securities    | —               | —         | —         | —         | —          | —             |
| Securities with maturities          | 147,030         | 104,177   | 190,471   | 202,469   | 315,186    | 341,650       |
| Japanese government bonds           | 91,100          | —         | 63,500    | 3,500     | 10,000     | 16,000        |
| Municipal bonds                     | 30,408          | 30,816    | 43,231    | 63,955    | 76,948     | 40,335        |
| Corporate bonds                     | 20,310          | 41,937    | 23,722    | 962       | 2,459      | 12,197        |
| Loans and bills discounted (*)      | 1,152,470       | 895,548   | 745,139   | 530,836   | 539,218    | 1,024,919     |
| Total                               | ¥2,668,588      | ¥999,725  | ¥935,610  | ¥733,306  | ¥854,404   | ¥1,369,481    |

|                                     | Millions of yen |            |           |           |            |               |
|-------------------------------------|-----------------|------------|-----------|-----------|------------|---------------|
|                                     | 2020            |            |           |           |            |               |
|                                     | Within 1 year   | 1-3 years  | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Due from banks                      | ¥ 670,720       | ¥ —        | ¥ —       | ¥ —       | ¥ —        | ¥ —           |
| Receivables under resale agreements | 355,563         | —          | —         | —         | —          | —             |
| Monetary claims purchased           | 4,447           | —          | —         | —         | —          | 3,703         |
| Securities                          | 204,308         | 224,327    | 111,573   | 139,899   | 264,948    | 234,992       |
| Held-to-maturity debt securities    | —               | —          | —         | —         | —          | —             |
| Securities with maturities          | 204,308         | 224,327    | 111,573   | 139,899   | 264,948    | 234,992       |
| Japanese government bonds           | 144,000         | 91,100     | 9,500     | 57,500    | 10,000     | 16,000        |
| Municipal bonds                     | 19,294          | 45,053     | 27,358    | 55,054    | 76,033     | 38,414        |
| Corporate bonds                     | 18,616          | 38,383     | 28,749    | 4,586     | 2,314      | 13,676        |
| Loans and bills discounted (*)      | 1,166,894       | 863,408    | 653,800   | 485,150   | 516,944    | 950,875       |
| Total                               | ¥2,401,933      | ¥1,087,735 | ¥765,374  | ¥625,050  | ¥781,893   | ¥1,189,571    |

|                                     | Thousands of U.S. dollars (Note 1-1) |             |             |             |             |               |
|-------------------------------------|--------------------------------------|-------------|-------------|-------------|-------------|---------------|
|                                     | 2021                                 |             |             |             |             |               |
|                                     | Within 1 year                        | 1-3 years   | 3-5 years   | 5-7 years   | 7-10 years  | Over 10 years |
| Due from banks                      | \$12,331,099                         | \$ —        | \$ —        | \$ —        | \$ —        | \$ —          |
| Receivables under resale agreements | —                                    | —           | —           | —           | —           | —             |
| Monetary claims purchased           | 35,326                               | —           | —           | —           | —           | 26,293        |
| Securities                          | 1,328,064                            | 940,989     | 1,720,449   | 1,828,823   | 2,846,951   | 3,085,990     |
| Held-to-maturity debt securities    | —                                    | —           | —           | —           | —           | —             |
| Securities with maturities          | 1,328,064                            | 940,989     | 1,720,449   | 1,828,823   | 2,846,951   | 3,085,990     |
| Japanese government bonds           | 822,870                              | —           | 573,570     | 31,614      | 90,326      | 144,521       |
| Municipal bonds                     | 274,663                              | 278,348     | 390,488     | 577,680     | 695,041     | 364,330       |
| Corporate bonds                     | 183,452                              | 378,800     | 214,271     | 8,689       | 22,211      | 110,170       |
| Loans and bills discounted (*)      | 10,409,809                           | 8,089,133   | 6,730,548   | 4,794,833   | 4,870,544   | 9,257,691     |
| Total                               | \$24,104,308                         | \$9,030,123 | \$8,450,998 | \$6,623,665 | \$7,717,496 | \$12,369,984  |

(\*) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors amounted to ¥57,924 million (\$523,204 thousand) and ¥61,656 million at March 31, 2021 and 2020, respectively, and loans and bills with no maturities amounted to ¥29,928 million (\$270,327 thousand) and ¥34,361 million at March 31, 2021 and 2020, respectively.

Note iv. Amounts to be repaid for borrowed money and other interest bearing liabilities

|  | Millions of yen |           |           |           |            |               |
|--|-----------------|-----------|-----------|-----------|------------|---------------|
|  | 2021            |           |           |           |            |               |
|  | Within 1 year   | 1-3 years | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Deposits (*)                                   | ¥5,598,460      | ¥328,346  | ¥ 34,025  | ¥1,047    | ¥1,795     | ¥ —           |
| Certificates of deposit                        | 531,969         | —         | —         | —         | —          | —             |
| Call money and bills sold                      | 61,624          | —         | —         | —         | —          | —             |
| Payables under repurchase agreements           | 199,289         | —         | —         | —         | —          | —             |
| Payables under securities lending transactions | 91,604          | —         | —         | —         | —          | —             |
| Borrowed money                                 | 435,587         | 105,313   | 202,138   | 238       | 236        | 130           |
| Total  | ¥6,918,535      | ¥433,660  | ¥236,163  | ¥1,286    | ¥2,032     | ¥130          |

|  | Millions of yen |           |           |           |            |               |
|--|-----------------|-----------|-----------|-----------|------------|---------------|
|  | 2020            |           |           |           |            |               |
|  | Within 1 year   | 1-3 years | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Deposits (*)                                   | ¥4,877,705      | ¥329,435  | ¥ 36,061  | ¥1,951    | ¥1,457     | ¥ —           |
| Certificates of deposit                        | 482,131         | —         | —         | —         | —          | —             |
| Call money and bills sold                      | 217,618         | —         | —         | —         | —          | —             |
| Payables under repurchase agreements           | 30,357          | —         | —         | —         | —          | —             |
| Payables under securities lending transactions | 198,436         | —         | —         | —         | —          | —             |
| Borrowed money                                 | 583,010         | 4,625     | 182,157   | 261       | 203        | 120           |
| Total  | ¥6,389,259      | ¥334,060  | ¥218,219  | ¥2,213    | ¥1,660     | ¥120          |



|  | Thousands of U.S. dollars (Note 1-1) |             |             |           |            |               |
|--|--------------------------------------|-------------|-------------|-----------|------------|---------------|
|  | 2021                                 |             |             |           |            |               |
|  | Within 1 year                        | 1-3 years   | 3-5 years   | 5-7 years | 7-10 years | Over 10 years |
| Deposits (*)                                   | \$50,568,692                         | \$2,965,820 | \$ 307,334  | \$ 9,457  | \$16,213   | \$ —          |
| Certificates of deposit                        | 4,805,067                            | —           | —           | —         | —          | —             |
| Call money and bills sold                      | 556,625                              | —           | —           | —         | —          | —             |
| Payables under repurchase agreements           | 1,800,099                            | —           | —           | —         | —          | —             |
| Payables under securities lending transactions | 827,422                              | —           | —           | —         | —          | —             |
| Borrowed money                                 | 3,934,486                            | 951,251     | 1,825,833   | 2,149     | 2,131      | 1,174         |
| Total  | \$62,492,412                         | \$3,917,080 | \$2,133,167 | \$11,615  | \$18,354   | \$1,174       |

(\*) Demand deposits are included in "Within 1 year."

## (Notes to Securities)

\*1 In addition to "Securities" on the consolidated balance sheets, this includes "Trading account securities" and trust beneficiary interests in "Monetary claims purchased."

### 1 Trading securities:

|   | Millions of yen |       | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|-------|--------------------------------------|
|   | 2021            | 2020  | 2021                                 |
| Unrealized gains (losses) included in profit and loss for the fiscal year | ¥(16)           | ¥(14) | \$(144)                              |

### 2 Held-to-maturity debt securities:

None

### 3 Available-for-sale securities:

|                                   | Millions of yen |                  |            | Millions of yen |                  |            | Thousands of U.S. dollars (Note 1-1) |                  |             |
|-----------------------------------|-----------------|------------------|------------|-----------------|------------------|------------|--------------------------------------|------------------|-------------|
|                                   | 2021            |                  |            | 2020            |                  |            | 2021                                 |                  |             |
|                                   | Book value      | Acquisition cost | Difference | Book value      | Acquisition cost | Difference | Book value                           | Acquisition cost | Difference  |
| Securities with unrealized gains  |                 |                  |            |                 |                  |            |                                      |                  |             |
| Equity securities                 | ¥ 363,242       | ¥ 70,440         | ¥292,801   | ¥ 268,844       | ¥ 64,949         | ¥203,895   | \$ 3,281,022                         | \$ 636,256       | \$2,644,756 |
| Bonds                             | 431,109         | 421,561          | 9,547      | 561,236         | 548,412          | 12,823     | 3,894,038                            | 3,807,795        | 86,234      |
| Japanese government bonds         | 119,985         | 116,895          | 3,090      | 266,666         | 260,898          | 5,768      | 1,083,777                            | 1,055,866        | 27,910      |
| Municipal bonds                   | 226,478         | 221,733          | 4,745      | 198,109         | 192,842          | 5,266      | 2,045,686                            | 2,002,827        | 42,859      |
| Corporate bonds                   | 84,645          | 82,933           | 1,712      | 96,461          | 94,672           | 1,788      | 764,565                              | 749,101          | 15,463      |
| Other                             | 632,551         | 584,427          | 48,123     | 467,537         | 415,228          | 52,309     | 5,713,585                            | 5,278,899        | 434,676     |
| Total                             | ¥1,426,903      | ¥1,076,429       | ¥350,473   | ¥1,297,619      | ¥1,028,591       | ¥269,028   | \$12,888,655                         | \$ 9,722,960     | \$3,165,685 |
| Securities with unrealized losses |                 |                  |            |                 |                  |            |                                      |                  |             |
| Equity securities                 | ¥ 16,347        | ¥ 21,489         | ¥ (5,141)  | ¥ 19,491        | ¥ 26,005         | ¥ (6,513)  | \$ 147,656                           | \$ 194,101       | \$ (46,436) |
| Bonds                             | 171,289         | 172,815          | (1,526)    | 168,552         | 170,547          | (1,994)    | 1,547,186                            | 1,560,970        | (13,783)    |
| Japanese government bonds         | 68,552          | 69,375           | (823)      | 68,342          | 69,679           | (1,336)    | 619,203                              | 626,637          | (7,433)     |
| Municipal bonds                   | 63,852          | 64,096           | (243)      | 68,210          | 68,530           | (319)      | 576,750                              | 578,954          | (2,194)     |
| Corporate bonds                   | 38,885          | 39,344           | (459)      | 31,999          | 32,337           | (338)      | 351,232                              | 355,378          | (4,145)     |
| Other                             | 266,711         | 278,091          | (11,379)   | 212,623         | 223,046          | (10,422)   | 2,409,095                            | 2,511,886        | (102,782)   |
| Total                             | 454,349         | 472,396          | (18,046)   | 400,667         | 419,598          | (18,930)   | 4,103,956                            | 4,266,967        | (163,002)   |
| Total                             | ¥1,881,252      | ¥1,548,825       | ¥332,426   | ¥1,698,286      | ¥1,448,189       | ¥250,097   | \$16,992,611                         | \$13,989,928     | \$3,002,673 |

### 4 Available-for-sale securities sold:

|                           | Millions of yen |         |        | Millions of yen |        |        | Thousands of U.S. dollars (Note 1-1) |          |          |
|---------------------------|-----------------|---------|--------|-----------------|--------|--------|--------------------------------------|----------|----------|
|                           | 2021            |         |        | 2020            |        |        | 2021                                 |          |          |
|                           | Amount sold     | Gains   | Losses | Amount sold     | Gains  | Losses | Amount sold                          | Gains    | Losses   |
| Equity securities         | ¥ 4,704         | ¥ 2,763 | ¥ 223  | ¥ 4,357         | ¥3,171 | ¥ —    | \$ 42,489                            | \$24,957 | \$ 2,014 |
| Bonds                     | 589             | 2       | —      | 37,294          | 222    | —      | 5,320                                | 18       | —        |
| Japanese government bonds | —               | —       | —      | 36,745          | 221    | —      | —                                    | —        | —        |
| Corporate bonds           | 589             | 2       | —      | 548             | 1      | —      | 5,320                                | 18       | —        |
| Other                     | 488,156         | 8,259   | 7,116  | 144,560         | 3,245  | 2,770  | 4,409,321                            | 74,600   | 64,276   |
| Total                     | ¥493,449        | ¥11,025 | ¥7,340 | ¥186,212        | ¥6,638 | ¥2,770 | \$4,457,131                          | \$99,584 | \$66,299 |

## 5 Securities impaired

Available-for-sale securities which have readily determinable fair values are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) was ¥16 million (\$144 thousand), including ¥16 million (\$144 thousand) of equity securities at March 31, 2021, and ¥339 million, including ¥339 million of equity securities at March 31, 2020. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the change in the quoted market price during a certain period in the past, the related business performance and other factors.

## (Notes to Money Held in Trust)

The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses for money held in trust included in profit and loss for the fiscal year.

|  | Millions of yen |        | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|--------|--------------------------------------|
|  | 2021            | 2020   | 2021                                 |
| Money held in trust for investment   |                 |        |                                      |
| Book value (fair value)  | ¥ —             | ¥2,992 | \$ —                                 |
| Amount of net unrealized gain (loss) included in profit and loss for the fiscal year | ¥ —             | ¥ 8    | \$ —                                 |
| Other money held in trust  |                 |        |                                      |
| Book value (fair value)  | 6,427           | 4,081  | 58,052                               |
| Acquisition cost   | 6,349           | 3,821  | 57,348                               |
| Difference   | 78              | 260    | 704                                  |
| Unrealized gains   | 78              | 260    | 704                                  |
| Unrealized losses  | —               | —      | —                                    |

## (Notes to Derivative Transactions)

At March 31, 2021

### 1 Derivative transactions to which hedge accounting was not applied

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

#### (1) Interest rate contracts

|  | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|--|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|  | 2021            |                                |            |                           | 2021                                 |                                |            |                           |
|  | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b>    |                 |                                |            |                           |                                      |                                |            |                           |
| Swaps:                                   |                 |                                |            |                           |                                      |                                |            |                           |
| Receive fixed rate and pay floating rate | ¥81,450         | ¥76,292                        | ¥1,619     | ¥1,619                    | \$735,705                            | \$689,115                      | \$14,623   | \$14,623                  |
| Receive floating rate and pay fixed rate | 81,450          | 76,292                         | (669)      | (669)                     | 735,705                              | 689,115                        | (6,042)    | (6,042)                   |
| Total                                    | —               | —                              | ¥ 950      | ¥ 950                     | —                                    | —                              | \$ 8,580   | \$ 8,580                  |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

## (Notes to Net Unrealized Holding Gains (losses) on Securities)

Unrealized holding gains on securities were as follows:

|   | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|----------|--------------------------------------|
|   | 2021            | 2020     | 2021                                 |
| Valuation gains   |                 |          |                                      |
| Available-for-sale securities   | ¥ 332,426       | ¥250,097 | \$3,002,673                          |
| Other money held in trust   | 78              | 260      | 704                                  |
| Deferred tax liabilities  | (102,228)       | (76,747) | (923,385)                            |
| Net unrealized holding gains on securities (before adjustment for minority interests) | 230,276         | 173,610  | 2,079,992                            |
| Noncontrolling interests  | (7,938)         | (6,835)  | (71,700)                             |
| Net unrealized holding gains on securities  | ¥ 222,338       | ¥166,775 | \$2,008,291                          |

## (2) Currency and foreign exchange contracts

|                                       | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|                                       | 2021            |                                |            |                           | 2021                                 |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |                                      |                                |            |                           |
| Currency swaps                        | ¥389,160        | ¥362,590                       | ¥ 150      | ¥ 150                     | \$3,515,129                          | \$3,275,133                    | \$ 1,354   | \$ 1,354                  |
| Forward exchange contracts:           |                 |                                |            |                           |                                      |                                |            |                           |
| Sell                                  | 267,668         | 135,092                        | (3,055)    | (3,055)                   | 2,417,740                            | 1,220,233                      | (27,594)   | (27,594)                  |
| Buy                                   | 226,168         | 29,942                         | 4,286      | 4,286                     | 2,042,886                            | 270,454                        | 38,713     | 38,713                    |
| Currency options:                     |                 |                                |            |                           |                                      |                                |            |                           |
| Sell                                  | 80,822          | 53,070                         | (2,462)    | 378                       | 730,033                              | 479,360                        | (22,238)   | 3,414                     |
| Buy                                   | 80,822          | 53,070                         | 2,462      | 273                       | 730,033                              | 479,360                        | 22,238     | 2,465                     |
| Total                                 | —               | —                              | ¥ 1,381    | ¥ 2,034                   | —                                    | —                              | \$ 12,474  | \$ 18,372                 |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value.

## (3) Credit derivatives

|                                       | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|                                       | 2021            |                                |            |                           | 2021                                 |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |                                      |                                |            |                           |
| Credit default swaps                  |                 |                                |            |                           |                                      |                                |            |                           |
| Sell                                  | ¥1,000          | ¥1,000                         | ¥ (2)      | ¥ (2)                     | \$9,032                              | \$9,032                        | \$(18)     | \$(18)                    |
| Buy                                   | —               | —                              | —          | —                         | —                                    | —                              | —          | —                         |
| Total                                 | —               | —                              | ¥ (2)      | ¥ (2)                     | —                                    | —                              | \$(18)     | \$(18)                    |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value.

## (4) Others

|                                       | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|                                       | 2021            |                                |            |                           | 2021                                 |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |                                      |                                |            |                           |
| Earthquake derivatives                |                 |                                |            |                           |                                      |                                |            |                           |
| Sell                                  | ¥1,500          | ¥—                             | ¥(27)      | ¥—                        | \$13,548                             | \$—                            | \$(243)    | \$—                       |
| Buy                                   | 1,500           | —                              | 27         | —                         | 13,548                               | —                              | 243        | —                         |
| Total                                 | —               | —                              | ¥ —        | ¥—                        | —                                    | —                              | \$ —       | \$—                       |

Transactions above for which the values were not readily determinable are stated at cost.

## 2 Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

### (1) Interest rate contracts

| Method of hedge accounting |  | Hedged items | Millions of yen |                                |            | Hedged items | Thousands of U.S. dollars (Note 1-1) |                                |            |
|----------------------------|--|--------------|-----------------|--------------------------------|------------|--------------|--------------------------------------|--------------------------------|------------|
|                            |  |              | Contract amount | Portion maturing over one year | Fair value |              | Contract amount                      | Portion maturing over one year | Fair value |
| Deferral hedge method      | Interest rate swaps                      | Loans        |                 |                                |            |              |                                      |                                |            |
|                            | Receive fixed rate and pay floating rate |              | —               | —                              | —          |              | —                                    | —                              | —          |
|                            | Receive floating rate and pay fixed rate |              | ¥302,523        | ¥302,523                       | ¥(722)     |              | \$2,732,571                          | \$2,732,571                    | \$(6,521)  |
|                            | Total                                    |              | —               | —                              | ¥(722)     | —            | —                                    | —                              | \$(6,521)  |

1 The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 24, October 8, 2020, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."

2 The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

**(2) Currency and foreign exchange contracts**

| Method of hedge accounting | Hedged items     | Millions of yen |                                |            | Thousands of U.S. dollars (Note 1-1) |                                |            |
|----------------------------|------------------|-----------------|--------------------------------|------------|--------------------------------------|--------------------------------|------------|
|                            |                  | 2021            |                                |            | 2021                                 |                                |            |
|                            |                  | Contract amount | Portion maturing over one year | Fair value | Contract amount                      | Portion maturing over one year | Fair value |
| Deferral hedge method      |                  |                 |                                |            |                                      |                                |            |
| Currency swaps             | Foreign currency | ¥218,488        | ¥195,039                       | ¥(6,392)   | \$1,973,516                          | \$1,761,710                    | \$(57,736) |
| Fund related swaps         | monetary assets  | 3,120           | —                              | (52)       | 28,181                               | —                              | (469)      |
| Total                      |                  | —               | —                              | ¥(6,444)   | —                                    | —                              | \$(58,206) |

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 25, October 8, 2020, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value of over-the-counter transactions is calculated based on the discounted present value.

At March 31, 2020

**1 Derivative transactions to which hedge accounting was not applied**

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

**(1) Interest rate contracts**

|  | Millions of yen |                                |            |                           |
|--|-----------------|--------------------------------|------------|---------------------------|
|  | 2020            |                                |            |                           |
|  | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b>    |                 |                                |            |                           |
| Swaps:                                   |                 |                                |            |                           |
| Receive fixed rate and pay floating rate | ¥61,085         | ¥60,306                        | ¥ 2,149    | ¥ 2,149                   |
| Receive floating rate and pay fixed rate | 61,085          | 60,306                         | (1,523)    | (1,523)                   |
| Total                                    | —               | —                              | ¥ 625      | ¥ 625                     |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

**(2) Currency and foreign exchange contracts**

|                                       | Millions of yen |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|
|                                       | 2020            |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |
| Currency swaps                        | ¥439,183        | ¥355,276                       | ¥ 174      | ¥ 174                     |
| Forward exchange contracts:           |                 |                                |            |                           |
| Sell                                  | 283,411         | 109,966                        | (3,398)    | (3,398)                   |
| Buy                                   | 404,592         | 21,795                         | 166        | 166                       |
| Currency options:                     |                 |                                |            |                           |
| Sell                                  | 80,060          | 55,625                         | (2,340)    | 584                       |
| Buy                                   | 80,060          | 55,625                         | 2,340      | 72                        |
| Total                                 | —               | —                              | ¥(3,057)   | ¥(2,399)                  |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value.

**(3) Credit derivatives**

|                                       | Millions of yen |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|
|                                       | 2020            |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |
| Credit default swaps                  |                 |                                |            |                           |
| Sell                                  | ¥1,000          | ¥1,000                         | ¥ (8)      | ¥ (8)                     |
| Buy                                   | —               | —                              | —          | —                         |
| Total                                 | —               | —                              | ¥ (8)      | ¥ (8)                     |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

The fair value of over-the-counter transactions is calculated based on the discounted present value.

#### (4) Others

|                                       | Millions of yen |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|
|                                       | 2020            |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |
| Earthquake derivatives                |                 |                                |            |                           |
| Sell                                  | ¥2,440          | ¥—                             | ¥(40)      | ¥—                        |
| Buy                                   | 2,440           | —                              | 40         | —                         |
| Total                                 | —               | —                              | ¥ —        | ¥—                        |

Transactions above for which the values were not readily determinable are stated at cost.

## 2 Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

These items do not reflect the market risk of the derivative transactions themselves.

### (1) Interest rate contracts

| Method of hedge accounting |  | Millions of yen |                 |                                |
|----------------------------|--|-----------------|-----------------|--------------------------------|
|                            |  | 2020            |                 |                                |
|                            |  | Hedged items    | Contract amount | Portion maturing over one year |
| Deferral hedge method      | Interest rate swaps                      | Loans           |                 | Fair value                     |
|                            | Receive fixed rate and pay floating rate |                 | —               | —                              |
|                            | Receive floating rate and pay fixed rate |                 | ¥100,494        | ¥100,494                       |
| Total                      |  | —               | —               | ¥(98)                          |

1 The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 24, October 8, 2020, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."

2 The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.

### (2) Currency and foreign exchange contracts

| Method of hedge accounting |                | Millions of yen                  |                 |                                |
|----------------------------|----------------|----------------------------------|-----------------|--------------------------------|
|                            |                | 2020                             |                 |                                |
|                            |                | Hedged item                      | Contract amount | Portion maturing over one year |
| Deferral hedge method      | Currency swaps | Foreign currency monetary assets | ¥149,709        | ¥127,728                       |
| Fund related swaps         |                |                                  | 213             | —                              |
| Total                      |                |                                  | —               | ¥1,059                         |

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 25, October 8, 2020, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

The fair value of over-the-counter transactions is calculated based on the discounted present value.

## (Notes to Retirement Benefits)

### 1 Outline of retirement and severance benefits plans

The retirement benefit plans of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system. Extra retirement benefits may be paid upon the retirement of employees. In addition, the Bank set up a retirement benefit trust. On April 1, 2014, the Bank transformed its corporate pension fund plan to a cash balance plan and established a defined contribution pension plan. Consolidated subsidiaries use the simplified method in calculating net defined benefit liability and retirement benefit expenses for their retirement lump-sum grant systems.

## 2 Defined benefit plan

### (1) Reconciliation of retirement benefit obligations between the beginning and the end of the period

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2021            | 2020    | 2021                                 |
| Retirement benefit obligations at the beginning of the period | ¥72,032         | ¥73,851 | \$650,636                            |
| Service cost  | 2,362           | 2,402   | 21,335                               |
| Interest cost   | 170             | 116     | 1,535                                |
| Actuarial differences incurred                                | (1,259)         | (981)   | (11,372)                             |
| Retirement benefits paid                                      | (3,429)         | (3,086) | (30,972)                             |
| Prior service cost  | —               | —       | —                                    |
| Retirement benefit obligations at the end of the period       | 69,876          | 72,032  | \$631,162                            |



**(2) Reconciliation of pension assets between the beginning and the end of the period**

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2021            | 2020    | 2021                                 |
| Pension assets at the beginning of the period | ¥78,279         | ¥78,800 | \$707,063                            |
| Expected return on pension assets             | 1,042           | 1,051   | 9,411                                |
| Actuarial differences incurred                | 12,003          | (2,052) | 108,418                              |
| Employer's contributions                      | 2,726           | 2,722   | 24,622                               |
| Retirement benefits paid                      | (2,301)         | (2,242) | (20,784)                             |
| Pension assets at the end of the period       | 91,750          | 78,279  | 828,741                              |

(Note) Pension assets include assets in the retirement benefit trust.

**(3) Reconciliation of retirement benefit obligations and pension assets at the end of the period to net defined benefit liability and net defined benefit asset in the consolidated balance sheets**

|  | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------|--------------------------------------|
|  | 2021            | 2020     | 2021                                 |
| Retirement benefit obligations of the savings plan                     | ¥ 69,460        | ¥ 71,619 | \$ 627,404                           |
| Pension assets   | (91,750)        | (78,279) | (828,741)                            |
|  | (22,289)        | (6,660)  | (201,327)                            |
| Retirement benefit obligations of the non-savings plan                 | 415             | 413      | 3,748                                |
| Net liabilities and assets recorded on the consolidated balance sheets | (21,874)        | (6,247)  | (197,579)                            |
| Net defined benefit liability  | 11,326          | 12,487   | 102,303                              |
| Net defined benefit asset  | (33,201)        | (18,734) | (299,891)                            |
| Net liabilities and assets on the consolidated balance sheets          | (21,874)        | (6,247)  | (197,579)                            |

(Note) Pension assets include assets in the retirement benefit trust.

**(4) Retirement benefit cost and its breakdown**

|                                    | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|------------------------------------|-----------------|---------|--------------------------------------|
|                                    | 2021            | 2020    | 2021                                 |
| Service cost                       | ¥ 2,171         | ¥ 2,209 | \$19,609                             |
| Interest cost                      | 170             | 116     | 1,535                                |
| Expected return on pension assets  | (1,042)         | (1,051) | (9,411)                              |
| Recognized actuarial differences   | 181             | (388)   | 1,634                                |
| Amortization of prior service cost | (597)           | (597)   | (5,392)                              |
|                                    | 883             | 289     | 7,975                                |

(Note 1) Retirement benefit costs of consolidated subsidiaries using the simplified method are included in "Service cost."

(Note 2) Employee contribution to the corporate pension fund is deducted from "Service cost."

**(5) Remeasurements of defined benefit plans**

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

|                       | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|-----------------------|-----------------|---------|--------------------------------------|
|                       | 2021            | 2020    | 2021                                 |
| Prior service cost    | ¥ (597)         | ¥ (597) | \$ (5,392)                           |
| Actuarial differences | 13,445          | (1,459) | 121,443                              |
| Total                 | 12,848          | (2,056) | 116,050                              |

**(6) Remeasurements of defined benefit plans**

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

|                                    | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|------------------------------------|-----------------|----------|--------------------------------------|
|                                    | 2021            | 2020     | 2021                                 |
| Unrecognized prior service cost    | ¥ (2,059)       | ¥(2,656) | \$ (18,598)                          |
| Unrecognized actuarial differences | (9,853)         | 3,592    | (88,998)                             |
| Total                              | (11,912)        | 935      | (107,596)                            |

**(7) Pension assets**

① Pension asset portfolio

|                   | 2021   | 2020   |
|-------------------|--------|--------|
| Bonds             | 46.9%  | 52.3%  |
| Equity securities | 46.3%  | 40.1%  |
| Other             | 6.8%   | 7.6%   |
| Total             | 100.0% | 100.0% |

(Note) 33.4% of the total pension assets as of March 31, 2021 (29.8% as of March 31, 2020) represent assets in the retirement benefit trust for the corporate pension fund, 4.0% of which as of March 31, 2021 (3.6% as of March 31, 2020) corresponds to the lump-sum grant system.

② Determination of the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined based on the average investment yield on the pension assets for the past three years. When the average rate is below 1.25% or above 2.0%, it is stated as 1.25% and 2.0%, respectively.

**(8) Actuarial assumptions**

The weighted average rate for assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2021 and 2020 were as follows:

|  | 2021  | 2020  |
|--|-------|-------|
| <b>Discount rates</b>  |       |       |
| Retirement lump-sum grant system   | 0.10% | 0.00% |
| Corporate pension fund plans   | 0.40% | 0.30% |
| <b>Long-term expected return on assets</b>   |       |       |
| Pension assets of corporate pension fund   | 1.37% | 2.00% |
| Retirement benefit trust (Retirement lump-sum grant system and corporate pension fund plans) | 0.00% | 0.00% |

(Note) A point system is applied to the substantive portion of the retirement lump-sum grant system and a cash balance plan to defined benefit corporate pension fund plans, respectively. The "Estimate rate of salary increase" is not disclosed due to the insignificant impact it would have on the calculation of retirement benefit obligations.

### 3 Defined contribution plan

The amount of required contribution by the Bank to the defined contribution plans were ¥334 million (\$3,016 thousand) and ¥338 million at March 31, 2021 and 2020, respectively.

#### (Notes to Stock Options)

##### 1 Outline of stock options and changes

At the 115th Ordinary General Meeting of Shareholders held on Jun. 28, 2018, the Bank abolished compensation type stock options and introduced a share-based payment system using the trust.

In line with the introduction of this system, the Bank will not grant new stock options. However, the unexercised stock acquisition rights already granted as stock options will continue to exist.

##### (1) Outline of stock options

|                              | 2017<br>Stock Options  | 2016<br>Stock Options  | 2015<br>Stock Options  | 2014<br>Stock Options  | 2013<br>Stock Options          | 2012<br>Stock Options          | 2011<br>Stock Options          |
|------------------------------|--|--|--|--|--------------------------------|--------------------------------|--------------------------------|
| Title and number of grantees | Directors of the Bank: 8<br>Executive Officers of the Bank: 12 | Directors of the Bank: 7<br>Executive Officers of the Bank: 15 | Directors of the Bank: 7<br>Executive Officers of the Bank: 14 | Directors of the Bank: 16<br>Executive Officers of the Bank: 4 | Directors of the Bank: 18      | Directors of the Bank: 17      | Directors of the Bank: 17      |
| Number of stock options (*)  | Common shares: 140,900   | Common shares: 184,600   | Common shares: 79,500  | Common shares: 123,100   | Common shares: 140,900         | Common shares: 199,500         | Common shares: 156,800         |
| Grant date                   | July 14, 2017  | July 15, 2016  | July 15, 2015  | July 16, 2014  | July 16, 2013                  | July 17, 2012                  | July 15, 2011                  |
| Conditions for vesting       | N.A.   | N.A.   | N.A.   | N.A.   | N.A.                           | N.A.                           | N.A.                           |
| Requisite service period     | N.A.   | N.A.   | N.A.   | N.A.   | N.A.                           | N.A.                           | N.A.                           |
| Exercise period              | July 15, 2017 to July 14, 2047                                 | July 16, 2016 to July 15, 2046                                 | July 16, 2015 to July 15, 2045                                 | July 17, 2014 to July 16, 2044                                 | July 17, 2013 to July 16, 2043 | July 18, 2012 to July 17, 2042 | July 16, 2011 to July 15, 2041 |

(\*) Reported in terms of shares of stock

##### (2) Stock options granted and changes

The table below represents stock options outstanding at the year-end and the number of stock options is converted into the number of stock.

##### ① Number of stock options

|                          | 2017<br>Stock Options<br>shares | 2016<br>Stock Options<br>shares | 2015<br>Stock Options<br>shares | 2014<br>Stock Options<br>shares | 2013<br>Stock Options<br>shares | 2012<br>Stock Options<br>shares | 2011<br>Stock Options<br>shares |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Before vesting           |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Previous fiscal year-end | 90,600                          | 89,800                          | 35,200                          | 42,100                          | 31,900                          | 46,800                          | 27,800                          |
| Granted                  | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Forfeited                | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Vested                   | 9,600                           | 11,900                          | 5,300                           | 3,900                           | —                               | —                               | —                               |
| Outstanding              | 81,000                          | 77,900                          | 29,900                          | 38,200                          | 31,900                          | 46,800                          | 27,800                          |
| After vesting            |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Previous fiscal year-end | 9,000                           | 11,100                          | 4,900                           | 7,700                           | 5,200                           | 7,600                           | 6,300                           |
| Vested                   | 9,600                           | 11,900                          | 5,300                           | 3,900                           | —                               | —                               | —                               |
| Exercised                | 18,600                          | 23,000                          | 10,200                          | 11,600                          | 5,200                           | 7,600                           | 6,300                           |
| Forfeited                | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Exercisable              | —                               | —                               | —                               | —                               | —                               | —                               | —                               |

##### ② Price information

|                              | 2017<br>Stock Options<br>Yen (U.S. dollars) | 2016<br>Stock Options<br>Yen (U.S. dollars) | 2015<br>Stock Options<br>Yen (U.S. dollars) | 2014<br>Stock Options<br>Yen (U.S. dollars) | 2013<br>Stock Options<br>Yen (U.S. dollars) | 2012<br>Stock Options<br>Yen (U.S. dollars) | 2011<br>Stock Options<br>Yen (U.S. dollars) |
|------------------------------|---|---|---|---|---|---|---|
| Exercise price               | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      |
| Average exercise price       | ¥573 (\$5)<br>per share                     | ¥573 (\$5)<br>per share                     | ¥ 573 (\$5)<br>per share                    | ¥573 (\$5)<br>per share                     | ¥573 (\$5)<br>per share                     | ¥573 (\$5)<br>per share                     | ¥573 (\$5)<br>per share                     |
| Fair value at the grant date | ¥867 (\$7)<br>per share                     | ¥601 (\$5)<br>per share                     | ¥1,473 (\$13)<br>per share                  | ¥989 (\$8)<br>per share                     | ¥918 (\$8)<br>per share                     | ¥550 (\$4)<br>per share                     | ¥704 (\$6)<br>per share                     |

##### 2 Method of estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

**(Notes to Income Taxes)**

**1 Significant components of deferred tax assets and liabilities were as follows:**

|   | Millions of yen |           | Thousands of U.S. dollars<br>(Note 1-1) |
|---|-----------------|-----------|---|
|   | 2021            | 2020      | 2021                                    |
| Deferred tax assets:                                      |                 |           |   |
| Excess reserve for loan losses                            | ¥ 15,910        | ¥ 13,900  | \$ 143,708                              |
| Impairment loss on land                                   | 622             | 648       | 5,618                                   |
| Accrued employees' bonuses                                | 546             | 504       | 4,931                                   |
| Reserve for losses on repayments on dormant bank accounts | 503             | 730       | 4,543                                   |
| Excess depreciation                                       | 497             | 548       | 4,489                                   |
| Write-down of securities                                  | 399             | 440       | 3,604                                   |
| Net defined benefit liability                             | —               | 774       | —                                       |
| Other   | 2,319           | 1,933     | 20,946                                  |
| Valuation reserve   | (924)           | (937)     | (8,346)                                 |
| Total deferred tax assets                                 | 19,875          | 18,543    | 179,523                                 |
| Deferred tax liabilities:                                 |                 |           |   |
| Unrealized holding gains on securities                    | ¥(102,138)      | ¥(76,674) | \$(922,572)                             |
| Retirement benefit asset                                  | (3,873)         | —         | (34,983)                                |
| Deferred gains on real property                           | (896)           | (898)     | (8,093)                                 |
| Other   | —               | (347)     | —                                       |
| Total deferred tax liabilities                            | (106,908)       | (77,921)  | (965,658)                               |
| Net deferred tax liabilities:                             | ¥ (87,032)      | ¥(59,377) | \$(786,125)                             |

**2 A reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2021 and 2020 were as follows:**

|  | 2021 | 2020   |
|--|------|--------|
| Statutory tax rate   | —    | 30.5%  |
| (Adjustments)  |      |        |
| Entertainment expenses and other expenses not deductible permanently for income tax purposes | —    | 0.4%   |
| Dividend income and other income excluded permanently for income tax purposes                | —    | (1.4%) |
| Valuation reserve  | —    | (0.5%) |
| Other  | —    | (0.4%) |
| Effective income tax rate  | —    | 28.5%  |

For the fiscal year ended March 31, 2021, a reconciliation of the statutory tax rate and the effective income tax rate is not stated as the difference between the two was less than 5% of the statutory tax rate.

**(Notes to Business Combinations, etc.)**

Transactions under common control

Additional acquisition of shares in subsidiaries

**1 Summary of transaction**

**(1) Combined entity's name and business**

The Iyogin Credit Guaranty Company Limited (financial guarantees for home loans, consumer loans, etc.)

Iyogin Capital Company Limited (stock and bond investment, investment fund operation, etc.)

Iyogin DC Card Co., Ltd. (credit card services, debt guarantees, etc.)

**(2) Date of business combination**

August 24, 2020 to September 28, 2020

**(3) Legal form of business combination**

Acquisition of shares from non-controlling shareholders

**(4) The Name of company**

The names remain the same after the business combination.

**(5) Other matters concerning the outline of transaction**

The Bank acquired a portion of the shares held by non-controlling shareholders in order to strengthen governance and group management.

**2 Accounting method**

In accordance with the "Business Combination Standards" (ASBJ Statement No. 21, Jan. 16, 2019) and the "Guidelines for the Application of the Business Combination Standards and the Business Separation Standards" (ASBJ Statement Application Guideline No. 10, Jan. 16, 2019), we treat trading with entities under common control the same as trading with non-controlling shareholders.

**3 Additional acquisition of shares in subsidiary**

Consideration paid for acquisition : Cash and due from banks in the amount of ¥8,921 million (\$80,579 thousand)

**4 Changes in portion held by the Bank in connection with the transactions with non-controlling interests**

**(1) Main reasons for changes in capital surplus**

Additional acquisition of subsidiary's share

**(2) Increase in capital surplus due to transactions with non-controlling interest**

¥5,761 million (\$52,036 thousand)

**(Notes to Asset Retirement Obligations)**

The total amount of asset retirement obligations is not significant and is therefore omitted.

**(Notes to Real Estate for Rent)**

The total amount of real estate for rent is not significant and is therefore omitted.

## (Notes to Segment Information)

### 1 Summary of reportable segments

Reportable segments are components of the Bank and its consolidated subsidiaries for which separate financial information is available and is subject to periodic examination by the Board of Directors to determine the allocation of management resources and assess performances.

The Bank and 16 consolidated subsidiaries (16 consolidated subsidiaries as of March 31, 2020) are engaged mainly in the financial services business that includes commercial banking services and leasing services. Therefore, the Bank and its consolidated subsidiaries' reportable segments comprise 'Commercial Banking' and 'Leasing' and are distinguished by the financial services provided. 'Commercial Banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial Banking' represents the Bank's banking services as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management services. 'Leasing' includes leasing services by Iyogin Leasing Company Limited, one of the consolidated subsidiaries.

### 2 Methods used to calculate ordinary income, profit and loss, amounts of assets, debt and other items by reportable segment

The accounting policies described in the Note in (Basis of Presenting Consolidated Financial Statements) have been adopted for the reportable segments. Reportable segment profit corresponds to ordinary profits. Ordinary income arising from intersegment transactions is based on arm's length prices.

### 3 Information about reported ordinary income, profits and losses, amounts of assets, debts and other items

Segment information as of and for the years ended March 31, 2021 and 2020 were as follows:

|   | Millions of yen     |         |            |                  |            |             |                    |
|---|---------------------|---------|------------|------------------|------------|-------------|--------------------|
|   | 2021                |         |            |                  |            |             |                    |
|   | Reportable segments |         |            | Other businesses | Total      | Adjustments | Consolidated total |
|   | Commercial Banking  | Leasing | Total      |                  |            |             |                    |
| Ordinary income   |                     |         |            |                  |            |             |                    |
| Customers   | ¥ 104,986           | ¥16,692 | ¥ 121,678  | ¥ 3,138          | ¥ 124,817  | ¥ —         | ¥ 124,817          |
| Intersegment  | 598                 | 424     | 1,023      | 1,968            | 2,992      | (2,992)     | —                  |
| Total   | ¥ 105,584           | ¥17,117 | ¥ 122,702  | ¥ 5,107          | ¥ 127,809  | ¥ (2,992)   | ¥ 124,817          |
| Segment profit  | ¥ 25,093            | ¥ 583   | ¥ 25,677   | ¥ 489            | ¥ 26,167   | ¥ 5         | ¥ 26,172           |
| Segment assets  | ¥8,517,978          | ¥65,562 | ¥8,583,541 | ¥15,304          | ¥8,598,846 | ¥(48,106)   | ¥8,550,739         |
| Segment debt  | ¥7,797,071          | ¥40,009 | ¥7,837,080 | ¥ 8,462          | ¥7,845,543 | ¥(36,044)   | ¥7,809,498         |
| Other items   |                     |         |            |                  |            |             |                    |
| Depreciation  | ¥ 5,130             | ¥ 29    | ¥ 5,160    | ¥ 46             | ¥ 5,206    | ¥ (117)     | ¥ 5,089            |
| Interest income received  | 75,986              | 119     | 76,106     | 3                | 76,110     | (118)       | 75,992             |
| Interest expense paid   | 4,358               | 115     | 4,474      | 6                | 4,481      | (105)       | 4,376              |
| Extraordinary income  | 34                  | —       | 34         | —                | 34         | —           | 34                 |
| Gain on disposal of noncurrent assets                               | (34)                | —       | (34)       | —                | (34)       | —           | (34)               |
| Extraordinary losses  | 406                 | 0       | 406        | 0                | 407        | —           | 407                |
| Losses on disposal of fixed assets                                  | (206)               | (0)     | (206)      | (0)              | (206)      | —           | (206)              |
| Impairment loss   | (200)               | —       | (200)      | —                | (200)      | —           | (200)              |
| Provision of reserve for financial products transaction liabilities | —                   | —       | —          | (0)              | (0)        | —           | (0)                |
| Tax expense   | 7,201               | 196     | 7,397      | 159              | 7,556      | (7)         | 7,549              |
| Increase in tangible fixed assets and intangible fixed assets       | 7,506               | 89      | 7,595      | 36               | 7,631      | (92)        | 7,539              |

#### Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statement of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reportable segments.
- Adjustments are as below.
  - Adjustment of segment profit includes eliminations of intersegment transactions of ¥5 million (\$45 thousand).
  - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥48,106 million (\$434,522 thousand).
  - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥36,044 million (\$325,571 thousand).
  - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥117 million (\$1,056 thousand), adjustment of interest income received of negative ¥118 million (\$1,065 thousand), adjustment of interest expense paid of negative ¥105 million (\$948 thousand), adjustment of tax expense of negative ¥7 million (\$63 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥92 million (\$830 thousand).
- Segment profit is adjusted to ordinary income in the consolidated statement of income.

|   | Millions of yen     |         |            |                  |            |             |                    |
|---|---------------------|---------|------------|------------------|------------|-------------|--------------------|
|   | 2020                |         |            |                  |            |             |                    |
|   | Reportable segments |         |            | Other businesses | Total      | Adjustments | Consolidated total |
|   | Commercial Banking  | Leasing | Total      |                  |            |             |                    |
| Ordinary income   |                     |         |            |                  |            |             |                    |
| Customers   | ¥ 107,088           | ¥16,905 | ¥ 123,993  | ¥ 2,513          | ¥ 126,506  | ¥ —         | ¥ 126,506          |
| Intersegment  | 655                 | 454     | 1,109      | 1,871            | 2,980      | (2,980)     | —                  |
| Total   | ¥ 107,743           | ¥17,359 | ¥ 125,102  | ¥ 4,384          | ¥ 129,487  | ¥ (2,980)   | ¥ 126,506          |
| Segment profit  | ¥ 28,530            | ¥ 709   | ¥ 29,239   | ¥ 124            | ¥ 29,364   | ¥ 48        | ¥ 29,413           |
| Segment assets  | ¥7,769,824          | ¥61,069 | ¥7,830,894 | ¥12,515          | ¥7,843,410 | ¥(47,855)   | ¥7,795,554         |
| Segment debt  | ¥7,114,784          | ¥39,954 | ¥7,154,739 | ¥ 6,002          | ¥7,160,742 | ¥(37,035)   | ¥7,123,706         |
| Other items   |                     |         |            |                  |            |             |                    |
| Depreciation  | ¥ 4,928             | ¥ 25    | ¥ 4,954    | ¥ 74             | ¥ 5,029    | ¥ (140)     | ¥ 4,888            |
| Interest income received  | 79,596              | 120     | 79,716     | 4                | 79,721     | (119)       | 79,601             |
| Interest expense paid   | 13,207              | 120     | 13,328     | 5                | 13,333     | (106)       | 13,226             |
| Extraordinary income  | 39                  | —       | 39         | —                | 39         | —           | 39                 |
| Gain on disposal of noncurrent assets                               | (39)                | —       | (39)       | —                | (39)       | —           | (39)               |
| Extraordinary losses  | 986                 | —       | 986        | 73               | 1,060      | —           | 1,060              |
| Losses on disposal of fixed assets                                  | (127)               | —       | (127)      | (0)              | (128)      | —           | (128)              |
| Impairment loss   | (858)               | —       | (858)      | (72)             | (931)      | —           | (931)              |
| Provision of reserve for financial products transaction liabilities | —                   | —       | —          | (0)              | (0)        | —           | (0)                |
| Tax expense   | 7,805               | 234     | 8,039      | 56               | 8,096      | 3           | 8,099              |
| Increase in tangible fixed assets and intangible fixed assets       | 5,695               | 4       | 5,699      | 61               | 5,761      | (79)        | 5,682              |

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statement of income is in "Adjustments."
- "Other businesses" includes software development and information processing not included in the reportable segments.
- Adjustments are as below.
  - Adjustment of segment profit includes eliminations of intersegment transactions of ¥48 million.
  - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥47,855 million.
  - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥37,035 million.
  - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥140 million, adjustment of interest income received of negative ¥119 million, adjustment of interest expense paid of negative ¥106 million, adjustment of tax expense of ¥3 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥79 million.
- Segment profit is adjusted to ordinary income in the consolidated statement of income.

|   | Thousands of U.S. dollars (Note 1-1) |           |              |                  |              |             |                    |
|---|--------------------------------------|-----------|--------------|------------------|--------------|-------------|--------------------|
|   | 2021                                 |           |              |                  |              |             |                    |
|   | Reportable segments                  |           |              | Other businesses | Total        | Adjustments | Consolidated total |
|   | Commercial Banking                   | Leasing   | Total        |                  |              |             |                    |
| Ordinary income   |                                      |           |              |                  |              |             |                    |
| Customers   | \$ 948,297                           | \$150,772 | \$ 1,099,069 | \$ 28,344        | \$ 1,127,422 | \$ —        | \$ 1,127,422       |
| Intersegment  | 5,401                                | 3,829     | 9,240        | 17,776           | 27,025       | (27,025)    | —                  |
| Total   | \$ 953,698                           | \$154,611 | \$ 1,108,319 | \$ 46,129        | \$ 1,154,448 | \$ (27,025) | \$ 1,127,422       |
| Segment profit  | \$ 226,655                           | \$ 5,266  | \$ 231,930   | \$ 4,416         | \$ 236,356   | \$ 45       | \$ 236,401         |
| Segment assets  | \$76,939,553                         | \$592,195 | \$77,531,758 | \$138,235        | \$77,670,002 | \$(434,522) | \$77,235,471       |
| Segment debt  | \$70,427,883                         | \$361,385 | \$70,789,269 | \$ 76,433        | \$70,865,712 | \$(325,571) | \$70,540,131       |
| Other items   |                                      |           |              |                  |              |             |                    |
| Depreciation  | \$ 46,337                            | \$ 261    | \$ 46,608    | \$ 415           | \$ 47,023    | \$ (1,056)  | \$ 45,966          |
| Interest income received  | 686,351                              | 1,074     | 687,435      | 27               | 687,471      | (1,065)     | 686,405            |
| Interest expense paid   | 39,364                               | 1,038     | 40,411       | 54               | 40,475       | (948)       | 39,526             |
| Extraordinary income  | 307                                  | —         | 307          | —                | 307          | —           | 307                |
| Gain on disposal of noncurrent assets                               | (307)                                | —         | (307)        | —                | (307)        | —           | (307)              |
| Extraordinary losses  | 3,667                                | 0         | 3,667        | 0                | 3,676        | —           | 3,676              |
| Losses on disposal of fixed assets                                  | (1,860)                              | (0)       | (1,860)      | (0)              | (1,860)      | —           | (1,860)            |
| Impairment loss   | (1,806)                              | —         | (1,806)      | —                | (1,806)      | —           | (1,806)            |
| Provision of reserve for financial products transaction liabilities | —                                    | —         | —            | (0)              | (0)          | —           | (0)                |
| Tax expense   | 65,043                               | 1,770     | 66,814       | 1,436            | 68,250       | (63)        | 68,187             |
| Increase in tangible fixed assets and intangible fixed assets       | 67,798                               | 803       | 68,602       | 325              | 68,927       | (830)       | 68,096             |



#### (4) Related information

##### Information by service

|                           | Millions of yen                      |                        |           |                  |             |
|---------------------------|--------------------------------------|------------------------|-----------|------------------|-------------|
|                           | 2021                                 |                        |           |                  |             |
|                           | Loans                                | Securities investments | Lease     | Other businesses | Total       |
| Ordinary income customers | ¥52,795                              | ¥36,895                | ¥16,692   | ¥18,434          | ¥124,817    |
|                           | Millions of yen                      |                        |           |                  |             |
|                           | 2020                                 |                        |           |                  |             |
|                           | Loans                                | Securities investments | Lease     | Other businesses | Total       |
| Ordinary income customers | ¥58,321                              | ¥31,156                | ¥16,905   | ¥20,123          | ¥126,506    |
|                           | Thousands of U.S. dollars (Note 1-1) |                        |           |                  |             |
|                           | 2021                                 |                        |           |                  |             |
|                           | Loans                                | Securities investments | Lease     | Other businesses | Total       |
| Ordinary income customers | \$476,876                            | \$333,258              | \$150,772 | \$166,507        | \$1,127,422 |

|                 | Millions of yen     |         |       |                  |       |
|-----------------|---------------------|---------|-------|------------------|-------|
|                 | 2021                |         |       |                  |       |
|                 | Reportable segments |         |       | Other businesses | Total |
|                 | Commercial Banking  | Leasing | Total |                  |       |
| Impairment loss | ¥200                | ¥—      | ¥200  | ¥—               | ¥200  |
|                 | Millions of yen     |         |       |                  |       |
|                 | 2020                |         |       |                  |       |
|                 | Reportable segments |         |       | Other businesses | Total |
|                 | Commercial Banking  | Leasing | Total |                  |       |
| Impairment loss | ¥858                | ¥—      | ¥858  | ¥72              | ¥931  |

(Note) "Other businesses" were all related to the security businesses.

|                 | Thousands of U.S. dollars (Note 1-1) |         |         |                  |         |
|-----------------|--------------------------------------|---------|---------|------------------|---------|
|                 | 2021                                 |         |         |                  |         |
|                 | Reportable segments                  |         |         | Other businesses | Total   |
|                 | Commercial banking                   | Leasing | Total   |                  |         |
| Impairment loss | \$1,806                              | \$—     | \$1,806 | \$—              | \$1,806 |

#### (Notes to Related Party Transactions)

For the year ended March 31, 2021

##### (1) Transactions between the Bank and related parties.

Directors or major individual stockholders

| Type  | Name                | Location | Capital (Millions of yen)           | Business           | Ownerships of voting rights (%) | Relationship       | Transactions       | Transaction amount (Millions of yen)           | Account | Outstanding balance (Millions of yen)           |
|---|---------------------|----------|-------------------------------------|--------------------|---------------------------------|--------------------|--------------------|--|---------|---|
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | ¥50                                 | Temporary staffing | —                               | Temporary staffing | Temporary staffing | ¥2   | —       | ¥—  |
|   |                     |          |                                     |                    |                                 |                    |                    |  |         |   |
| Type  | Name                | Location | Capital (Thousands of U.S. dollars) | Business           | Ownerships of voting rights (%) | Relationship       | Transactions       | Transaction amount (Thousands of U.S. dollars) | Account | Outstanding balance (Thousands of U.S. dollars) |
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | \$451                               | Temporary staffing | —                               | Temporary staffing | Temporary staffing | \$18   | —       | \$—   |
|   |                     |          |                                     |                    |                                 |                    |                    |  |         |   |

(Notes)

1 The conditions of the above transactions were the same as these of arm's length transactions.

2 Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(2) Transactions between consolidated subsidiaries of the Bank and related parties.**

Directors or major individual stockholders

| Type  | Name                   | Location | Capital<br>(Millions of<br>yen) | Business              | Ownerships of<br>voting rights (%) |                   | Relationship          | Transactions          | Transaction<br>amount<br>(Millions<br>of yen) | Account              | Outstanding<br>balance<br>(Millions<br>of yen) |
|---|------------------------|----------|---------------------------------|-----------------------|------------------------------------|-------------------|-----------------------|-----------------------|---|----------------------|--|
| Companies in<br>which a majority<br>of voting rights<br>is owned by a<br>director or the<br>director's close<br>relatives | Ability Center,<br>Inc | Ehime    | ¥50                             | Temporary<br>staffing | 19.2%                              | Direct<br>holding | Temporary<br>staffing | Temporary<br>staffing | ¥26   | Other<br>liabilities | ¥—   |

| Type  | Name                   | Location | Capital<br>(Thousands<br>of U.S.<br>dollars) | Business              | Ownerships of<br>voting rights (%) |                   | Relationship          | Transactions          | Transaction<br>amount<br>(Thousands<br>of U.S.<br>dollars) | Account              | Outstanding<br>balance<br>(Thousands<br>of U.S.<br>dollars) |
|---|------------------------|----------|--|-----------------------|------------------------------------|-------------------|-----------------------|-----------------------|--|----------------------|---|
| Companies in<br>which a majority<br>of voting rights<br>is owned by a<br>director or the<br>director's close<br>relatives | Ability Center,<br>Inc | Ehime    | \$451  | Temporary<br>staffing | 19.2%                              | Direct<br>holding | Temporary<br>staffing | Temporary<br>staffing | \$234  | Other<br>liabilities | \$—   |

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

For the year ended March 31, 2020

**(1) Transactions between the Bank and related parties.**

Directors or major individual stockholders

| Type  | Name                   | Location | Capital<br>(Millions<br>of yen) | Business              | Ownerships of<br>voting rights (%) |  | Relationship          | Transactions          | Transaction<br>amount<br>(Millions<br>of yen) | Account                          | Outstanding<br>balance<br>(Millions<br>of yen) |
|---|------------------------|----------|---------------------------------|-----------------------|------------------------------------|--|-----------------------|-----------------------|---|----------------------------------|--|
| Companies in<br>which a majority<br>of voting rights<br>is owned by a<br>director or the<br>director's close<br>relatives | Ability Center,<br>Inc | Ehime    | ¥50                             | Temporary<br>staffing | —                                  |  | Temporary<br>staffing | Temporary<br>staffing | ¥ 2   | —                                | ¥—   |
|   | Chuo Doryoku,<br>Inc.  | Ehime    | 50                              | Construction          | —                                  |  | Banking               | Loaing                | 25  | Loans<br>and bills<br>discounted | —  |
|   | Tatsumi Kogyo,<br>Inc. | Oita     | 10                              | Construction          | —                                  |  | Banking               | Loaing                | 25  | Loans<br>and bills<br>discounted | 20   |

(Notes)

1. The conditions of the above transactions were the same as these of arm's length transactions.
2. Loan transaction amounts were reported at the average balance for the period.
3. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.
4. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of parent of Chuo Doryoku, Inc. and Tatsumi Kogyo, Inc.

**(2) Transactions between consolidated subsidiaries of the Bank and related parties.**

Directors or major individual stockholders

| Type  | Name                   | Location | Capital<br>(Millions<br>of yen) | Business              | Ownerships of<br>voting rights (%) |                   | Relationship          | Transactions          | Transaction<br>amount<br>(Millions<br>of yen) | Account              | Outstanding<br>balance<br>(Millions<br>of yen) |
|---|------------------------|----------|---------------------------------|-----------------------|------------------------------------|-------------------|-----------------------|-----------------------|---|----------------------|--|
| Companies in<br>which a majority<br>of voting rights<br>is owned by a<br>director or the<br>director's close<br>relatives | Ability Center,<br>Inc | Ehime    | ¥50                             | Temporary<br>staffing | 19.2%                              | Direct<br>holding | Temporary<br>staffing | Temporary<br>staffing | ¥28   | Other<br>liabilities | ¥0   |

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(Consolidated Supplementary Schedules)**  
**1 BORROWED MONEY AND LEASE LIABILITIES**

Borrowed money consisted of the following:

|  | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1-1) |
|--|-----------------|----------|--|
|  | 2021            | 2020     | 2021                                       |
| Borrowings from banks                      | <b>¥743,645</b> | ¥770,378 | <b>\$6,717,053</b>                         |
| Lease liabilities<br>(due within one year) | <b>270</b>      | 252      | <b>2,438</b>                               |
| Lease liabilities<br>(due after one year)  | <b>1,544</b>    | 502      | <b>13,946</b>                              |

The weighted average interest rates on the outstanding balances at March 31, 2021 and 2020 were as follows:

|  | 2021         | 2020  |
|--|--------------|-------|
| Borrowings from banks                      | <b>0.02%</b> | 0.32% |
| Lease liabilities<br>(due within one year) | —            | —     |
| Lease liabilities<br>(due after one year)  | —            | —     |

(Note) The "average interest rate" is not shown for lease obligations because the Bank uses a method in which amounts equal to the interest in the total capital lease obligations are spread equally over each fiscal year of the lease period.



## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of The Iyo Bank, Ltd. and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Appropriateness of the estimates of reserve for loan losses  |   |
|--|---|
| The key audit matter   | How the matter was addressed in our audit   |
| The Iyo Bank, Ltd. (hereinafter referred to as the “Iyo Bank”) and its consolidated subsidiaries reported loans and bills discounted of ¥4,975,984 million and reserve for loan losses of ¥37,043 million in the consolidated balance sheet for the current fiscal year. | The primary procedures we performed to assess whether Iyo Bank’s estimates of reserve for loan losses for loans and bills discounted was reasonable included the following: |

As described in “Basis of Presenting Consolidated Financial Statements” Note 4 Significant accounting policies (5) Reserve for possible loan losses and “Significant accounting estimates” to the consolidated financial statements, the amount of reserve for loan losses on the receivables including loans and bills discounted was measured for each borrower category. The borrower categories were determined for individual borrowers according to their assigned credit risk rating. When determining the borrower categories, each borrower’s repayment ability is assessed based on their financial position, cash flows and profitability.

Iyo Bank is a regional financial services institution with a solid operating base in the Setouchi region, primarily in Ehime Prefecture, providing comprehensive financial services to support local economy and society. As a trait of such regional financial institution, it furnishes loans to many small and medium-sized businesses in its main business operation amounting to ¥2,569,841 million, which accounted for a high proportion in total balance of loans and bills discounted.

Unlike major companies, small and medium-sized businesses generally have weak business bases and are subject to local economic conditions. As a result, Iyo Bank is required to determine borrower categories based on not only a borrower’s financial position but also its business conditions while comprehensively taking into consideration its technological capabilities, sales strengths, potential growth, payment status of remuneration to executive officers including a representative, as well as their income status, details of their assets, and guarantee status and capabilities of a representative and others. For a borrower who developed a business improvement plan, Iyo Bank needs to appropriately assess the reasonableness and feasibility of the plan. Determining the borrower categories requires significant management judgment.

#### (1) Internal control testing

We tested the design and operating effectiveness of certain internal controls relevant to determining the borrower categories in the self-assessment of loan quality.

- controls to validate whether the internal self-assessment criteria, and the policy for write-offs and provisions complied with accounting standards;
- controls to ensure the reliability of financial information of borrowers used in determining quantitative credit rating; and
- controls to ensure the effectiveness of examination performed by the secondary assessment department in determining the borrower categories.

#### (2) Assessment of the appropriateness of the borrower categories

In order to assess whether the borrower categories were appropriately determined, we:

- assessed whether borrower information such as financial information, which was used as the basis for determining the borrower categories, was based on sufficient and the latest information of borrowers by inspecting the underlying documents and comparing them to relevant documents;



In addition, as described in “Significant accounting estimates” to the consolidated financial statements, Iyo Bank provided reserve for loan losses of ¥8,681 million by estimating credit deterioration considering the impact from the COVID-19 pandemic. This reserve for loan losses is calculated by multiplying a population by a certain rate. The population consists of restructured loans to certain borrowers and loans to certain borrowers in specific sectors significantly affected by COVID-19. It is assumed that future financial conditions, cash flows and profitability of these borrowers have high chances of deterioration compared with other borrowers. Therefore, there is an assumption that the borrower categories of certain borrowers will be negatively changed. This assumption involved a high degree of uncertainty because of changes in impact from the COVID-19 pandemic and significant management judgment.

We, therefore, determined that our assessment of the reasonableness of the estimates of reserve for loan losses for loans and bills discounted at Iyo Bank was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

- inspected and analyzed relevant documents and inquired of the personnel responsible for determination of the borrower categories to assess whether borrower categories were appropriately determined by selecting borrowers after considering quantitative information including the balance of loans and qualitative factors such as sectors, reflecting relevant information including financial indicators and projected financial performance. The procedures include asset turnover analysis, comparison with relevant documents and inquiry of the personnel responsible for determination of the borrower categories to assess whether unrealized losses on assets were appropriately reflected on a borrower’s financial statements and whether management indicators including the ability to redeem a debt were appropriately calculated; and
- For a borrower who is in unfavorable business conditions and whose management improvement plan is a significant factor in determining the borrower categories, assessed the appropriateness of the borrower categories with comprehensive consideration of differences between the plan and actual results and trends of the sector to which the borrower belongs.

|  |  |
|--|--|
|  | <p>(3) Assessment of appropriateness of reserve for loan losses recorded in response to COVID-19</p> <p>In order to assess whether reserve for loan losses in response to COVID-19 was appropriately recorded, we:</p> <ul style="list-style-type: none"> <li>• assessed the effectiveness of internal controls relevant to inspection and approval at Iyo Bank to ensure that reserve for loan losses in response to COVID-19 was appropriately recorded based on the internal rules. We also assessed the effectiveness of Iyo Bank's internal controls to ensure the accuracy and completeness of the significant basic data such as borrower information used for the internal controls; and</li> <li>• assessed the reasonableness of the selection of borrowers with restructured loans and sectors affected by the COVID-19 pandemic as well as the degree of downgrading the internal credit rating of the borrower by comparing with available external information.</li> </ul> |
|--|--|

## Responsibilities of Management and the Audit and supervisory Committee for the Consolidated Financial Statements

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

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

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1-1 to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kazuhiro Matsuyama  
Designated Engagement Partner  
Certified Public Accountant

Satoshi Okuda  
Designated Other Partner  
Certified Public Accountant

Ryosuke Koike  
Designated Other Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
July 30, 2021

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## Nonconsolidated Balance Sheet (Unaudited)

The Iyo Bank, Ltd.  
March 31, 2021

|  | Millions of yen |            | Thousands of<br>U.S. dollars |
|--|-----------------|------------|------------------------------|
|  | 2021            | 2020       | 2021                         |
| <b>ASSETS</b>  |                 |            |                              |
| Cash and due from banks                                  | ¥1,415,244      | ¥ 718,427  | \$12,783,343                 |
| Receivables under resale agreements                      | —               | 355,563    | —                            |
| Monetary claims purchased                                | 6,834           | 8,173      | 61,728                       |
| Trading account securities                               | 649             | 727        | 5,862                        |
| Money held in trust                                      | 1,257           | 4,948      | 11,353                       |
| Securities   | 1,890,539       | 1,707,613  | 17,076,497                   |
| Loans and bills discounted                               | 4,999,333       | 4,756,637  | 45,157,013                   |
| Reserve for loan losses                                  | (32,784)        | (26,847)   | (296,125)                    |
| Foreign exchange   | 8,596           | 10,741     | 77,644                       |
| Other assets   | 84,243          | 102,789    | 760,933                      |
| Tangible fixed assets                                    | 71,896          | 71,154     | 649,408                      |
| Intangible fixed assets                                  | 9,013           | 8,051      | 81,410                       |
| Prepaid pension cost                                     | 23,166          | 20,597     | 209,249                      |
| Customers' liabilities for acceptances and guarantees    | 28,796          | 26,382     | 260,102                      |
| Total assets   | ¥8,506,787      | ¥7,764,961 | \$76,838,469                 |
| <b>LIABILITIES AND NET ASSETS</b>                        |                 |            |                              |
| <b>Liabilities</b>                                       |                 |            |                              |
| Deposits   | ¥6,522,633      | ¥5,754,395 | \$58,916,385                 |
| Call money   | 61,624          | 217,618    | 556,625                      |
| Payables under repurchase agreements                     | 199,289         | 30,357     | 1,800,099                    |
| Payables under securities lending transactions           | 91,604          | 198,436    | 827,422                      |
| Borrowed money   | 738,176         | 764,056    | 6,667,654                    |
| Foreign exchange   | 266             | 295        | 2,402                        |
| Borrowed money from trust account                        | 5               | 28         | 45                           |
| Other liabilities  | 63,008          | 53,847     | 569,126                      |
| Accrued employees' bonuses                               | 1,626           | 1,494      | 14,687                       |
| Employees' severance and retirement benefits             | 12,789          | 13,002     | 115,518                      |
| Reserve for losses on repayment of dormant bank accounts | 1,652           | 2,393      | 14,921                       |
| Reserve for contingent losses                            | 703             | 591        | 6,349                        |
| Reserve for share-based payment                          | 289             | 192        | 2,610                        |
| Deferred tax liabilities                                 | 76,848          | 56,242     | 694,137                      |
| Deferred taxes on revaluation excess                     | 9,573           | 9,637      | 86,469                       |
| Acceptances and guarantees                               | 28,796          | 26,382     | 260,102                      |
| Total liabilities  | 7,808,888       | 7,128,972  | 70,534,621                   |
| <b>Net assets</b>  |                 |            |                              |
| Common stock   |                 |            |                              |
| Authorized — 600,000,000 shares                          |                 |            |                              |
| Issued — 323,775,366 shares                              | 20,948          | 20,948     | 189,215                      |
| Capital surplus  | 10,480          | 10,480     | 94,661                       |
| Legal reserve  | 20,948          | 20,948     | 189,215                      |
| Other retained earnings                                  | 418,816         | 406,442    | 3,783,000                    |
| Treasury stock   | (6,508)         | (6,611)    | (58,784)                     |
| Net unrealized holding gains (losses) on securities      | 214,136         | 163,329    | 1,934,206                    |
| Net deferred gains (losses) on hedging instruments       | (374)           | 792        | (3,378)                      |
| Land revaluation excess                                  | 19,178          | 19,315     | 173,227                      |
| Stock acquisition rights                                 | 273             | 343        | 2,465                        |
| Total net assets   | 697,899         | 635,989    | 6,303,847                    |
| Total liabilities and net assets                         | ¥8,506,787      | ¥7,764,961 | \$76,838,469                 |

## Nonconsolidated Statement of Income (Unaudited)

The Iyo Bank, Ltd.  
For the year ended March 31, 2021

|  | Millions of yen |          | Thousands of<br>U.S. dollars |
|--|-----------------|----------|------------------------------|
|  | 2021            | 2020     | 2021                         |
| <b>INCOME</b>  |                 |          |                              |
| Interest and dividend income:                              |                 |          |                              |
| Interest on loans and discounts                            | ¥ 49,654        | ¥ 54,574 | \$448,505                    |
| Interest and dividends on securities                       | 25,176          | 23,323   | 227,404                      |
| Interest on receivables under resale agreements            | (160)           | (6)      | (1,445)                      |
| Other interest income                                      | 1,041           | 1,515    | 9,402                        |
| Fees and commissions                                       | 12,664          | 13,833   | 114,388                      |
| Other operating income                                     | 11,321          | 6,871    | 102,258                      |
| Other income   | 4,764           | 6,326    | 43,031                       |
| Total income   | 104,463         | 106,437  | 943,573                      |
| <b>EXPENSES</b>  |                 |          |                              |
| Interest expense:  |                 |          |                              |
| Interest on deposits                                       | 1,724           | 4,418    | 15,572                       |
| Interest on borrowings and rediscounts                     | 956             | 1,679    | 8,635                        |
| Interest on payables under repurchase agreements           | 187             | 716      | 1,689                        |
| Interest on payables under securities lending transactions | 12              | 1,864    | 108                          |
| Other interest expense                                     | 1,477           | 4,527    | 13,341                       |
| Fees and commissions                                       | 6,462           | 6,718    | 58,368                       |
| Other operating expenses                                   | 5,767           | 1,395    | 52,091                       |
| General and administrative expenses                        | 49,370          | 49,065   | 445,939                      |
| Other expenses   | 15,100          | 10,423   | 136,392                      |
| Total expenses   | 81,058          | 80,811   | 732,165                      |
| Income before income taxes                                 | 23,404          | 25,626   | 211,399                      |
| Income taxes:  |                 |          |                              |
| Current  | 8,093           | 6,961    | 73,100                       |
| Deferred   | (1,368)         | 162      | (12,356)                     |
| Net income   | ¥ 16,679        | ¥ 18,502 | \$150,654                    |
|  | Yen             |          | U.S. dollars                 |
| Basic net income per share                                 | ¥52.67          | ¥58.45   | \$0.47                       |
| Diluted net income per share                               | 52.61           | 58.37    | 0.47                         |

# Nonconsolidated Statement of Changes in Net Assets (Unaudited)

The Iyo Bank, Ltd.

For the year ended March 31, 2021

| For the year ended March 31, 2021                     | Millions of yen      |                 |                       |                       |
|---|----------------------|-----------------|-----------------------|-----------------------|
|   | Stockholders' equity |                 |                       |                       |
|   | Common stock         | Capital reserve | Capital surplus       |                       |
|   |                      |                 | Other capital surplus | Total capital surplus |
| Balance at the beginning of the accounting period     | ¥20,948              | ¥10,480         | ¥—                    | ¥10,480               |
| Changes during the accounting period                  |                      |                 |                       |                       |
| Dividends   |                      |                 |                       |                       |
| Reversal of deferred gains on real property           |                      |                 |                       |                       |
| Provision of general reserve                          |                      |                 |                       |                       |
| Net income  |                      |                 |                       |                       |
| Purchase of treasury stock                            |                      |                 |                       |                       |
| Disposal of treasury stock                            |                      |                 | (6)                   | (6)                   |
| Transfer of loss on disposal of treasury stock        |                      |                 | 6                     | 6                     |
| Reversal of land revaluation excess                   |                      |                 |                       |                       |
| Changes in items other than stockholders' equity, net |                      |                 |                       |                       |
| Total changes during the accounting period            | —                    | —               | —                     | —                     |
| Balance at the end of the accounting period           | ¥20,948              | ¥10,480         | ¥—                    | ¥10,480               |

| For the year ended March 31, 2021                     | Thousands of U.S. dollars |                 |                       |                       |
|---|---------------------------|-----------------|-----------------------|-----------------------|
|   | Stockholders' equity      |                 |                       |                       |
|   | Common stock              | Capital reserve | Capital surplus       |                       |
|   |                           |                 | Other capital surplus | Total capital surplus |
| Balance at the beginning of the accounting period     | \$189,215                 | \$94,661        | \$ —                  | \$94,661              |
| Changes during the accounting period                  |                           |                 |                       |                       |
| Dividends   |                           |                 |                       |                       |
| Reversal of deferred gains on real property           |                           |                 |                       |                       |
| Provision of general reserve                          |                           |                 |                       |                       |
| Net income  |                           |                 |                       |                       |
| Purchase of treasury stock                            |                           |                 |                       |                       |
| Disposal of treasury stock                            |                           |                 | (54)                  | (54)                  |
| Transfer of loss on disposal of treasury stock        |                           |                 | 54                    | 54                    |
| Reversal of land revaluation excess                   |                           |                 |                       |                       |
| Changes in items other than stockholders' equity, net |                           |                 |                       |                       |
| Total changes during the accounting period            | —                         | —               | —                     | —                     |
| Balance at the end of the accounting period           | \$189,215                 | \$94,661        | \$ —                  | \$94,661              |

| For the year ended March 31, 2021                     | Millions of yen         |                                 |                 |                                   |                         |                |                            |
|---|-------------------------|---------------------------------|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Stockholders' equity    |                                 |                 |                                   |                         |                |                            |
|   | Retained earnings       |                                 |                 |                                   |                         |                |                            |
|   | Other retained earnings |                                 |                 |                                   |                         |                |                            |
|   | Legal reserve           | Deferred gains on real property | General reserve | Retained earnings brought forward | Total retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of the accounting period     | ¥20,948                 | ¥2,048                          | ¥384,594        | ¥ 19,799                          | ¥427,390                | ¥(6,611)       | ¥452,208                   |
| Changes during the accounting period                  |                         |                                 |                 |                                   |                         |                |                            |
| Dividends   |                         |                                 |                 | (4,436)                           | (4,436)                 |                | (4,436)                    |
| Reversal of deferred gains on real property           |                         | (6)                             |                 | 6                                 | —                       |                |                            |
| Provision of general reserve                          |                         |                                 | 14,000          | (14,000)                          | —                       |                |                            |
| Net income  |                         |                                 |                 | 16,679                            | 16,679                  |                | 16,679                     |
| Purchase of treasury stock                            |                         |                                 |                 |                                   |                         | (0)            | (0)                        |
| Disposal of treasury stock                            |                         |                                 |                 |                                   |                         | 104            | 98                         |
| Transfer of loss on disposal of treasury stock        |                         |                                 |                 | (6)                               | (6)                     |                | —                          |
| Reversal of land revaluation excess                   |                         |                                 |                 | 137                               | 137                     |                | 137                        |
| Changes in items other than stockholders' equity, net |                         |                                 |                 |                                   |                         |                |                            |
| Total changes during the accounting period            | —                       | (6)                             | 14,000          | (1,618)                           | 12,374                  | 103            | 12,477                     |
| Balance at the end of the accounting period           | ¥20,948                 | ¥2,041                          | ¥398,594        | ¥18,180                           | ¥439,765                | ¥(6,508)       | ¥464,686                   |

|   | Thousands of U.S. dollars |                                 |                 |                                   |                         |                |                            |
|---|---------------------------|---------------------------------|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Stockholders' equity      |                                 |                 |                                   |                         |                |                            |
|   | Retained earnings         |                                 |                 |                                   |                         |                |                            |
|   | Other retained earnings   |                                 |                 |                                   |                         |                |                            |
| For the year ended March 31, 2021                     | Legal reserve             | Deferred gains on real property | General reserve | Retained earnings brought forward | Total retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of the accounting period     | \$189,215                 | \$18,498                        | \$3,473,886     | \$178,836                         | \$3,860,446             | \$(59,714)     | \$4,084,617                |
| Changes during the accounting period                  |                           |                                 |                 |                                   |                         |                |                            |
| Dividends   |                           |                                 |                 | (40,068)                          | (40,068)                |                | (40,068)                   |
| Reversal of deferred gains on real property           |                           | (54)                            |                 | 54                                | —                       |                |                            |
| Provision of general reserve                          |                           |                                 | 126,456         | (126,456)                         | —                       |                |                            |
| Net income  |                           |                                 |                 | 150,654                           | 150,654                 |                | 150,654                    |
| Purchase of treasury stock                            |                           |                                 |                 |                                   |                         | (0)            | (0)                        |
| Disposal of treasury stock                            |                           |                                 |                 |                                   |                         | 939            | 885                        |
| Transfer of loss on disposal of treasury stock        |                           |                                 |                 | (54)                              | (54)                    |                | —                          |
| Reversal of land revaluation excess                   |                           |                                 |                 | 1,237                             | 1,237                   |                | 1,237                      |
| Changes in items other than stockholders' equity, net |                           |                                 |                 |                                   |                         |                |                            |
| Total changes during the accounting period            | —                         | (54)                            | 126,456         | (14,614)                          | 111,769                 | 930            | 112,699                    |
| Balance at the end of the accounting period           | \$189,215                 | \$18,435                        | \$3,600,343     | \$164,212                         | \$3,972,224             | \$(58,784)     | \$4,197,326                |

|   | Millions of yen                                       |                                     |                              |   |                               |                  |
|---|---|-------------------------------------|------------------------------|---|-------------------------------|------------------|
|   | Valuation and translation adjustments                 |                                     |                              |   |                               |                  |
|   | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | Subscription rights to shares | Total net assets |
| For the year ended March 31, 2021                     |   |                                     |                              |   |                               |                  |
| Balance at the beginning of the accounting period     | ¥163,329  | ¥792                                | ¥19,315                      | ¥183,437                                    | ¥343                          | ¥635,989         |
| Changes during the accounting period                  |   |                                     |                              |   |                               |                  |
| Dividends   |   |                                     |                              |   |                               | (4,436)          |
| Reversal of deferred gains on real property           |   |                                     |                              |   |                               |                  |
| Provision of general reserve                          |   |                                     |                              |   |                               | 16,679           |
| Net income  |   |                                     |                              |   |                               | (0)              |
| Purchase of treasury stock                            |   |                                     |                              |   |                               | 98               |
| Disposal of treasury stock                            |   |                                     |                              |   |                               |                  |
| Transfer of loss on disposal of treasury stock        |   |                                     |                              |   |                               |                  |
| Reversal of land revaluation excess                   |   |                                     |                              |   |                               | 137              |
| Changes in items other than stockholders' equity, net | 50,807  | (1,167)                             | (137)                        | 49,502                                      | (69)                          | 49,432           |
| Total changes during the accounting period            | 50,807  | (1,167)                             | (137)                        | 49,502                                      | (69)                          | 61,910           |
| Balance at the end of the accounting period           | ¥214,136  | ¥(374)                              | ¥19,178                      | ¥232,939                                    | ¥273                          | ¥697,899         |

|   | Thousands of U.S. dollars                             |                                     |                              |   |                               |                  |
|---|---|-------------------------------------|------------------------------|---|-------------------------------|------------------|
|   | Valuation and translation adjustments                 |                                     |                              |   |                               |                  |
|   | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | Subscription rights to shares | Total net assets |
| For the year ended March 31, 2021                     |   |                                     |                              |   |                               |                  |
| Balance at the beginning of the accounting period     | \$1,475,286   | \$7,153                             | \$174,464                    | \$1,656,914                                 | \$3,098                       | \$5,744,639      |
| Changes during the accounting period                  |   |                                     |                              |   |                               |                  |
| Dividends   |   |                                     |                              |   |                               | (40,068)         |
| Reversal of deferred gains on real property           |   |                                     |                              |   |                               |                  |
| Provision of general reserve                          |   |                                     |                              |   |                               | 150,654          |
| Net income  |   |                                     |                              |   |                               | (0)              |
| Purchase of treasury stock                            |   |                                     |                              |   |                               | 885              |
| Disposal of treasury stock                            |   |                                     |                              |   |                               |                  |
| Transfer of loss on disposal of treasury stock        |   |                                     |                              |   |                               |                  |
| Reversal of land revaluation excess                   |   |                                     |                              |   |                               | 1,237            |
| Changes in items other than stockholders' equity, net | 458,919   | (10,541)                            | (1,237)                      | 447,132                                     | (623)                         | 446,499          |
| Total changes during the accounting period            | 458,919   | (10,541)                            | (1,237)                      | 447,132                                     | (623)                         | 559,208          |
| Balance at the end of the accounting period           | \$1,934,206   | \$(3,378)                           | \$173,227                    | \$2,104,046                                 | \$2,465                       | \$6,303,847      |

|   | Millions of yen      |                 |                       |                       |
|---|----------------------|-----------------|-----------------------|-----------------------|
|   | Stockholders' equity |                 |                       |                       |
|   | Common stock         | Capital surplus |                       |                       |
|   |                      | Capital reserve | Other capital surplus | Total capital surplus |
| For the year ended March 31, 2020                     |                      |                 |                       |                       |
| Balance at the beginning of the accounting period     | ¥20,948              | ¥10,480         | ¥ —                   | ¥10,480               |
| Changes during the accounting period                  |                      |                 |                       |                       |
| Dividends   |                      |                 |                       |                       |
| Reversal of deferred gains on real property           |                      |                 |                       |                       |
| Provision of general reserve                          |                      |                 |                       |                       |
| Net income  |                      |                 |                       |                       |
| Purchase of treasury stock                            |                      |                 |                       |                       |
| Disposal of treasury stock                            |                      |                 | (5)                   | (5)                   |
| Transfer of loss on disposal of treasury stock        |                      |                 | 5                     | 5                     |
| Reversal of land revaluation excess                   |                      |                 |                       |                       |
| Changes in items other than stockholders' equity, net |                      |                 |                       |                       |
| Total changes during the accounting period            | —                    | —               | —                     | —                     |
| Balance at the end of the accounting period           | ¥20,948              | ¥10,480         | ¥ —                   | ¥10,480               |

|   | Millions of yen         |                                 |                 |                                   |                         |                |                            |
|---|-------------------------|---------------------------------|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Stockholders' equity    |                                 |                 |                                   |                         |                |                            |
|   | Retained earnings       |                                 |                 |                                   |                         |                |                            |
|   | Other retained earnings |                                 |                 |                                   |                         |                |                            |
| For the year ended March 31, 2020                     | Legal reserve           | Deferred gains on real property | General reserve | Retained earnings brought forward | Total retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of the accounting period     | ¥20,948                 | ¥2,059                          | ¥370,594        | ¥19,452                           | ¥413,054                | ¥(6,683)       | ¥437,800                   |
| Changes during the accounting period                  |                         |                                 |                 |                                   |                         |                |                            |
| Dividends   |                         |                                 |                 | (4,435)                           | (4,435)                 |                | (4,435)                    |
| Reversal of deferred gains on real property           |                         | (11)                            |                 | 11                                | —                       |                |                            |
| Provision of general reserve                          |                         |                                 | 14,000          | (14,000)                          | —                       |                |                            |
| Net income  |                         |                                 |                 | 18,502                            | 18,502                  |                | 18,502                     |
| Purchase of treasury stock                            |                         |                                 |                 |                                   |                         | (0)            | (0)                        |
| Disposal of treasury stock                            |                         |                                 |                 |                                   |                         | 72             | 66                         |
| Transfer of loss on disposal of treasury stock        |                         |                                 |                 | (5)                               | (5)                     |                | —                          |
| Reversal of land revaluation excess                   |                         |                                 |                 | 274                               | 274                     |                | 274                        |
| Changes in items other than stockholders' equity, net |                         |                                 |                 |                                   |                         |                |                            |
| Total changes during the accounting period            | —                       | (11)                            | 14,000          | 347                               | 14,336                  | 71             | 14,408                     |
| Balance at the end of the accounting period           | ¥20,948                 | ¥2,048                          | ¥384,594        | ¥19,799                           | ¥427,390                | ¥(6,611)       | ¥452,208                   |

|   | Millions of yen                                       |                                     |                              |   |                               |                  |
|---|---|-------------------------------------|------------------------------|---|-------------------------------|------------------|
|   | Valuation and translation adjustments                 |                                     |                              |   |                               |                  |
|   | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | Subscription rights to shares | Total net assets |
| For the year ended March 31, 2020                     |   |                                     |                              |   |                               |                  |
| Balance at the beginning of the accounting period     | ¥158,875  | ¥(1,545)                            | ¥19,590                      | ¥176,919                                    | ¥397                          | ¥615,117         |
| Changes during the accounting period                  |   |                                     |                              |   |                               |                  |
| Dividends   |   |                                     |                              |   |                               | (4,435)          |
| Reversal of deferred gains on real property           |   |                                     |                              |   |                               |                  |
| Provision of general reserve                          |   |                                     |                              |   |                               |                  |
| Net income  |   |                                     |                              |   |                               | 18,502           |
| Purchase of treasury stock                            |   |                                     |                              |   |                               | (0)              |
| Disposal of treasury stock                            |   |                                     |                              |   |                               | 66               |
| Transfer of loss on disposal of treasury stock        |   |                                     |                              |   |                               |                  |
| Reversal of land revaluation excess                   |   |                                     |                              |   |                               | 274              |
| Changes in items other than stockholders' equity, net | 4,453   | 2,338                               | (274)                        | 6,517                                       | (54)                          | 6,463            |
| Total changes during the accounting period            | 4,453   | 2,338                               | (274)                        | 6,517                                       | (54)                          | 20,871           |
| Balance at the end of the accounting period           | ¥163,329  | ¥792                                | ¥19,315                      | ¥183,437                                    | 343                           | ¥635,989         |



## Corporate Data

(As of March 31, 2021)

### Year of Foundation

1878

### Common Stock

Authorized 600,000,000 shares  
 Issued 323,775,366 shares  
 Capital ¥20,948 million

### Number of Stockholders

25,510

### Major Stockholders

| Name                                 | Shares<br>(thousands) | %     |
|--------------------------------------|-----------------------|-------|
| Custody Bank of Japan, Ltd           | 47,790                | 15.07 |
| The Master Trust Bank of Japan, Ltd. | 18,985                | 5.99  |
| Nippon Life Insurance Company        | 8,878                 | 2.80  |
| Meiji Yasuda Life Insurance Company  | 8,867                 | 2.79  |
| Daio Kaiun Co., Ltd.                 | 6,000                 | 1.89  |
| Sumitomo Forestry Co., Ltd.          | 5,911                 | 1.86  |
| Sumitomo Life Insurance Company      | 5,415                 | 1.70  |
| Employee stock ownership of Iyo Bank | 4,884                 | 1.54  |
| Sompo Japan Nipponkoa Insurance Inc. | 4,293                 | 1.35  |
| Nichia Corporation                   | 3,830                 | 1.20  |

### Number of Employees

(The Iyo Bank, Ltd. and its Consolidated Subsidiaries)  
 3,071

### Number of Branches

150 (Domestic 149, Foreign 1)

### Board of Directors and Corporate Auditors

(As of June 29, 2021)

|  |   |
|--|---|
| <b>Chairman</b>  | Iwao Otsuka   |
| <b>President</b>   | Kenji Miyoshi   |
| <b>Deputy President</b>  | Kenji Takata  |
| <b>Managing Directors</b>  | Kensei Yamamoto<br>Masamichi Ito<br>Hiroshi Nagata<br>Hirohisa Semba  |
| <b>Directors<br/>(Audit and Supervisory<br/>Committee Members)</b> | Tetsuo Takeuchi<br>Kaname Saeki<br>Junko Miyoshi<br>Keiji Joko<br>Yuichi Ohashi<br>Yoriko Noma  |
| <b>Senior Managing Executive Officers</b>                          | Kenji Morioka<br>Keijiro Joko   |
| <b>Managing Executive Officers</b>                                 | Shinya Fujita<br>Yasuji Fujita<br>Koichi Kihara<br>Kazuya Chikata<br>Yoshiki Kume   |
| <b>Executive Officers</b>  | Shinichi Doi<br>Seiji Komoda<br>Toshiki Hamaguchi<br>Yasumi Inada<br>Naoaki Fujita<br>Norihiko Kawasaki<br>Takashi Tokunaga<br>Kazushige Yano<br>Masahiko Kimura<br>Nobuyuki Sasaki<br>Takeshi Watanabe<br>Takashi Sagayama |

## Directory

(As of March 31, 2021)

### Head Office

1, Minami-Horibata-cho, Matsuyama 790-8514  
 Tel: (089)931-9899  
<https://www.iyobank.co.jp/>

### International Division

Tel: (089) 931-9899  
 SWIFT Address: IYOBJPJ

### Treasury and Foreign Exchange Department

Tel: (03) 3242-1801  
 SWIFT Address: IYOBJPJ

### Singapore Branch

8 Marina View #15-02 Asia Square Tower 1, Singapore  
 018960, Singapore  
 Tel: (65) 6394-9830

### Hong Kong Representative Office

Suite 2812, Tower Two, Times Square, 1 Matheson Street,  
 Causeway Bay, Hong Kong  
 Tel: (852)2869-0466

### Shanghai Representative Office

Room 1603 Shanghai International Trade Center, 2201 Yan-an  
 Road (West), Shanghai 200336, People's Republic of China  
 Tel: (021) 6270-7488



## **THE IYO BANK, LTD.**

HEAD OFFICE

1, Minami-Horibata-cho, Matsuyama 790-8514

URL: <https://www.iyobank.co.jp/>